

MVC CAPITAL, INC.  
Form 10-Q  
June 11, 2018  
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**FORM 10-Q**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2018 or

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 814-00201

**MVC CAPITAL, INC.**

(Exact name of the registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**287 Bowman Avenue**  
**2nd Floor**  
**Purchase, New York**  
(Address of principal  
executive offices)

**94-3346760**  
(I.R.S. Employer  
Identification No.)

**10577**  
(Zip Code)

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Registrant's telephone number, including area code: **(914) 701-0310**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 18,820,528 shares of the registrant's common stock, \$.01 par value, outstanding as of June 11, 2018.

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MVC Capital, Inc.

(A Delaware Corporation)

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	<b>April 30, 2018 (Unaudited)</b>	<b>October 31, 2017</b>
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 30,089,684	\$ 100,354,340
Restricted cash (cost \$5,300,478 and \$5,300,329)	5,300,478	5,300,329
Cash equivalents (cost \$790,497 and \$1,019,899)	790,497	1,019,899
Investments at fair value		
U.S. Treasury obligations (cost \$24,996,209 and \$0)	24,996,209	
Non-control/Non-affiliated investments (cost \$193,865,701 and \$164,581,094)	180,988,607	149,246,812
Affiliate investments (cost \$114,621,326 and \$114,158,346)	79,085,692	81,908,631
Control investments (cost \$87,523,308 and \$84,478,275)	64,527,600	61,370,030
Total investments at fair value (cost \$421,006,544 and \$363,217,715)	349,598,108	292,525,473
Dividends and interest receivables, net of reserves	2,144,616	1,806,335
Deferred financing fees	323,269	600,379
Fee and other receivables	1,836,558	1,483,793
Prepaid expenses	425,449	318,847
<b>Total assets</b>	<b>\$ 390,508,659</b>	<b>\$ 403,409,395</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Senior notes II	\$ 111,673,815	\$ 112,626,045
Senior notes		
Revolving credit facility II	25,000,000	
Provision for incentive compensation (Note 11)	1,316,475	2,060,992
Incentive compensation payable	2,502,961	4,387,266
Professional fees payable	142,852	118,403
Management fee payable	934,918	1,001,770
Accrued expenses and liabilities	516,910	562,473
Interest payable	491,514	345,612
Management fee payable - Asset Management	88,360	89,192
Consulting fees payable	206,404	347,863
Portfolio fees payable - Asset Management	580,720	458,566
Guarantees/Letters of Credit	703,993	551,349
Transaction fees payable	49,836	1,368,742
Taxes payable	1,094	2,054
<b>Total liabilities</b>	<b>144,209,852</b>	<b>123,920,327</b>
<b>Commitments and Contingencies (Note 9)</b>		

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**Shareholders equity**

Common stock, \$0.01 par value; 150,000,000 shares authorized;  
28,304,448 shares issued and 18,820,528 and 21,114,105 shares  
outstanding as of April 30, 2018 and October 31, 2017,  
respectively

	283,044	283,044
Additional paid-in-capital	418,107,945	418,208,458
Accumulated earnings	121,528,079	122,455,573
Distributions paid to stockholders	(163,060,763)	(157,414,605)
Accumulated net realized (loss) gain	35,533,884	38,434,807
Net unrealized depreciation	(69,580,448)	(70,965,264)
Treasury stock, at cost, 9,483,920 and 7,190,343 shares held, respectively	(96,512,934)	(71,512,945)
<b>Total shareholders equity</b>	<b>246,298,807</b>	<b>279,489,068</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 390,508,659</b>	<b>\$ 403,409,395</b>
<b>Net asset value per share</b>	<b>\$ 13.09</b>	<b>\$ 13.24</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## MVC Capital, Inc.

## Consolidated Statements of Operations

(Unaudited)

	For the Six Month Period November 1, 2017 to April 30, 2018	For the Six Month Period November 1, 2016 to April 30, 2017
<b>Operating Income:</b>		
Dividend income		
Non-control/Non-affiliated investments	\$ 1,073,249	\$
Total dividend income	1,073,249	
Interest income		
Non-control/Non-affiliated investments	7,169,584	3,753,071
Affiliate investments	23,700	1,075,970
Control investments	161,767	332,771
Total interest income	7,355,051	5,161,812
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	1,408,522	557,217
Affiliate investments	110,079	374,104
Control investments	56,239	96,559
Total payment-in-kind/Deferred interest income	1,574,840	1,027,880
Fee income		
Non-control/Non-affiliated investments	133,458	144,642
Affiliate investments		353,333
Control investments		52,420
Total fee income	133,458	550,395
Fee income - Asset Management 1		
Portfolio fees	393,664	420,461
Management fees	176,968	148,010
Total fee income - Asset Management	570,632	568,471
<b>Total operating income</b>	<b>10,707,230</b>	<b>7,308,558</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs 2	6,098,458	5,143,949
Loss on extinguishment of debt	1,782,705	
Management fee	2,906,877	3,510,042
Net Incentive compensation (Note 11)	(744,517)	1,745,117
Audit & tax preparation fees	510,000	527,000
Legal fees	362,020	509,410
Consulting fees	451,000	548,555
Other expenses	351,074	480,654

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Portfolio fees - Asset Management 1	295,248	315,345
Directors fees	163,000	212,514
Insurance	134,336	141,016
Management fee - Asset Management 1	132,726	111,008
Administration	86,810	99,247
Public relations fees	62,245	91,000
Printing and postage	30,485	36,265
<b>Total operating expenses</b>	<b>12,622,467</b>	<b>13,471,122</b>
Less: Voluntary Expense Waiver by Adviser 3	(75,000)	(75,000)
Less: Voluntary Management Fee Waiver by Adviser 4	(913,703)	(877,511)
<b>Total waivers</b>	<b>(988,703)</b>	<b>(952,511)</b>
<b>Net operating loss before taxes</b>	<b>(926,534)</b>	<b>(5,210,053)</b>
<b>Tax Expenses:</b>		
Current tax expense	960	960
<b>Total tax expense</b>	<b>960</b>	<b>960</b>
<b>Net operating loss</b>	<b>(927,494)</b>	<b>(5,211,013)</b>
<b>Net Realized and Unrealized (Loss) Gain on Investments:</b>		
Net realized gain (loss) on investments		
Short term investments		183,087
Non-control/Non-affiliated investments	(2,901,290)	1,208
Affiliate investments		850,000
Control investments		9,863,648
Foreign currency	367	4,549
<b>Total net realized gain (loss) on investments</b>	<b>(2,900,923)</b>	<b>10,902,492</b>
Net unrealized appreciation on investments	1,384,816	1,754,675
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(1,516,107)</b>	<b>12,657,167</b>
<b>Net (decrease) increase in net assets resulting from operations</b>	<b>\$ (2,443,601)</b>	<b>\$ 7,446,154</b>
<b>Net (decrease) increase in net assets per share resulting from operations</b>	<b>\$ (0.13)</b>	<b>\$ 0.33</b>
<b>Dividends declared per share 5</b>	<b>\$ 0.300</b>	<b>\$ 0.270</b>
<b>Weighted average number of shares outstanding</b>	<b>19,517,471</b>	<b>22,556,412</b>

1 These items are related to the management of the MVC Private Equity Fund, L.P. ( PE Fund ). Please see Note 4 Management for more information.

2 Interest and other borrowing costs includes \$699,979 of interest associated with installment sale treatment on the USG&E note. Please see Note 12 Tax Matters for more information.



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<sup>3</sup> Reflects the six month period of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2018 and 2017 fiscal years, that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement (the "Voluntary Waiver"). Please see Note 10 "Management" for more information.

<sup>4</sup> Reflects the six month period of the TTG Advisers' voluntary waiver of the management fee for the 2018 and 2017 fiscal years. Please see Note 10 "Management" for more information.

<sup>5</sup> Please see Note 6 "Dividends and Distributions to Shareholders and Share Repurchase Program" for more information.

The accompanying notes are an integral part of these consolidated financial statements.

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## MVC Capital, Inc.

## Consolidated Statements of Operations

(Unaudited)

	For the Quarter February 1, 2018 to April 30, 2018	For the Quarter February 1, 2017 to April 30, 2017
<b>Operating Income:</b>		
Dividend income		
Non-control/Non-affiliated investments	\$ 534,597	\$
Total dividend income	534,597	
Interest income		
Non-control/Non-affiliated investments	3,644,902	2,245,969
Affiliate investments	12,822	490,651
Control investments	87,533	199,298
Total interest income	3,745,257	2,935,918
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	782,691	254,256
Affiliate investments	55,225	194,400
Control investments	31,027	34,601
Total payment-in-kind/Deferred interest income	868,943	483,257
Fee income		
Non-control/Non-affiliated investments	66,039	71,745
Affiliate investments		173,333
Control investments		14,920
Total fee income	66,039	259,998
Fee income - Asset Management 1		
Portfolio fees	197,562	184,597
Management fees	88,295	64,788
Total fee income - Asset Management	285,857	249,385
<b>Total operating income</b>	<b>5,500,693</b>	<b>3,928,558</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs 2	2,981,434	2,605,853
Loss on extinguishment of debt		
Management fee	1,495,869	1,696,127
Net Incentive compensation (Note 11)	(1,011,106)	985,343
Audit & tax preparation fees	75,000	72,000
Legal fees	134,000	430,885
Consulting fees	242,000	273,000
Other expenses	169,814	113,208

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Portfolio fees - Asset Management 1	148,171	138,447
Directors fees	84,000	106,000
Insurance	67,250	68,797
Management fee - Asset Management 1	66,221	48,591
Administration	43,994	48,601
Public relations fees	24,145	44,000
Printing and postage	15,100	15,258
<b>Total operating expenses</b>	<b>4,535,892</b>	<b>6,646,110</b>
Less: Voluntary Expense Waiver by Adviser 3	(37,500)	(37,500)
Less: Voluntary Management Fee Waiver by Adviser 4	(560,951)	(424,032)
<b>Total waivers</b>	<b>(598,451)</b>	<b>(461,532)</b>
<b>Net operating gain (loss) before taxes</b>	<b>1,563,252</b>	<b>(2,256,020)</b>
<b>Tax Expenses:</b>		
Current tax expense	480	480
<b>Total tax expense</b>	<b>480</b>	<b>480</b>
<b>Net operating gain (loss)</b>	<b>1,562,772</b>	<b>(2,256,500)</b>
<b>Net Realized and Unrealized (Loss) Gain on Investments:</b>		
Net realized gain (loss) on investments		
Short term investments		85,903
Non-control/Non-affiliated investments	(2,901,290)	1,208
Affiliate investments		850,000
Control investments		(1,059,375)
Foreign currency	(2,206)	
<b>Total net realized loss on investments</b>	<b>(2,903,496)</b>	<b>(122,264)</b>
Net unrealized (depreciation) appreciation on investments	(2,052,973)	5,447,496
<b>Net realized and unrealized (loss) gain on investments</b>	<b>(4,956,469)</b>	<b>5,325,232</b>
<b>Net (decrease) increase in net assets resulting from operations</b>	<b>\$ (3,393,697)</b>	<b>\$ 3,068,732</b>
<b>Net (decrease) increase in net assets per share resulting from operations</b>	<b>\$ (0.18)</b>	<b>\$ 0.14</b>
<b>Dividends declared per share 5</b>	<b>\$ 0.150</b>	<b>\$ 0.135</b>
<b>Weighted average number of shares outstanding</b>	<b>18,820,528</b>	<b>22,556,412</b>

1 These items are related to the management of the MVC Private Equity Fund, L.P. ( PE Fund ). Please see Note 4 Management for more information.

2 Interest and other borrowing costs includes \$699,979 of interest associated with installment sale treatment on the USG&E note. Please see Note 12 Tax Matters for more information.

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<sup>3</sup> Reflects the quarterly portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2018 and 2017 fiscal years, that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement (the "Voluntary Waiver"). Please see Note 10 "Management" for more information.

<sup>4</sup> Reflects the quarterly portion of the TTG Advisers' voluntary waiver of the management fee for the 2018 and 2017 fiscal years. Please see Note 10 "Management" for more information.

<sup>5</sup> Please see Note 6 "Dividends and Distributions to Shareholders and Share Repurchase Program" for more information.

The accompanying notes are an integral part of these consolidated financial statements.

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## MVC Capital, Inc.

## Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Month Period November 1, 2017 to April 30, 2018	For the Six Month Period November 1, 2016 to April 30, 2017
<b>Cash flows from Operating Activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$ (2,443,601)	\$ 7,446,154
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss (gain)	2,900,923	(10,902,492)
Net change in unrealized (appreciation) depreciation	(1,384,816)	(1,754,675)
Amortization of premiums (discounts) and fees	(100,778)	(127,216)
Increase in accrued payment-in-kind dividends and interest	(1,350,916)	(918,545)
Amortization of deferred financing fees	610,895	557,634
Loss on extinguishment of debt	1,782,705	
Changes in operating assets and liabilities:		
Restricted cash	(149)	500,351
Dividends, interest and fees receivable	(338,281)	2,472,242
Fee and other receivables	(352,765)	(106,313)
Escrow receivables, net of reserves		3,919,390
Prepaid expenses	(106,602)	(241,570)
Net incentive compensation (Note 11)	(2,628,822)	649,037
Other liabilities	(1,282,067)	(214,273)
Purchases of equity investments	(468,562)	(59,375)
Purchases of debt instruments	(41,428,204)	(5,151,147)
Purchases of short-term investments	(24,996,209)	(49,954,511)
Proceeds from equity investments (1)		15,554,570
Proceeds from debt instruments	9,873,156	4,480,843
Sales/maturities of short-term investments		60,177,638
<b>Net cash provided by (used in) operating activities</b>	<b>(61,714,093)</b>	<b>26,327,742</b>
<b>Cash flows from Financing Activities:</b>		
Borrowings from senior notes II	115,000,000	
Repayments on senior notes	(114,408,750)	
Borrowings from revolving credit facility	25,000,000	50,000,000
Repayments from revolving credit facility		(60,000,000)
Repurchase of common stock	(25,100,502)	
Financing fees paid	(3,624,555)	(187,500)
Distributions paid to shareholders	(5,478,662)	(5,957,039)
Repurchases of common stock under dividend reinvestment plan	(167,496)	(133,193)
<b>Net cash used in financing activities</b>	<b>(8,779,965)</b>	<b>(16,277,732)</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>(70,494,058)</b>	<b>10,050,010</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>\$ 101,374,239</b>	<b>\$ 20,214,160</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 30,880,181</b>	<b>\$ 30,264,170</b>

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(1) For the six month period ended April 30, 2017, proceeds from equity investments includes \$800,859, in escrow receivables, net of reserves.

During the six month periods ended April 30, 2018 and 2017 MVC Capital, Inc. paid \$5,045,474 and \$4,214,601 in interest expense, respectively.

During the six month periods ended April 30, 2018 and 2017 MVC Capital, Inc. paid \$1,920 and \$1,278 in income taxes, respectively.

**Non-cash activity:**

During the six month periods ended April 30, 2018 and 2017, MVC Capital, Inc. recorded payment in-kind dividend and interest of \$1,350,916 and \$918,545, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the six month periods ended April 30, 2018 and 2017, the Company issued 16,019 and 15,127 shares of common stock to satisfy the dividend reinvestment plan.

On November 28, 2017, the Company restructured the Custom Alloy second lien loan and unsecured subordinated loan. The second lien loan was restructured into a \$3.5 million second lien loan with an interest rate of 10% and a maturity date of December 31, 2020, 6,500 shares of Series B Preferred Stock with a 10% PIK coupon and a maturity date of December 31, 2020 and 17,935 shares of Series C Preferred Stock. The unsecured subordinated loan was restructured into 3,617 shares of Series A Preferred Stock with a 12% PIK coupon and a maturity date of April 30, 2020.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**MVC Capital, Inc.****Consolidated Statements of Changes in Net Assets**

	For the Six Month Period November 1, 2017 to April 30, 2018 (Unaudited)	For the Six Month Period November 1, 2016 to April 30, 2017 (Unaudited)	For the Year Ended October 31, 2017
<b>Operations:</b>			
Net operating loss	\$ (927,494)	\$ (5,211,013)	\$ (5,598,822)
Net realized (loss) gain on investments	(2,900,923)	10,902,492	89,895,631
Net change in appreciation (depreciation) unrealized appreciation on investments	1,384,816	1,754,675	(56,972,810)
<b>Net (decrease) increase in net assets from operations</b>	<b>(2,443,601)</b>	<b>7,446,154</b>	<b>27,323,999</b>
<b>Shareholder Distributions from:</b>			
Income		(6,090,232)	(9,738,519)
Return of capital	(5,646,158)		(2,563,946)
<b>Net decrease in net assets from shareholder distributions</b>	<b>(5,646,158)</b>	<b>(6,090,232)</b>	<b>(12,302,465)</b>
<b>Capital Share Transactions:</b>			
Issuance of common stock under dividend reinvestment plan	167,496	133,193	283,120
Repurchase of common stock under dividend reinvestment plan	(167,496)	(133,193)	(283,120)
Repurchase expenses	(100,513)		(90,251)
Repurchase of common stock	(24,999,989)		(14,999,993)
<b>Net decrease in net assets from capital share transactions</b>	<b>(25,100,502)</b>		<b>(15,090,244)</b>
<b>Total (decrease) increase in net assets</b>	<b>(33,190,261)</b>	<b>1,355,922</b>	<b>(68,710)</b>
<b>Net assets, beginning of period/year</b>	<b>279,489,068</b>	<b>279,557,778</b>	<b>279,557,778</b>
<b>Net assets, end of period/year</b>	<b>\$ 246,298,807</b>	<b>\$ 280,913,700</b>	<b>\$ 279,489,068</b>
<b>Common shares outstanding, end of period/year</b>	<b>18,820,528</b>	<b>22,556,412</b>	<b>21,114,105</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## MVC Capital, Inc.

## Consolidated Selected Per Share Data and Ratios

	For the Six Month Period November 1, 2017 to April 30, 2018 (Unaudited)	For the Six Month Period November 1, 2016 to April 30, 2017 (Unaudited)	For the Year Ended October 31, 2017
Net asset value, beginning of period/year	\$ 13.24	\$ 12.39	\$ 12.39
(Loss) Gain from operations:			
Net operating loss	(0.05)	(0.23)	(0.25)
Net realized and unrealized (loss) gain on investments	(0.08)	0.56	1.47
Total (loss) gain from investment operations	(0.13)	0.33	1.22
Less distributions from:			
Income		(0.27)	(0.44)
Return of capital	(0.30)		(0.12)
Total distributions	(0.30)	(0.27)	(0.56)
Capital share transactions			
Anti-dilutive effect of share repurchase program	0.28		0.19
Total capital share transactions	0.28		0.19
Net asset value, end of period/year	\$ 13.09	\$ 12.45	\$ 13.24
Market value, end of period/year	\$ 9.92	\$ 9.04	\$ 10.70
Market discount	(24.22)%	(27.39)%	(19.18)%
<b>Total Return - At NAV (a)</b>	1.12%	2.68%	11.54%
<b>Total Return - At Market (a)</b>	(4.54)%	7.25%	30.39%
<b>Ratios and Supplemental Data:</b>			
Portfolio turnover ratio	3.20%	0.55%	4.26%
Net assets, end of period/year (in thousands)	\$ 246,299	\$ 280,914	\$ 279,489
Ratios to average net assets:			
Expenses including tax expense	9.04%(c)	9.00%(c)	9.03%
Expenses excluding tax expense	9.04%(c)	9.00%(c)	9.03%
Net operating loss before tax expense	(0.72)% (c)	(3.75)% (c)	(1.97)%



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Net operating loss after tax expense	(0.72)% <sup>(c)</sup>	(3.75)% <sup>(c)</sup>	(1.97)%
Ratios to average net assets excluding waivers:			
Expenses including tax expense	9.81% <sup>(c)</sup>	9.69% <sup>(c)</sup>	9.63%
Expenses excluding tax expense	9.81% <sup>(c)</sup>	9.69% <sup>(c)</sup>	9.63%
Net operating loss before tax expense	(1.49)% <sup>(c)</sup>	(4.43)% <sup>(c)</sup>	(2.57)%
Net operating loss after tax expense	(1.49)% <sup>(c)</sup>	(4.43)% <sup>(c)</sup>	(2.57)%

(a) Total annual return is historical and assumes changes in share price, reinvestments of all dividends and distributions, and no sales charge for the period/year.

(b) Supplemental Ratio information

Ratios to average net assets: (b)			
Expenses excluding incentive compensation	9.62% <sup>(c)</sup>	7.75% <sup>(c)</sup>	7.07%
Expenses excluding incentive compensation, interest and other borrowing costs	4.88% <sup>(c)</sup>	4.05% <sup>(c)</sup>	3.45%
Net operating loss before incentive compensation	(1.30)% <sup>(c)</sup>	(2.49)% <sup>(c)</sup>	%
Net operating income before incentive compensation, interest and other borrowing costs	3.44% <sup>(c)</sup>	1.21% <sup>(c)</sup>	3.62%
Ratios to average net assets excluding waivers: (b)			
Expenses excluding incentive compensation	10.39% <sup>(c)</sup>	8.43% <sup>(c)</sup>	7.67%
Expenses excluding incentive compensation, interest and other borrowing costs	5.65% <sup>(c)</sup>	4.73% <sup>(c)</sup>	4.05%
Net operating loss before incentive compensation	(2.07)% <sup>(c)</sup>	(3.18)% <sup>(c)</sup>	(0.60)%
Net operating income before incentive compensation, interest and other borrowing costs	2.67% <sup>(c)</sup>	0.52% <sup>(c)</sup>	3.02%

(c) Annualized.

The accompanying notes are an integral part of these consolidated financial statements.

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**MVC Capital, Inc.**

**Consolidated Schedule of Investments**

**April 30, 2018**

**(Unaudited)**

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
<b>Non-control/Non-affiliated investments- 73.48% (a, c, f, g)</b>					
Apex Industrial Technologies, LLC	Supply Chain Equipment Manufacturer	First Lien Loan 12.0000% Cash, 03/09/2023 (k, n)	\$ 15,000,000	\$ 14,854,274	\$ 15,000,000
Array Information Technology, Inc.	Information Technology Products and Services	Second Lien Loan 12.0000% Cash, 4.0000% PIK, 10/03/2023 (b, k, n, p) Warrants (d, n)	6,000,000 1	5,881,818 5,881,818	6,000,000 6,000,000
Black Diamond Equipment Rentals, LLC	Equipment Rental	Second Lien Loan 12.5000% Cash, 06/27/2022 (k, n) Warrants (d, n)	7,500,000 1	6,990,752 400,847 7,391,599	7,129,424 400,847 7,530,271
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 10.0000% Cash, 12/31/2020 (k, n) First Lien Loan 10.0000% Cash, 08/31/2018 (k, n) Series A Preferred Stock (3,617 shares) 12.0000% PIK, 04/30/2020 (b, d, n) Series B Preferred Stock (6,500 shares) 10.0000% PIK, 12/31/2020 (b, d, n) Convertible Series C Preferred Stock (17,935 shares) (d, n)	3,569,053 3,420,688	3,129,267 3,420,688 3,000,000 5,683,254 17,935,482 33,168,691	3,262,374 3,420,688 3,278,591 5,821,436 12,873,574 28,656,663
Dukane IAS, LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, n)	4,322,074	4,247,034	4,365,293
Essner Manufacturing, LP	Defense/Aerospace Parts Manufacturing	First Lien Loan 11.5000% Cash, 12/20/2022 (k, n, o)	3,666,700	3,598,727	3,666,700
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i, n)		15,000,000	4,798,000
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k, n)	5,045,659	4,956,456	5,045,659
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 2.0000% PIK, 06/21/2019 (b, k, n)	9,978,172	9,974,165	9,687,962
Initials, Inc.	Consumer Products	Senior Subordinated Debt 8.0000% Cash, 7.0000% PIK, 06/23/2020 (b, k, n)	5,402,355	5,402,355	4,857,666
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 09/12/2018 (b, k, n)	11,630,939	11,631,681	11,747,363
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 08/12/2022	15,916,640	15,916,640	16,162,449

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			(b, k, n, q)		
SGDA Europe B.V.	Environmental Services	First Lien Note 5.0000% PIK, 10/26/2024 (b, e, m, n)	1,217,745	1,217,745	1,217,745
		Warrants (d, o)	1	67,715	67,715
				1,285,460	1,285,460
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, n)	7,717,056	7,717,056	7,207,017
		Third Lien Loan 10.0000% Cash, 08/07/2020 (k, n)	1,330,000	1,330,000	1,261,284
				9,047,056	8,468,301
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, n)	37,527,881	37,527,881	39,761,820
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, n)		5,488,000	5,400,000
		Secured Loan 12.0000% Cash, 04/30/2019 (k, n)	1,500,000	1,500,000	1,500,000
		Senior Secured Loan 12.0000% Cash, 11/07/2020 (k, n)	1,500,000	1,500,000	1,500,000
				8,488,000	8,400,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, n)	5,500,000	5,493,864	5,555,000
<b>Sub Total Non-control/Non-affiliated investments</b>				<b>\$ 193,865,701</b>	<b>\$ 180,988,607</b>
<b>Affiliate investments - 32.11%</b>					
<b>(c, f, g)</b>					
Advantage Insurance, Inc.	Insurance	Preferred Stock (750,000 shares) (a, d, e, n)		7,500,000	8,835,361
Centile Holdings B.V.	Software	Common Equity Interest (a, d, e, n)		3,524,376	7,281,000
Crius Energy Trust	Energy Services	Equity Unit (3,282,982 shares) (e)		25,865,227	19,377,240
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (a, d, e, n)		4,500	
		Preferred Stock (9,159,085 shares) (a, d, e, n)		11,810,188	4,390,000
				11,814,688	4,390,000
MVC Environmental, Inc.	Environmental Services	Senior Secured Loan 9.0000% PIK, 12/22/2020 (a, b, h, k, n)	6,869,353	6,869,353	4,136,054
		Common Stock (980 shares) (a, d, n)		3,140,375	
				10,009,728	4,136,054
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (a, d, e, n)		51,204,270	30,363,000
		Bridge Loan 5.0000% PIK, 12/31/2019 (a, b, e, k, n)	4,703,037	4,703,037	4,703,037
				55,907,307	35,066,037
<b>Sub Total Affiliate investments</b>				<b>\$ 114,621,326</b>	<b>\$ 79,085,692</b>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments - (Continued)****April 30, 2018****(Unaudited)**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Control investments - 26.20%</b>					
<b>(c, f, g)</b>					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d, k)		\$ 10,030,272	\$ 10,578,253
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e, n)		51,185,015	20,162,000
		Bridge Loan 6.0000% Cash, 06/30/2019 (a, e, k, n)	\$ 7,149,166	7,149,166	7,149,166
				58,334,181	27,311,166
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, k, n)		11,452,452	18,352,925
		General Partnership Interest (a, d, j, k, n)		292,154	461,257
				11,744,606	18,814,182
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d, n)		924,475	92,741
		Series C Preferred Stock (23,896,634 shares) (a, d, n)		3,410,694	3,819,831
		Series B-1 Preferred Stock (4,999,076 shares) (a, d, n)		999,815	1,845,303
		Subordinated Debt 10.0000% PIK, 3/30/2022 (a, b, k, n)	1,742,872	1,742,872	1,742,872
		Warrants (a, d, n)	2	336,393	323,252
				7,414,249	7,823,999
<b>Sub Total Control investments</b>				<b>\$ 87,523,308</b>	<b>\$ 64,527,600</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 131.79%</b>					
<b>(f)</b>					
				<b>\$ 396,010,335</b>	<b>\$ 324,601,899</b>
<b>U.S. Treasury Obligations - 10.15% (f, g)</b>					
U.S. Treasury Bill	U.S. Government Securities	2.750% Cash, 04/30/2023 (r)	\$ 25,050,000	24,996,209	24,996,209
<b>Sub Total Short-Term Investments</b>				<b>24,996,209</b>	<b>24,996,209</b>
<b>Cash equivalents 0.32% (f, g)</b>					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (694,342 shares)		\$ 694,342	\$ 694,342
Morgan Stanley Institutional Liquidity Government Portfolio	Money Market Fund	Beneficial Shares (96,155 shares)		96,155	96,155
<b>Total Cash equivalents</b>				<b>790,497</b>	<b>790,497</b>
<b>TOTAL INVESTMENT ASSETS - 142.26%</b>				<b>\$ 421,797,041</b>	<b>\$ 350,388,605</b>

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(a) These securities are restricted from public sale without prior registration under the Securities Act of 1933. The Company negotiates certain aspects of the method and timing of the disposition of these investments, including registration rights and related costs.

(b) These securities accrue a portion of their interest/dividends in payment in kind interest/dividends which is capitalized to the investment.

(c) All of the Company's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except MVC Automotive Group GmbH, Security Holdings B.V., SGDA Europe B.V., JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return Inc., and MVC Private Equity Fund L.P.

The Company makes available significant managerial assistance to all of the portfolio companies in which it has invested.

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe, Canada, and Puerto Rico which represents approximately 27% of the total assets. The remaining portfolio companies are located in United States which represents approximately 57% of the total assets.

(f) Percentages are based on net assets of \$246,298,807 as of April 30, 2018.

(g) See Note 3 for further information regarding Investment Classification.

(h) All or a portion of the accrued interest on these securities have been reserved for.

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds four investments, three located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company's proportional share of Plymouth Rock Energy membership interest and loan, the Gibdock Limited equity interest, Advanced Oil Field Services, LLC common stock, preferred stock, and loan and Focus Pointe preferred stock is \$7,257,919, \$4,208,377, \$3,139,401 and \$3,286,550, respectively. The Company's partnership interests in the MVC Private Equity Fund, LP are not redeemable.

(k) All or a portion of these securities may serve as collateral for the Santander Credit Facility.

(l) U.S. Gas & Electric, Inc. is an indirect subsidiary of Crius Energy Trust.

(m) PIK toggle at borrower's option

(n) These securities are valued using unobservable inputs.

(o) Variable rate between 10.5000% and 11.5000% cash.

(p) 12% Cash and 0-4% PIK based on FD/EBITDA. 4% PIK to start.

(q) 10% Cash and 4% PIK beginning August 1, 2017.

(r) Serves as collateral for the BB&T custody account.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments****October 31, 2017**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Non-control/Non-affiliated investments- 53.40% (a, c, f, g)</b>					
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 10.1000% Cash, 04/30/2020 (h, k, o)	\$ 24,425,298	24,425,298	\$ 18,471,704
		Unsecured Subordinated Loan 12.0000% Cash, 03/31/2018 (h, k, o)	3,000,000	3,000,000	3,012,165
				27,425,298	21,483,869
Dukane IAS,LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, o)	7,255,747	7,165,971	7,328,296
FDS, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 11/30/2017 (k, o)	2,353,156	2,353,156	2,353,156
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, I, o)		15,000,000	5,407,000
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k)	5,000,000	4,900,699	4,900,699
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 2.0000% PIK, 06/21/2018 (b, k, o)	9,878,042	9,849,998	9,766,317
Initials, Inc.	Consumer Products	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 06/23/2020 (b, k, o)	4,818,874	4,818,874	4,310,277
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 09/12/2018 (b, k, o)	11,456,144	11,459,396	11,570,745
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 08/12/2018 (b, k, o)	17,236,157	17,236,157	17,800,661
SGDA Europe B.V.	Environmental Services	First Lien Note 5.0000% Cash, PIK, 10/26/2024 (a, b, e, m)	1,197,244	1,197,244	1,197,244
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, o)	7,717,056	7,717,056	7,562,620
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, k, o)	40,526,745	40,526,745	40,526,745
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, o)		5,488,000	5,534,183
		Secured Loan 12.0000% Cash, 04/30/2019 (k, o)	1,500,000	1,500,000	1,500,000
				6,988,000	7,034,183
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, o)	5,500,000	5,492,500	5,555,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Second Lien Loan 12.0000% Cash, 08/21/2022 (k, o)	2,450,000	2,450,000	2,450,000
				<b>164,581,094</b>	<b>149,246,812</b>

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**Sub Total  
Non-control/Non-affiliated  
investments**

**Affiliate investments - 29.31%**

(c, f, g)

Advantage Insurance, Inc.	Insurance	Preferred Stock (750,000 shares) (a, d, e, o)		7,500,000	8,896,789
Centile Holdings B.V.	Software	Common Equity Interest (a, d, e, o)		3,524,376	6,790,000
Crius Energy Trust	Energy Services	Equity Unit (3,282,982 shares) (e)		25,865,227	21,024,145
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (a, d, e, o)		4,500	
		Preferred Stock (9,159,085 shares) (a, d, e, o)		11,810,188	4,196,000
				11,814,688	4,196,000
MVC Environmental, Inc.	Environmental Services	Senior Secured Loan 9.0000% PIK, 12/22/2020 (a, b, h, k, o)	6,869,353	6,869,353	4,878,640
		Common Stock (980 shares) (a, d, o)		3,140,375	
				10,009,728	4,878,640
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (a, d, e, o)		51,204,270	31,883,000
		Bridge Loan 5.0000% PIK, 12/31/2019 (a, b, e, k, o)	4,240,057	4,240,057	4,240,057
				55,444,327	36,123,057
<b>Sub Total Affiliate investments</b>				<b>114,158,346</b>	<b>81,908,631</b>

The accompanying notes are an integral part of these consolidated financial statements.



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**MVC Capital, Inc.**

**Consolidated Schedule of Investments - (Continued)**

**October 31, 2017**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Control investments - 21.96% (c, f, g)</b>					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d, k)		\$ 10,030,272	\$ 10,844,931
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e, o)		51,185,015	17,395,000
		Bridge Loan 6.0000% Cash, 06/30/2018 (a, e, k, o)	\$ 4,855,166	4,855,166	4,855,166
				56,040,181	22,250,166
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, k, o)		11,452,452	17,804,933
		General Partnership Interest (a, d, j, k, o)		292,154	447,790
				11,744,606	18,252,723
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d, o)		924,475	402,439
		Series C Preferred Stock (23,896,634 shares) (a, d, o)		3,410,694	5,216,844
		Series B-1 Preferred Stock (4,999,076 shares) (a, d, o)		999,815	2,008,375
		Subordinated Debt 10.0000% PIK, 9/22/2019 (a, b, k, n, o)	991,839	991,839	991,839
		Warrants (a, d, o)	2	336,393	1,402,713
				6,663,216	10,022,210
<b>Sub Total Control investments</b>				<b>84,478,275</b>	<b>61,370,030</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 104.67% (f)</b>					
				<b>\$ 363,217,715</b>	<b>\$ 292,525,473</b>
<b>Cash equivalents 0.36% (f, g)</b>					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (924,287 shares)		\$ 924,287	\$ 924,287
Morgan Stanley Institutional Liquidity Government Portfolio	Money Market Fund	Beneficial Shares (95,612 shares)		95,612	95,612
<b>Total Cash equivalents</b>				<b>1,019,899</b>	<b>1,019,899</b>
<b>TOTAL INVESTMENT ASSETS - 105.03%</b>				<b>\$ 364,237,614</b>	<b>\$ 293,545,372</b>

(a) These securities are restricted from public sale without prior registration under the Securities Act of 1933. The Company negotiates certain aspects of the method and timing of the disposition of these investments, including registration rights and related costs.

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(b) These securities accrue a portion of their interest/dividends in payment in kind interest/dividends which is capitalized to the investment.

(c) All of the Company's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except MVC Automotive Group GmbH, Security Holdings B.V., SGDA Europe B.V., JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return Inc., MVC Private Equity Fund L.P. and Advantage Insurance LTD.

The Company makes available significant managerial assistance to all of the portfolio companies in which it has invested.

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe, Canada, and Puerto Rico which represents approximately 25% of the total assets. The remaining portfolio companies are located in United States which represents approximately 48% of the total assets.

(f) Percentages are based on net assets of \$279,489,068 as of October 31, 2017.

(g) See Note 3 for further information regarding Investment Classification.

(h) All or a portion of the accrued interest on these securities have been reserved for.

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds four investments, three located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company's proportional share of Plymouth Rock Energy membership interest and loan, the Gibdock Limited equity interest and Focus Pointe preferred stock is \$7,257,919, \$4,499,681, \$2,888,839, respectively. The Company's partnership interests in the MVC Private Equity Fund, LP are not redeemable.

(k) All or a portion of these securities may serve as collateral for the Santander Credit Facility.

(l) U.S. Gas & Electric, Inc. is an indirect subsidiary of Crius Energy Trust.

(m) PIK toggle at borrower's option

(n) 10% PIK through December 31, 2017, 10% Cash beginning January 1, 2018.

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(o) These securities are valued using unobservable inputs.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

The accompanying notes are an integral part of these consolidated financial statements.

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MVC Capital, Inc. (the Company)

Notes to Consolidated Financial Statements

April 30, 2018

(Unaudited)

**1. Basis of Presentation**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete consolidated financial statements. Certain amounts, when applicable, have been reclassified to adjust to current period presentations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included as required by Regulation S-X, Rule 10-01. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2017, filed with the U.S. Securities and Exchange Commission (the SEC). As the Company is an investment company, (as defined by the Investment Company Act of 1940 (the 1940 Act)), management follows investment company accounting and reporting guidance of Financial Accounting Standards Board (FASB) 946-Investment Companies, which is accounting principles generally accepted in the United States of America (GAAP).

**2. Consolidation**

On July 16, 2004, the Company formed a wholly-owned subsidiary, MVC Financial Services, Inc. (MVCFS). MVCFS is incorporated in Delaware and its principal purpose is to provide advisory, administrative and other services to the Company, the Company's portfolio companies and other entities. MVCFS had opening equity of \$1 (100 shares at \$0.01 per share). The Company does not hold MVCFS for investment purposes and does not intend to sell MVCFS.

On October 14, 2011, the Company formed a wholly-owned subsidiary, MVC Cayman, an exempted company incorporated in the Cayman Islands, to hold certain of its investments and to make certain future investments. The results of MVCFS and MVC Cayman are consolidated into the Company's financial statements and all inter-company accounts have been eliminated in consolidation. Of the \$36.2 million in cash and cash equivalents on the Company's Consolidated Balance Sheets as of April 30, 2018, approximately \$1.1 million was held by MVC Cayman.

During fiscal year ended October 31, 2012 and thereafter, MVC Partners, LLC (MVC Partners) was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the MVC Private Equity Fund, L.P. (PE Fund) is a substantial portion of MVC Partners operations. Previously, MVC Partners was presented as a portfolio company on the Consolidated Schedule of Investments. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. There are additional disclosures resulting from this consolidation.

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MVC GP II, LLC ( MVC GP II ), an indirect wholly-owned subsidiary of the Company, serves as the general partner of the PE Fund. MVC GP II is wholly-owned by MVCFS, a subsidiary of the Company. The results of MVC GP II are consolidated into MVCFS and ultimately the Company. All inter-company accounts have been eliminated in consolidation.

During fiscal year ended October 31, 2014, MVC Turf, Inc. ( MVC Turf ) was consolidated with the Company as MVC Turf was an MVC wholly-owned holding company. The consolidation of MVC Turf did not have any material effect on the financial position or net results of operations of the Company. On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company's LLC interest in Turf Products, for approximately \$3.8 million of additional subordinated debt in Turf Products. Prior to the exchange, the Company also received a distribution from MVC Turf of

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approximately \$323,000. The impact of the deconsolidation of MVC Turf on the Company's financial condition and results of operations was immaterial. MVC Turf is no longer consolidated with the Company.

### **3. Investment Classification**

As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, **Control Investments** are investments in those companies that we are deemed to **Control**. **Affiliate Investments** are investments in those companies that are **Affiliated Companies** of us, as defined in the 1940 Act, other than **Control Investments**. **Non-Control/Non-Affiliate Investments** are those that are neither **Control Investments** nor **Affiliate Investments**. Generally, under that 1940 Act, we are deemed to control a company in which we have invested if we own 25% or more of the voting securities of such company. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more and less than 25% of the voting securities of such company.

### **4. Cash and Cash Equivalents**

For the purpose of the Consolidated Balance Sheets and Consolidated Statements of Cash Flows, the Company considers all money market and all highly liquid temporary cash investments purchased with an original maturity of less than three months to be cash equivalents. The Company places its cash and cash equivalents with financial institutions and cash held in bank accounts may exceed the Federal Deposit Insurance Corporation ( **FDIC** ) insured limit. As of April 30, 2018, the Company had approximately \$790,000 in cash equivalents, approximately \$5.3 million in restricted cash and approximately \$30.1 million in cash totaling approximately \$36.2 million. Of the \$30.1 million in cash, approximately \$1.1 million was held by MVC Cayman.

#### *Restricted Cash and Cash Equivalents*

Cash and cash equivalent accounts that are not available to the Company for day-to-day use and are legally restricted are classified as restricted cash. Restricted cash and cash equivalents are carried at cost, which approximates fair value. As of October 31, 2017 and April 30, 2018, there was a \$300,000 letter of credit for RuMe provided by a third party financial institution that MVC collateralized with cash, that was classified as restricted cash on the Company's Consolidated Balance Sheets. Also, as of October 31, 2017 and April 30, 2018, the Company had restricted cash of \$5.0 million related to the compensating balance condition for Credit Facility III (defined below).

### **5. Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ( **FASB** ) issued Accounting Standards Update ( **ASU** ) No. 2014-09, **Revenue from Contracts with Customers** (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 that defers the effective date of ASU 2014-09 for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is not permitted for public business entities. On December 27, 2016, the FASB issued ASU 2016-20 to make various

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amendments to Topic 606, going into effect for years beginning after December 15, 2017. We anticipate the standard to impact the fair value of the PE Fund's LP interest due to the exclusion of the Company's portion of the carried interest associated with the PE Fund. The Company does not expect the standard, when adopted, to have a material impact on our financial statements.

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued,

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and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. This update has had no impact on our financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, which updated consolidation standards under ASC Topic 810, Consolidation . Under this update, a new consolidation analysis is required for variable interest entities ( VIEs ) and will limit the circumstances in which investment managers and similar entities are required to consolidate the entities that they manage. The FASB decided to eliminate some of the criteria under which their fees are considered a variable interest and limit the circumstances in which variable interests in a VIE held by related parties of a reporting enterprise require the reporting enterprise to consolidate the VIE. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. This update has had no impact on our financial statements.

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). The new guidance removes the requirement that investments for which NAV is determined based on practical expedient reliance be reported utilizing the fair value hierarchy. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. This update has had no material impact on our financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments (Topic 230). The amendments provide guidance on eight specific cash flow issues in how certain cash receipts and cash payments are presented and classified in the statement of cash flows with the objective of reducing the existing diversity in practice. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company does not expect to adopt ASU 2016-15 early and does not believe the standard will have a material impact on our financial statements when adopted.

In October 2016, the FASB issued ASU 2016-17, to amend the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. The ASU is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. This update has had no impact on our financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect the adoption of ASU 2016-18 to have a material impact on our financial statements.

**6. Investment Valuation Policy**

Our investments are carried at fair value in accordance with the Accounting Standards Codification, *Fair Value Measurement* ( ASC 820 ). In accordance with the 1940 Act, unrestricted minority-owned publicly traded securities for which market quotations are readily available are



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valued at the closing market quote on the valuation date and majority-owned publicly traded securities and other privately held securities are valued as determined in good faith by the Valuation Committee of our Board of Directors. For legally or contractually restricted securities of companies that are publicly traded, the value is based

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on the closing market quote on the valuation date minus a discount for the restriction. At April 30, 2018, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest but did own two securities in which we have minority-owned interests.

ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy that prioritizes information used to measure value. In determining fair value, the Valuation Committee primarily uses the level 3 inputs referenced in ASC 820.

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of our investments may include initial transaction costs. Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset to which the reporting entity has access to as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

*Valuation Methodology*

Pursuant to the requirements of the 1940 Act and in accordance with ASC 820, we value our portfolio securities at their current market values or, if market quotations are not readily available, at their estimates of fair values. Because our portfolio investments generally do not have readily ascertainable market values, we record these investments at fair value in accordance with our Valuation Procedures adopted by the Board of Directors, which are consistent with ASC 820. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors' supervision and pursuant to our Valuation Procedures. Our Board of Directors may also hire independent consultants to review our Valuation Procedures or to conduct an independent valuation of one or more of our portfolio investments.

Pursuant to our Valuation Procedures, the Valuation Committee (which is comprised of three Independent Directors) determines fair values of portfolio company investments on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). In doing so, the Committee considers the recommendations of The Tokarz Group Advisers LLC (TTG Advisers). The Committee also takes into account input and reviews by third party consultants retained to support the Company's valuation process. The Company has also adopted several other enhanced processes related to valuations of controlled/affiliated portfolio companies. Any changes in valuation are recorded in the consolidated statements of operations as Net unrealized appreciation (depreciation) on investments.

Currently, our NAV per share is calculated and published on a quarterly basis. The Company calculates our NAV per share by subtracting all liabilities from the total value of our portfolio securities and other assets and dividing the result by the total number of outstanding shares of our common stock on the date of valuation. Fair values of foreign investments reflect exchange rates, as applicable, in effect on the last business day of the quarter end. Exchange rates fluctuate on a daily basis, sometimes significantly. Exchange rate fluctuations following the most recent quarter end are not reflected in the valuations reported in this Quarterly Report. See Item 1A Risk Factor, Investments in foreign debt or equity may involve significant risks in addition to the risks inherent in U.S. investments.

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At April 30, 2018 and October 31, 2017, approximately 75.5% and 64.6%, respectively, of total assets represented investments in portfolio companies recorded at fair value ( Fair Value Investments ).

Under most circumstances, at the time of acquisition, Fair Value Investments are carried at cost (absent the existence of conditions warranting, in management s and the Valuation Committee s view, a

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different initial value). During the period that an investment is held by the Company, its original cost may cease to approximate fair value as the result of market and investment specific factors. No pre-determined formula can be applied to determine fair value. Rather, the Valuation Committee analyzes fair value measurements based on the value at which the securities of the portfolio company could be sold in an orderly disposition over a reasonable period of time between willing parties, other than in a forced or liquidation sale. The liquidity event whereby the Company ultimately exits an investment is generally the sale, the merger, the recapitalization of a portfolio company or by a public offering of its securities.

There is no one methodology to determine fair value and, in fact, for any portfolio security, fair value may be expressed as a range of values, from which the Company derives a single estimate of fair value. To determine the fair value of a portfolio security, the Valuation Committee analyzes the portfolio company's financial results and projections, publicly traded comparable companies when available, comparable private transactions when available, precedent transactions in the market when available, third-party real estate and asset appraisals if appropriate and available, discounted cash flow analysis, if appropriate, as well as other factors. The Company generally requires, where practicable, portfolio companies to provide annual audited and more regular unaudited financial statements, and/or annual projections for the upcoming fiscal year.

The fair value of our portfolio securities is inherently subjective. Because of the inherent uncertainty of fair valuation of portfolio securities and escrow receivables that do not have readily ascertainable market values, our estimate of fair value may significantly differ from the fair value that would have been used had a ready market existed for the securities. Such values also do not reflect brokers' fees or other selling costs, which might become payable on disposition of such investments.

If a security is publicly traded, the fair value is generally equal to market value based on the closing price on the principal exchange on which the security is primarily traded unless restricted and a restricted discount is applied.

For equity securities of portfolio companies, whose securities are not publicly traded, the Valuation Committee estimates the fair value based on market and/or income approach with value then attributed to equity or equity like securities using the enterprise value waterfall ( Enterprise Value Waterfall ) valuation methodology. Under the Enterprise Value Waterfall valuation methodology, the Valuation Committee estimates the enterprise fair value of the portfolio company and then waterfalls the enterprise value over the portfolio company's securities in order of their preference relative to one another. To assess the enterprise value of the portfolio company, the Valuation Committee weighs some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing assets may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company, and third-party asset and real estate appraisals. For non-performing assets, the Valuation Committee may estimate the liquidation or collateral value of the portfolio company's assets. The Valuation Committee also takes into account historical and anticipated financial results.

The Company does not utilize hedge accounting and instead, when applicable, marks its derivatives to market on the Company's consolidated statement of operations.

In assessing enterprise value, the Valuation Committee considers the mergers and acquisitions ( M&A ) market as the principal market in which the Company would sell its investments in portfolio companies under circumstances where the Company has the ability to control or gain control of the board of directors of the portfolio company ( Control Companies ). This approach is consistent with the principal market that the Company would use for its portfolio companies if the Company has the ability to



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initiate a sale of the portfolio company as of the measurement date, i.e., if it has the ability to control or gain control of the board of directors of the portfolio company as of the measurement date. In evaluating if the Company can control or gain control of a portfolio company as of the measurement date, the Company takes into account its equity securities on a fully diluted basis, as well as other factors.

For Non-Control Companies, consistent with ASC 820, the Valuation Committee considers a hypothetical secondary market as the principal market in which it would sell investments in those companies. The Company also considers other valuation methodologies such as the Option Pricing Method and liquidity preferences when valuing minority equity positions of a portfolio company.

For loans and debt securities of Non-Control Companies (for which the Valuation Committee has identified the hypothetical secondary market as the principal market), the Valuation Committee determines fair value based on the assumptions that a hypothetical market participant would use to value the security in a current hypothetical sale using a market yield ( Market Yield ) valuation methodology. In applying the Market Yield valuation methodology, the Valuation Committee determines the fair value based on such factors as third party broker quotes (if available) and market participant assumptions, including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date.

Estimates of average life are generally based on market data of the average life of similar debt securities. However, if the Valuation Committee has information available to it that the debt security is expected to be repaid in the near term, the Valuation Committee would use an estimated life based on the expected repayment date.

The Valuation Committee determines fair value of loan and debt securities of Control Companies based on the estimate of the enterprise value of the portfolio company. To the extent the enterprise value exceeds the remaining principal amount of the loan and all other debt securities of the company, the fair value of such securities is generally estimated to be their cost. However, where the enterprise value is less than the remaining principal amount of the loan and all other debt securities, the Valuation Committee may discount the value of such securities to reflect an impairment.

For the Company's or its subsidiary's investment in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as the general partner (the GP) of the PE Fund, the Valuation Committee relies on the GP's determination of the fair value of the PE Fund which will be generally valued, as a practical expedient, utilizing the net asset valuations provided by the GP, which will be made: (i) no less frequently than quarterly as of the Company's fiscal quarter end and (ii) with respect to the valuation of PE Fund investments in portfolio companies, will be based on methodologies consistent with those set forth in the Company's Valuation Procedures. In making its determinations, the GP considers and generally relies on TTG Advisers' recommendations. The determination of the net asset value of the Company's or its subsidiary's investment in the PE Fund will follow the methodologies described for valuing interests in private investment funds ( Investment Vehicles ) described below. Additionally, when both the Company and the PE Fund hold investments in the same portfolio company, the GP's Fair Value determination shall be based on the Valuation Committee's determination of the Fair Value of the Company's portfolio security in that portfolio company.

As permitted under GAAP, the Company's interests in private investment funds are generally valued, as a practical expedient, utilizing the net asset valuations provided by management of the underlying Investment Vehicles, without adjustment, unless TTG Advisers is aware of information indicating that a value reported does not accurately reflect the value of the Investment Vehicle, including any information showing that the valuation has not been calculated in a manner consistent with GAAP. Net unrealized appreciation (depreciation) of such investments is recorded based on the Company's proportionate share of the aggregate amount of appreciation (depreciation) recorded by each underlying Investment Vehicle. The Company's proportionate investment interest includes its share of interest and dividend income and expense, and

realized and unrealized gains and losses on securities held by the underlying Investment

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Vehicles, net of operating expenses and fees. Realized gains and losses on distributions from Investment Vehicles are generally recognized on a first in, first out basis.

The Company applies the practical expedient to interests in Investment Vehicles on an investment by investment basis, and consistently with respect to the Company's entire interest in an investment. The Company may adjust the valuation obtained from an Investment Vehicle with a premium, discount or reserve if it determines that the net asset value is not representative of fair value.

If the Company intends to sell all or a portion of its interest in an Investment Vehicle to a third-party in a privately negotiated transaction near the valuation date, the Company will consider offers from third parties to buy the interest in an Investment Vehicle in valuations, which may be discounted for both probability of close and time.

When the Company receives nominal cost warrants or free equity securities ( nominal cost equity ) with a debt security, the Company typically allocates its cost basis in the investment between debt securities and nominal cost equity at the time of origination. If the Company is not reimbursed for investment or transaction related costs at the time an investment is made, the Company typically capitalizes those costs to the cost basis of the investment.

Interest income, adjusted for amortization of premium and accretion of discount on a yield to maturity methodology, is recorded on an accrual basis to the extent that such amounts are expected to be collected. Origination and/or closing fees associated with investments in portfolio companies are accreted into income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as interest income. Prepayment premiums are recorded on loans when received as interest income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that the Company expects to collect such amounts.

For loans, debt securities, and preferred securities with contractual payment-in-kind interest or dividends, which represent contractual interest/dividends accrued and added to the loan balance or liquidation preference that generally becomes due at maturity, the Company will not ascribe value to payment-in-kind interest/dividends, if the portfolio company valuation indicates that the payment-in-kind interest is not collectible. However, the Company may ascribe value to payment-in-kind interest if the health of the portfolio company and the underlying securities are not in question. All payment-in-kind interest that has been added to the principal balance or capitalized is subject to ratification by the Valuation Committee. For interest or deferred interest receivables purchased by the Company at a discount to their outstanding amount, the Company amortizes the discount using the effective yield method and records it as interest income over the life of the loan. The Company will not ascribe value to the interest or deferred interest, if the Company has determined that the interest is not collectible.

Escrows from the sale of a portfolio company are generally valued at an amount, which may be expected to be received from the buyer under the escrow's various conditions and discounted for both risk and time.

ASC 460, *Guarantees*, requires the Company to estimate the fair value of the guarantee obligation at its inception and requires the Company to assess whether a probable loss contingency exists in accordance with the requirements of ASC 450, *Contingencies*. The Valuation Committee typically will look at the pricing of the security in which the guarantee provided support for the security and compare it to the price of a similar or hypothetical security without guarantee support. The difference in pricing will be discounted for time and risk over the period in which the



guarantee is expected to remain outstanding.

*Reclassifications* Certain amounts from prior years have been reclassified to conform to the current year presentation.

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*Revision of Previously Issued Financial Statements related to Restricted Cash* - During the fourth quarter of fiscal 2017, the Company corrected an error in our accounting for compensating balances associated with our revolving borrowing base Credit Facility III (defined below). The Company concluded the error was deemed immaterial as it did not impact, in any way, the reported net asset value of the Company. The Company determined that the compensating balance arrangement legally restricts the use of cash pledged under such arrangement. The Company corrected the consolidated balance sheet as of October 31, 2016 and cash flows from financing activities for the year ended October 31, 2016 to account for the adjustment between Cash and Restricted Cash in the amount of \$10,000,000. The amount of the compensating balance decreased to \$5,000,000 in June 2017 when certain liquidity thresholds were met. The Company concluded that the error is immaterial to the annual consolidated financial statements, which were included in the Annual Report on Form 10-K for the year ended October 31, 2016, and the interim reports on Form 10-Q for the quarters ended January 31, 2017, April 30, 2017, and July 31, 2017. The Company revised the consolidated financial statements as of October 31, 2016 and as of the quarters ended January 31, 2017 and April 30, 2017. The compensating balance amounts were disclosed in the footnotes to the financial statements in all periods referenced above. There were no borrowings outstanding on Credit Facility III at October 31, 2016 and October 31, 2017.

**7. Concentration of Market Risk**

Financial instruments that subjected the Company to concentrations of market risk consisted principally of equity investments, subordinated notes, debt instruments and escrow receivables (other than cash equivalents), which collectively represented approximately 83.1% and 72.5% of the Company's total assets at April 30, 2018 and October 31, 2017, respectively. As discussed in Note 8, these investments consist of securities in companies with no readily determinable market values and as such are valued in accordance with the Company's fair value policies and procedures. The Company's investment strategy represents a high degree of business and financial risk due to the fact that the Company's portfolio investments (other than cash equivalents) are generally illiquid, in small and middle market companies, and include foreign investments (which subject the Company to additional risks such as currency, geographic, demographic and operational risks), entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. Additionally, we are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore may invest a significant portion of our assets in a relatively small number of portfolio companies, which gives rise to a risk of significant loss should the performance or financial condition of one or more portfolio companies deteriorate. As of April 30, 2018, the fair value of our largest investment, Crius Energy Trust (Crius), including its wholly-owned indirect subsidiary U.S. Gas & Electric, Inc. (U.S. Gas), comprised 15.1% of our total assets and 24.0% of our net assets. The Company's investments in short-term securities are generally in U.S. government securities, with a maturity of greater than three months but generally less than one year or other high quality and highly liquid investments. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents.

The following table shows the portfolio composition by industry grouping at fair value as a percentage of net assets as of April 30, 2018 and October 31, 2017.

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	April 30, 2018	October 31, 2017
Energy Services	24.01%	22.02%
Electrical Engineering	14.24%	12.92%
Manufacturer of Pipe Fittings	11.63%	7.69%
Automotive Dealerships	11.09%	7.96%
Private Equity	7.64%	6.53%
Food Services	6.56%	6.37%
Supply Chain Equipment Manufacturer	6.09%	0.00%
Consumer Products	5.15%	5.13%
Business Services	4.77%	4.14%
Regulated Investment Company	4.29%	3.88%
Electronics Component Manufacturing	3.93%	3.49%
Insurance	3.59%	3.19%
Distributor - Landscaping and Irrigation Equipment	3.44%	2.71%
Specialty Chemicals	3.41%	2.52%
Equipment Rental	3.06%	0.00%
Software	2.96%	3.28%
Information Technology Products and Services	2.44%	0.00%
Electronics Manufacturing and Repair	2.26%	1.99%
Environmental Services	2.20%	2.17%
Government Services	2.05%	1.75%
Technology Investment - Financial Services	1.95%	1.93%
Real Estate Management	1.78%	1.50%
Welding Equipment Manufacturer	1.77%	2.62%
Defense/Aerospace Parts Manufacturing	1.48%	0.00%
Iron Foundries	0.00%	0.88%
	131.79%	104.67%

The following table shows the portfolio composition by geographic region at fair value as a percentage of total assets as of April 30, 2018 and October 31, 2017.

	April 30, 2018	October 31, 2017
Europe	19.29%	17.49%
Southeast	18.60%	15.48%
Northeast	17.90%	14.85%
Midwest	10.39%	7.44%
West	5.01%	5.35%
Canada	4.96%	5.21%
Southwest	4.71%	4.48%
Puerto Rico	2.26%	2.21%
	83.12%	72.51%

**8. Portfolio Investments**

Pursuant to the requirements of the 1940 Act and ASC 820, we value our portfolio securities at their current market values or, if market quotations are not readily available, at their estimated fair values. Because our portfolio company investments generally do not have readily ascertainable market values, we record these investments at fair value in accordance with Valuation Procedures adopted by our Board of

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Directors. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors' supervision and pursuant to our Valuation Procedures.

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The levels of fair value inputs used to measure our investments are characterized in accordance with the fair value hierarchy established by ASC 820. Where inputs for an asset or liability fall in more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. We use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

- Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We use Level 1 inputs for investments in publicly traded unrestricted securities for which we do not have a controlling interest. Such investments are valued at the closing price on the measurement date. We valued two of our investments using Level 1 inputs as of April 30, 2018.
- Level 2:** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or other inputs that are observable or can be corroborated by observable market data. Additionally, the Company's interests in Investment Vehicles that can be withdrawn by the Company at the net asset value reported by such Investment Vehicle as of the measurement date or within six months of the measurement date are generally categorized as Level 2 investments.
- Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. Additionally, included in Level 3 are the Company's interests in Investment Vehicles from which the Company cannot withdraw at the net asset value reported by such Investment Vehicles as of the measurement date or within six months of the measurement date. We use Level 3 inputs for measuring the fair value of the vast majority of our investments. See Note 6 Investment Valuation Policy for the investment valuation policies used to determine the fair value of these investments.

As noted above, the interests in Investment Vehicles are included in Level 3 of the fair value hierarchy. In determining the appropriate level, the Company considers the length of time until the investment is redeemable, including notice and lock-up periods and any other restriction on the disposition of the investment. The Company also considers the nature of the portfolios of the underlying Investment Vehicles and such vehicles' ability to liquidate their investment.

The following fair value hierarchy tables set forth our investment related assets and (liabilities) by level as of April 30, 2018 and October 31, 2017 (in thousands):

	April 30, 2018			Investment measured at NAV	Total
	Level 1	Level 2	Level 3		
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 166,080	\$	\$ 166,080
Common Stock	29,955		5,493		35,448

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Preferred Stock					45,662				45,662
Warrants					792				792
Common Equity Interest					57,806				57,806
LP Interest of the PE Fund							18,353		18,353
GP Interest of the PE Fund							461		461
Guarantees and letters of credit					(704)				(704)
Short-term investments				24,996					24,996
<b>Total</b>	\$	29,955	\$	24,996	\$	275,129	\$	18,814	\$ 348,894

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	October 31, 2017					Total
	Level 1	Level 2	Level 3	Investment measured at NAV		
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 153,271	\$	\$	\$ 153,271
Common Stock	31,869		5,937			37,806
Preferred Stock			25,725			25,725
Warrants			1,403			1,403
Common Equity Interest			56,068			56,068
LP Interest of the PE Fund				17,805		17,805
GP Interest of the PE Fund				448		448
Guarantees and letters of credit			(551)			(551)
<b>Total</b>	\$ 31,869	\$	\$ 241,853	\$ 18,253	\$	\$ 291,975

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur. During the six month period ended April 30, 2018 and the year ended October 31, 2017, there were no transfers in and out of Level 1 or 2.

The following tables set forth a summary of changes in the fair value of investment related assets and liabilities measured using Level 3 inputs for the six month period ended April 30, 2018, and April 30, 2017 (in thousands):

	Balances, November 1, 2017	Realized Gain (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation or (Depreciation) (2)		Unrealized Appreciation (3)	Purchases (4)	Sales (5)	Transfers In Out of Level 3	Balances, April 30, 2018	Investments held as of April 30, 2018	Total Loss for the Period Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on
Senior/Subordinated Loans and credit facilities	\$ 153,271	\$ (2,999)	\$ 2,999	\$ (1,867)	\$ 43,011	\$ (28,335)	\$	\$ 166,080	\$	(1,867)	
Common Stock	5,937			(444)				5,493		(444)	
Preferred Stock	25,725			1,351	18,586			45,662		1,351	
Warrants	1,403			(1,080)	469			792		(1,080)	
Common Equity Interest	56,068			1,738				57,806		1,738	
Guarantees and letters of credit	(551)			(30)	(123)			(704)		(30)	
<b>Total</b>	\$ 241,853	\$ (2,999)	\$ 2,999	\$ (332)	\$ 61,943	\$ (28,335)	\$	\$ 275,129	\$	(332)	

	Balances, November 1, 2016	Realized Gain (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation or (Depreciation) (2)		Unrealized Appreciation (3)	Purchases (4)	Sales (5)	Transfers In Out of Level 3	Balances, April 30, 2017	Investments held as of April 30, 2017	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on
Senior/Subordinated Loans and credit facilities	\$ 141,893	\$ (27)	\$ 27	\$ 1,764	\$ 9,853	\$ (4,480)	\$	\$ 149,030	\$	1,764	

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Common Stock	9,524	(1,863)	1,873	(1,888)	59	(633)	7,072	(1,834)
Preferred Stock	115,195			(118)			115,077	(118)
Warrants	1,886	413	(438)	827		(352)	2,336	889
Common Equity								
Interest	53,811			2,339		(330)	55,820	2,339
LLC Interest	3,992	609	(456)			(4,145)		
Guarantees	(291)		13	142			(136)	139
Escrow Receivable	9,152	1,028				(4,948)	5,232	
<b>Total</b>	<b>\$ 335,162</b>	<b>\$ 160</b>	<b>\$ 1,019</b>	<b>\$ 3,066</b>	<b>\$ 9,912</b>	<b>\$ (14,888)</b>	<b>\$ 334,431</b>	<b>\$ 3,179</b>

- 
- (1) Included in net realized gain (loss) on investments in the Consolidated Statements of Operations.
  - (2) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities disposed of during the six month period ended April 30, 2018 and April 30, 2017, respectively.
  - (3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities held during the six month period ended April 30, 2018 and April 30, 2017, respectively.



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- (4) Includes increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, premiums and closing fees and the exchange of one or more existing securities for new securities. For the six month period ended April 30, 2018 and April 30, 2017, a total of approximately \$1.5 million and \$1.0 million, respectively, of PIK interest and dividends and amortization of discounts and fees are included.
- (5) Includes decreases in the cost basis of investments resulting from principal repayments or sales.

In accordance with ASU 2011-04, the following tables summarize information about the Company's Level 3 fair value measurements as of April 30, 2018 and October 31, 2017 (in thousands):

**Quantitative Information about Level 3 Fair Value Measurements\***

<b>Common Stock (c) (d)</b>	\$	5,493	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Market Approach	Revenue Multiple	1.6x	1.6x	1.6x
				Forward EBITDA Multiple	7.0x	7.0x	7.0x
			Income Approach	Discount Rate	14.6%	14.6%	14.6%
				Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%	2.0%
<b>Senior/Subordinated loans and credit facilities (b) (d)</b>	\$	166,080	Market Approach	EBITDA Multiple	8.5x	8.5x	8.5x
				Forward EBITDA Multiple	4.8x	7.0x	6.3x
				Revenue Multiple	1.6x	1.6x	1.6x
			Income Approach	Required Rate of Return	8.8%	22.3%	12.7%
				Discount Rate	14.6%	20.4%	19.1%
				Perpetual Growth Rate of Free Cash Flow	2.0%	3.0%	2.7%
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
<b>Common Equity Interest</b>	\$	57,806	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
				Forward EBITDA Multiple	6.5x	7.0x	6.8x
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Income Approach	Discount Rate	20.4%	21.0%	20.5%
				Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
<b>Preferred Stock (c)</b>	\$	45,662	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	20.0%	6.6%
				Real Estate Appraisals	N/A	N/A	N/A
			Market Approach	Revenue Multiple	1.6x	1.6x	1.6x
				Forward EBITDA Multiple	7.0x	7.0x	7.0x
				% of AUM	0.78%	0.78%	0.78%
				Illiquidity Discount	45.0%	45.0%	45.0%
				Multiple of Book Value	1.0x	1.0x	1.0x
				EBT Multiple	15.0x	15.0x	15.0x
			Income Approach	Discount Rate	14.6%	16.1%	15.3%
					2.0%	2.5%	2.2%

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			Perpetual Growth Rate of Free Cash Flow			
			Required Rate of Return	17.4%	20.4%	18.4%
<b>Warrants</b>	\$	792	Market Approach	Revenue Multiple	1.6x	1.6x
				EBITDA Multiple	7.1x	7.1x
			Income Approach	Discount Rate	14.6%	14.6%
				Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%
<b>Guarantees / Letters of Credit</b>	\$	(704)	Income Approach	Discount Rate	19.5%	20.0%
<b>Total</b>	\$	<b>275,129</b>				

Notes:

- (a) Calculated based on fair values.
- (b) Certain investments are priced using non-binding broker or dealer quotes.
- (c) Certain common and preferred stock investments are fair valued based on liquidation-out preferential rights held by the Company.
- (d) Real estate appraisals are performed by independent third parties and the Company does not have reasonable access to the underlying unobservable inputs.
- (e) Practical expedient is used utilizing the net asset valuations provided by the GP

\* The above table excludes certain investments whose fair value is zero due to certain specific situations at the portfolio company level.

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**Quantitative Information about Level 3 Fair Value Measurements\***

<b>Common Stock (c) (d)</b>	\$	5,937	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
				Forward EBITDA Multiple	5.8x	7.0x	7.0x
<b>Senior/Subordinated loans and credit facilities (b) (d)</b>	\$	153,271	Market Approach	EBITDA Multiple	5.5x	8.5x	7.3x
				Forward EBITDA Multiple	5.8x	7.0x	6.6x
				Revenue Multiple	1.3x	1.3x	1.3x
			Income Approach	Required Rate of Return	8.5%	22.5%	13.3%
				Discount Rate	15.3%	19.1%	17.3%
				Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
<b>Common Equity Interest</b>	\$	56,068	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
				Forward EBITDA Multiple	6.0x	6.0x	6.0x
				EBITDA Multiple	5.5x	7.0x	6.5x
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Income Approach	Discount Rate	13.0%	17.6%	13.8%
				Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
<b>Preferred Stock (c)</b>	\$	25,725	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
				Real Estate Appraisals	N/A	N/A	N/A
			Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
				% of AUM	0.73%	0.73%	0.73%
				Illiquidity Discount	30.0%	30.0%	30.0%
				Multiple of Book Value	1.0x	1.0x	1.0x
				EBT Multiple	14.0x	14.0x	14.0x
				Discount to Letter of Intent	0.0%	0.0%	0.0%
			Income Approach	Discount Rate	15.7%	15.7%	15.7%
				Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
<b>Warrants</b>	\$	1,403	Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
<b>Guarantees / Letters of Credit</b>	\$	(551)	Income Approach	Discount Rate	19.1%	20.0%	20.0%
<b>Total</b>	\$	<b>241,853</b>					

Notes:

(a) Calculated based on fair values.

(b) Certain investments are priced using non-binding broker or dealer quotes.

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- (c) Certain common and preferred stock investments are fair valued based on liquidation-out preferential rights held by the Company.
- (d) Real estate appraisals are performed by independent third parties and the Company does not have reasonable access to the underlying unobservable inputs.
- (e) Practical expedient is used utilizing the net asset valuations provided by the GP

\* The above table excludes certain investments whose fair value is zero due to certain specific situations at the portfolio company level.

ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements related to the application of the highest and best use and valuation premise concepts for financial and nonfinancial instruments, measuring the fair value of an instrument classified in equity, and disclosures about fair value measurements. ASU 2011-04 requires additional disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy, including the valuation processes used by the reporting entity, the sensitivity of the fair value to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any.

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Following are descriptions of the sensitivity of the Level 3 recurring fair value measurements to changes in the significant unobservable inputs presented in the above table. For securities utilizing the income approach valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability would result in a significantly lower (higher) fair value measurement. The discount for lack of marketability used to determine fair value may include other factors such as liquidity or credit risk. Generally, a change in the discount rate is accompanied by a directionally similar change in the risk premium and discount for lack of marketability. For securities utilizing the market approach valuation technique, a significant increase (decrease) in the EBITDA, revenue multiple or other key unobservable inputs listed in the above table would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount for lack of marketability would result in a significantly lower (higher) fair value measurement. The discount for lack of marketability used to determine fair value may include other factors such as liquidity or credit risk. For securities utilizing an adjusted net asset approach valuation technique, a significant increase (decrease) in the price to book value ratio, discount rate or other key unobservable inputs listed in the above table would result in a significantly higher (lower) fair value measurement.

**For the Six Month Period Ended April 30, 2018**

During the six month period ended April 30, 2018, the Company made four new investments, committing capital that totaled approximately \$32.2 million. Pursuant to an exemptive order received by the Company from the SEC (the Order), that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and TTGA C-I MMF LP (the Private Fund) co-invested in Essner Manufacturing (Essner) (\$3.7 million investment for the Company), Black Diamond Equipment Rental (Black Diamond) (\$7.5 million investment for the Company), Apex Industrial Technologies, LLC (Apex) (\$15.0 million investment for the Company) and Array information Technology, Inc. (Array) (\$6.0 million investment for the Company).

During the six month period ended April 30, 2018, the Company made 11 follow-on investments in 8 portfolio companies that totaled approximately \$10.2 million. On November 8, 2017, the Company loaned an additional \$1.5 million to U.S. Spray Drying Holding Company (SCSD) in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately \$526,000 to Initials, Inc. (Initials) increasing the senior subordinated loan amount to approximately \$5.3 million. On December 22, 2017, the Company loaned \$1.4 million to Turf Products, LLC (Turf) in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed \$6.0 million in the form of a first lien loan with an interest rate of 10% and a maturity date of August 31, 2018 to Custom Alloy Corporation (Custom Alloy). The funded amount as of April 30, 2018 was approximately \$3.4 million with \$2.6 million unfunded on the commitment. On March 19, 2018, the Company invested approximately \$68,000 in SGDA Europe B.V. (SGDA Europe) for a warrant. On each of March 22, 2018 and April 6, 2018, the Company loaned \$350,000 to RuMe, Inc. (RuMe), increasing the subordinated loan amount to approximately \$1.7 million and extended the maturity date to March 30, 2020. The interest rate on the loan was changed from 10% cash to 10% PIK. On March 22, 2018, the Company loaned approximately \$2.3 million to MVC Automotive Group GmbH (MVC Automotive) increasing the bridge loan amount to approximately \$7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately \$308,000 to Security Holdings B.V. (Security Holdings), increasing the bridge loan amount to approximately \$4.7 million.

On November 28, 2017, the Company restructured the Custom Alloy second lien loan and unsecured subordinated loan. The second lien loan was restructured into a \$3.5 million second lien loan with an interest rate of 10% and a maturity date of December 31, 2020, 6,500 shares of series B preferred Stock with a 10% PIK coupon and a maturity date of December 31, 2020 and 17,935 shares of series C preferred Stock. The unsecured subordinated loan was restructured into 3,617 shares of series A

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preferred Stock with a 12% PIK coupon and a maturity date of April 30, 2020. The Company also provided a \$2.0 million and \$1.4 million letter of credit.

On November 29, 2017, the Company received a principal payment of \$3.0 million from Dukane IAS, LLC ( Dukane ) resulting in a balance outstanding of approximately \$4.4 million as of April 30, 2018.

On December 29, 2017, the Company received a principal payment of \$200,000 from Vestal Manufacturing Enterprises, Inc. ( Vestal ).

Effective January 1, 2018, the cost basis of the U.S. Gas second lien loan was decreased by approximately \$3.0 million due to a working capital adjustment, resulting in a realized loss of approximately \$3.0 million. The second lien loan is still subject to indemnification adjustments.

On February 9, 2018, FDS, Inc. ( FDS ) repaid its loan in full including all accrued interest.

On April 2, 2018, Turf made a principal payment of \$70,000 on its third lien loan.

On April 4, 2018, Vestal repaid its loan in full, including all accrued interest.

On April 11, 2018, Morey s Seafood international, LLC ( Morey s ) made a principal payment of \$2.0 million on its second lien loan.

During the quarter ended January 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Centile Holdings B.V. ( Centile ) equity interest by \$295,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letter of credit by a total of approximately \$638,000, Highpoint Global LLC ( Highpoint ) loan by approximately \$99,000, Initials loan by approximately \$46,000, JSC Tekers Holdings ( JSC Tekers ) preferred stock by approximately \$370,000, Legal Solutions Holdings, Inc. ( Legal Solutions ) loan by approximately \$1,000, MVC Automotive equity interest by approximately \$1.8 million, MVC Environmental, Inc. ( MVC Environmental ) letter of credit by approximately \$7,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$394,000, RuMe guarantee and letter of credit by a total of approximately \$57,000 and Security Holdings equity interest by approximately \$812,000. In addition, increases in the cost basis of the loans to HTI Technologies and Industries, Inc. ( HTI ), Legal Solutions, Custom Alloy, RuMe, Dukane IAS, LLC ( Dukane ), Morey s, Highpoint and Security Holdings were due to the capitalization of PIK interest totaling \$715,324. The Valuation Committee also decreased the fair value of the Company s investments in: Advantage Insurance Holdings LTD ( Advantage ) preferred stock by approximately \$143,000, Custom Alloy letter of credit by approximately \$70,000, Dukane loan by approximately \$30,000, Foliofn, Inc. ( Foliofn ) preferred stock by \$543,000, HTI loan by approximately \$130,000, MVC Environmental loan by approximately \$498,000, RuMe series B-1 preferred stock, series C preferred stock, common stock and warrants by a total of approximately \$1.2 million, Turf loans by approximately \$136,000, U.S. Gas loan by approximately \$1.7 million and SCSD common stock by approximately \$134,000.

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During the quarter ended April 30, 2018, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$82,000, Centile equity interest by \$196,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately \$3.0 million, Dukane loan by approximately \$300, Legal Solutions loan by approximately \$900, MVC Automotive equity interest by approximately \$934,000, RuMe guarantee by approximately \$28,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$167,000 and U.S. Gas loan by approximately \$909,000. In addition, increases in the cost basis of the loans to SGDA Europe, HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Initials and Security Holdings were due to the capitalization of PIK interest totaling \$635,592. The Valuation Committee also

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decreased the fair value of the Company's investments in: Foliofn preferred stock by \$66,000, HTI loan by approximately \$49,000, Initials loan by approximately \$82,000, JSC Tekers Holdings preferred stock by approximately \$176,000, MVC Environmental loan and letter of credit by a total of approximately \$267,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately \$1.8 million, Security Holdings equity interest by approximately \$2.3 million and Turf loans by approximately \$288,000.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the Company's investments in: Centile equity interest by \$491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock and series C preferred stock by a total of approximately \$3.6 million, Highpoint loan by approximately \$99,000, JSC Tekers Holdings preferred stock by approximately \$194,000, Legal Solutions loan by approximately \$1,900, MVC Automotive equity interest by approximately \$2.8 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$561,000 and RuMe guarantee by approximately \$52,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Initials, SGDA Europe and Security Holdings were due to the capitalization of PIK interest totaling \$1,350,916. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$61,000, Custom Alloy letters of credit by approximately \$42,000, Dukane loan by approximately \$29,000, Foliofn preferred stock by \$609,000, HTI loan by approximately \$179,000, Initials loan by approximately \$36,000, MVC Environmental loan and letter of credit by a total of approximately \$758,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately \$3.0 million, Security Holdings equity interest by approximately \$1.5 million, Turf loans by approximately \$424,000, U.S. Gas loan by approximately \$765,000 and SCSD common stock by approximately \$134,000.

At April 30, 2018, the fair value of all portfolio investments, exclusive of any U.S. Treasury obligations and escrow receivables, was \$324.6 million with a cost basis of \$396.0 million. At April 30, 2018, the fair value and cost basis of investments made by the Company's former management team pursuant to the prior investment objective ( Legacy Investments ) was \$4.8 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$319.8 million and \$381.0 million, respectively. At October 31, 2017, the fair value of all portfolio investments, exclusive of escrow receivables, was \$292.5 million with a cost basis of \$363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was \$5.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$287.1 million and \$348.2 million, respectively.

**For the Fiscal Year Ended October 31, 2017**

During the fiscal year ended October 31, 2017, in connection with the sale of U.S. Gas, the Company received securities that totaled approximately \$66.4 million (based on values determined as of July 5, 2017, the closing date of the transaction). The securities were received from U.S. Gas (\$40.5 million) and Crius Energy Trust ( Crius ) (\$25.9 million). The Company also made one new investment in Highpoint (\$5.0 million).

During the fiscal year ended October 31, 2017, the Company made 6 follow-on investments in 4 existing portfolio companies that totaled approximately \$7.5 million. On November 9, 2016, the Company invested approximately \$59,000 in MVC Environmental and received an additional 30 shares of common stock. On December 1, 2016, the Company loaned an additional \$500,000 to United States Technologies, Inc. ( U.S. Tech ) increasing the total amount outstanding to \$5.5 million. On December 13, 2016, the Company loaned an additional \$475,000 to MVC Automotive increasing the amount outstanding on the bridge loan to approximately \$3.8 million. The maturity date was also extended to December 31, 2017. On April 3, 2017, the Company loaned Security Holdings approximately \$4.1 million in the form of a bridge loan with an interest rate of 5% and a maturity date of December 31, 2019.





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On May 3, 2017, the Company invested approximately \$1.1 million in MVC Automotive for additional common equity and loaned MVC Automotive approximately \$1.1 million, increasing the amount outstanding on the bridge loan to approximately \$4.9 million. The maturity date was also extended to June 30, 2018. On October 2, 2017, the Company loaned Security Holdings an additional \$150,000, increasing the amount outstanding on the loan to approximately \$4.2 million.

On December 23, 2016, the Company received proceeds of approximately \$12.2 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$9.8 million. The Company later received an escrow distribution of approximately \$416,000 and carried interest payments from the PE Fund totaling approximately \$390,000 related to the sale, which were recorded as additional realized gains.

On January 4, 2017, Biovation Acquisition Corp. ( BAC ) repaid their senior loan in full, including all accrued interest totaling approximately \$31,000.

On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company's LLC interest in Turf Products, for approximately \$3.8 million of additional subordinated debt in Turf Products. This additional subordinated debt increases the Company's existing subordinated debt investment to approximately \$7.7 million. The subordinated debt has an interest rate of 10% and matures on August 7, 2020. The Company's warrant and guarantee were also retired as a part of this recapitalization. The Company also received a cash distribution from MVC Turf prior to the share exchange of approximately \$323,000, which was treated as a return of capital. The Company realized a gain of approximately \$609,000 as a result of the share exchange.

On March 22, 2017, the Company sold its common stock and warrant in Vestal receiving proceeds of approximately \$687,000 and approximately \$413,000, respectively. This resulted in realized gains of approximately \$437,000 and approximately \$413,000 related to the common stock and warrant, respectively. The Company also received a principal payment of approximately \$4.1 million on its senior subordinated loan as part of Vestal's refinancing resulting in an outstanding balance of approximately \$2.5 million. The new loan has an interest rate of 12% and a maturity date of August 21, 2022.

On April 7, 2017, the Company realized a loss of approximately \$2.3 million on the sale of the common stock and the forgiveness of the loan to SIA Tekers Invest ( Tekers ).

On April 12, 2017, the Company received a principal payment from Pride Engineering, LLC ( Pride ) of approximately \$79,000.

On April 24, 2017, Equus Total Return Inc. ( Equus ) entered into a definitive agreement to acquire U.S. Gas (the Equus Merger Agreement ). Closing of the transaction was subject to a number of conditions. On May 23, 2017, the Boards of MVC and U.S. Gas provided notice to Equus of a superior proposal that had been received from Crius and of MVC's and U.S. Gas's intent to terminate the Equus Merger Agreement. On May 30, 2017, MVC and U.S. Gas terminated the Equus Merger Agreement, and in connection with such termination and pursuant to the Equus Merger Agreement, U.S. Gas paid to Equus a termination fee of \$2.5 million.

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On April 28, 2017, the Company received a principal payment from Moreys of \$262,000.

On May 30, 2017, U.S. Gas entered into a definitive agreement to be acquired by Crius Energy Trust for \$172.5 million in a combination of cash, second-lien notes, and Crius trust units.

On June 8, 2017, the Company received total proceeds of approximately \$18.1 million for the repayment of the outstanding Biogenic Reagents ( Biogenic ) loans. The total proceeds include repayment of all outstanding principal and a substantial portion of the unpaid accrued interest related to

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the loans that were previously reserved against in full beginning on April 1, 2016. The warrants were also realized as part of this transaction resulting in a realized loss of approximately \$620,000.

On June 26, 2017, Thunderdome Restaurants, LLC ( Thunderdome ) repaid its loan in full totaling approximately \$3.0 million, including all accrued interest.

On July 5, 2017, the Company received gross consideration for its investment in U.S. Gas valued at approximately \$127.4 million, including approximately \$11.0 million for the repayment of its two outstanding loans from the Company. The fair value of the consideration received by the Company for its equity investment in U.S. Gas was \$116.4 million. As a result of the gross consideration received, the Company realized a gain of approximately \$115.9 million. The \$116.4 million was comprised of: (i) cash of approximately \$50.0 million; (ii) 9.5% second-lien callable notes due in July 2025 with a face amount of approximately \$40.5 million (before certain post-closing and indemnification adjustments, if any) (the U.S. Gas second lien loan ); and (iii) 3,282,982 Crius trust units valued at approximately \$25.9 million on the date of closing. In addition to the approximately \$116.4 million proceeds that the Company received from the sale of U.S. Gas to Crius (pre-indemnification and pre-working capital true-up), the Company also received \$1.48 million in cash to hold in its capacity as Holder Representative (of the U.S. Gas selling shareholders). This \$1.48 million cash received by the Company will be used to pay, over time, for legal costs, potential settlements, true-up payments, etc. on behalf of the U.S. Gas selling shareholders. Since the Company expects the \$1.48 million to be fully used for legal costs, settlements and true-up payments, on behalf of the U.S. Gas selling shareholders, the Company has reserved in full against all proceeds received. If there are any excess proceeds, once all costs and payments associated with the transaction have been made, the excess proceeds will be split amongst the non-legacy U.S. Gas selling shareholders on a pro-rata basis.

On July 20, 2017, Pride repaid its loan in full totaling approximately \$5.1 million, including all accrued interest.

On August 29, 2017, the Company realized a loss of approximately \$5.0 million on the sale of the Actelis Networks, Inc. ( Actelis ) common stock back to the company.

On September 19, 2017, Quantum Plastics LLC ( Quantum ) repaid its loan in full, including all accrued interest. At the same time, the Company sold the Quantum warrant resulting in a realized gain of approximately \$540,000.

On September 29, 2017, the Company realized a loss of approximately \$3.7 million on the sale of MainStream Data, Inc. ( MainStream ) common stock back to the company.

On October 18, 2017, the Company realized a loss of approximately \$785,000 on the sale of the BAC common stock.

On October 26, 2017, the Company exchanged its common equity interest in SGDA Europe for a \$1.2 million first lien note, resulting in a realized loss of approximately \$27.5 million.

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During the fiscal year ended October 31, 2017, Initials made a principal payment of approximately \$69,000.

During the fiscal year ended October 31, 2017, the Company received a distribution of approximately \$330,000 from Security Holdings, which was recorded as a return of capital.

During the quarter ended January 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$136,000, Centile equity interest by \$340,000, Custom Alloy unsecured loan by approximately \$370,000, Dukane loan by approximately \$71,000, Legal Solutions loan by approximately \$112,000, Morey's loan by approximately \$462,000,

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Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, Security Holdings equity interest by approximately \$1.5 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$99,000, Turf loan by approximately \$7,000 and guarantee by approximately \$3,000, RuMe guarantee by approximately \$50,000 and the United States Technologies, Inc. ( U.S. Tech ) loan by \$5,000. The Valuation Committee also increased the Ohio Medical Corporation ( Ohio Medical ) escrow by approximately \$73,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$511,649. The Valuation Committee also decreased the fair value of the Company s investments in: BAC common stock by approximately \$55,000, Custom Alloy second lien loan by approximately \$575,000, Foliofn preferred stock by \$264,000, Initials loan by approximately \$95,000, JSC Tekers preferred stock by approximately \$43,000, MVC Automotive equity interest by \$307,000, MVC Environmental common stock by approximately \$517,000, RuMe series C preferred stock by approximately \$186,000, series B-1 preferred stock by approximately \$9,000, common stock by approximately \$42,000 and warrant by approximately \$66,000, SCSD common stock by \$560,000, SGDA Europe common equity interest by approximately \$252,000 and Vestal loan by approximately \$57,000, common stock by approximately \$54,000 and warrant by approximately \$62,000.

During the quarter ended April 30, 2017, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately \$219,000, Centile equity interest by \$136,000, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$128,000, JSC Tekers preferred stock by approximately \$71,000, Legal Solutions loan by approximately \$130,000, Morey s loan by approximately \$1.3 million, MVC Automotive equity interest by approximately \$1.7 million, Quantum warrant by approximately \$2,000, RuMe guarantee by approximately \$91,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$171,000. The Valuation Committee also increased the Ohio Medical escrow by approximately \$228,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, MVC Environmental, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$406,896. The Valuation Committee also decreased the fair value of the Company s investments in: Initials loan by approximately \$47,000, MVC Environmental common stock by approximately \$410,000, RuMe series C preferred stock by approximately \$164,000, series B-1 preferred stock by approximately \$5,000, common stock by approximately \$36,000 and warrant by approximately \$72,000, SGDA Europe common equity interest by approximately \$106,000, Security Holdings equity interest by approximately \$962,000, Turf loan by approximately \$246,000 and SCSD common stock by \$215,000.

During the quarter ended July 31, 2017, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately \$139,000, Centile equity interest by \$629,000, Custom Alloy unsecured loan by approximately \$317,000, Dukane loan by approximately \$1,000, JSC Tekers preferred stock by approximately \$419,000, Legal Solutions loan by approximately \$1,000, Morey s loan by approximately \$1.0 million, MVC Automotive equity interest by approximately \$1.4 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.1 million, Quantum warrant by approximately \$1,000, RuMe series C preferred stock by approximately \$129,000, series B-1 preferred stock by approximately \$58,000, common stock by approximately \$29,000 and warrant by approximately \$66,000 and the Turf loan by approximately \$154,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, MVC Environmental, RuMe, Dukane, Initials and U.S. Gas were due to the capitalization of PIK interest totaling \$486,743. The Valuation Committee also decreased the fair value of the Company s investments in: Custom Alloy second lien loan by approximately \$375,000, Foliofn preferred stock by \$156,000, HTI loan by approximately \$119,000, RuMe guarantee by approximately \$81,000, Initials loan by approximately \$248,000, MVC Environmental common stock by approximately \$760,000 and loan by approximately \$1.1 million, SGDA Europe common equity interest by approximately \$73,000 and the SCSD common stock by approximately \$316,000.

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During the quarter ended October 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$98,000, Custom Alloy unsecured loan by approximately \$189,000 and second lien loan by approximately \$807,000, Centile equity interest by \$306,000, HTI loan by approximately \$7,000, JSC Tekers preferred stock by approximately \$19,000, Legal Solutions loan by approximately \$1,000, Turf loan by approximately \$71,000, MVC Automotive equity interest by approximately \$1.1 million, RuMe warrant by approximately \$420,000 and guarantee by approximately \$20,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$275,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, Morey's, RuMe and Dukane were due to the capitalization of PIK interest totaling \$470,290. The Valuation Committee also decreased the fair value of the Company's investments in: Foliofn preferred stock by \$241,000, Initials loan by approximately \$54,000, RuMe series C preferred stock by approximately \$398,000, series B-1 preferred stock by approximately \$52,000, common stock by approximately \$88,000 and letter of credit by approximately \$345,000, Security Holdings equity interest by approximately \$3.5 million, MVC Environmental letter of credit by approximately \$9,000 and loan by approximately \$921,000.

During the fiscal year ended October 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$593,000, Centile equity interest by \$1.4 million, Custom Alloy unsecured loan by approximately \$876,000, Dukane loan by approximately \$73,000, JSC Tekers preferred stock by approximately \$466,000, Legal Solutions loan by approximately \$244,000, Morey's loan by approximately \$2.7 million, MVC Automotive equity interest by approximately \$3.9 million, Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, U.S. Tech loan by \$5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.7 million, Turf guarantee by approximately \$3,000, RuMe warrants by approximately \$348,000 and guarantee by approximately \$81,000. The Valuation Committee also increased the Ohio Medical escrow by approximately \$301,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$1,875,578. The Valuation Committee also decreased the fair value of the Company's investments in: BAC common stock by approximately \$55,000, Custom Alloy second lien loan by approximately \$144,000, Foliofn preferred stock by \$533,000, Initials loan by approximately \$444,000, MVC Environmental common stock by approximately \$1.7 million, loan by approximately \$2.0 million and letter of credit by approximately \$9,000, RuMe series B-1 preferred stock by approximately \$9,000, series C preferred stock by approximately \$619,000, common stock by approximately \$137,000 and letter of credit by approximately \$345,000, Turf loan by approximately \$14,000, HTI loan by approximately \$112,000, SCSD common stock by \$1.1 million, Vestal loan by approximately \$57,000, common stock by approximately \$54,000 and warrant by approximately \$62,000, Security Holdings equity interest by approximately \$3.0 million and the SGDA Europe common equity interest by approximately \$431,000.

At October 31, 2017, the fair value of all portfolio investments, exclusive of escrow receivables, was \$292.5 million with a cost basis of \$363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was \$5.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$287.1 million and \$348.2 million, respectively. At October 31, 2016, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was \$360.1 million with a cost basis of \$374.7 million. At October 31, 2016, the fair value and cost basis of Legacy Investments was \$5.9 million and \$23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$354.2 million and \$350.9 million, respectively.

Table of Contents**9. Commitments and Contingencies*****Commitments to Portfolio Companies:***

At April 30, 2018 and October 31, 2017, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company		Amount Committed		Amount Funded at April 30, 2018
MVC Private Equity Fund LP	\$	20.1 million	\$	14.6 million
<b>Total</b>	<b>\$</b>	<b>20.1 million</b>	<b>\$</b>	<b>14.6 million</b>

Portfolio Company		Amount Committed		Amount Funded at October 31, 2017
MVC Private Equity Fund LP	\$	20.1 million	\$	14.6 million
<b>Total</b>	<b>\$</b>	<b>20.1 million</b>	<b>\$</b>	<b>14.6 million</b>

***Guarantees:***

At April 30, 2018 and October 31, 2017, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee		Amount Committed		Amount Funded at April 30, 2018
MVC Automotive	\$	7.1 million		
RuMe	\$	1.0 million		
<b>Total</b>	<b>\$</b>	<b>8.1 million</b>		

Guarantee		Amount Committed		Amount Funded at October 31, 2017
MVC Automotive	\$	6.0 million		
RuMe	\$	1.0 million		
<b>Total</b>	<b>\$</b>	<b>7.0 million</b>		

ASC 460, *Guarantees*, requires the Company to estimate the fair value of the guarantee obligation at its inception and requires the Company to assess whether a probable loss contingency exists in accordance with the requirements of ASC 450, *Contingencies*. At April 30, 2018, the Valuation Committee estimated the combined fair values of the guarantee obligations noted above to be approximately -\$145,000 or a liability of approximately \$145,000.

These guarantees are further described below, together with the Company's other commitments.



On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of April 30, 2018 is approximately 5.8 million Euro (equivalent to approximately \$7.1 million).

The Company agreed to cash collateralize a \$300,000 third party letter of credit for RuMe, which is still a commitment of the Company as of April 30, 2018. The Company also guaranteed \$1.0 million of RuMe's indebtedness to Colorado Business Bank, which had a fair value of approximately -\$145,000 or a liability of \$145,000 as of April 30, 2018. On September 22, 2017, the Company provided RuMe an additional \$2.0 million letter of credit, which was reduced to \$1.5 million on February 1, 2018, and had a fair value of approximately -\$369,000 or a liability of \$369,000 as of April 30, 2018. The \$1.5 million letter of credit is collateralized by the Company's Credit Facility III (defined below).

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately \$104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial

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portion of MVC Partners operations. The investment period related to the PE Fund has ended. Additional capital may be called for follow-on investments in existing portfolio companies of the PE Fund or to pay operating expenses of the PE Fund until the partnership is terminated. During the fiscal year ended October 31, 2017, the Company received proceeds of approximately \$12.6 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$10.2 million, including escrow distributions. As of April 30, 2018, \$14.6 million of the Company's commitment has been contributed.

During the fiscal year ended October 31, 2016, the Company agreed to cash collateralize a \$500,000 working capital line of credit for an entity partially owned by MVC Environmental provided by Branch Banking and Trust Company (BB&T). During the fiscal year ended October 31, 2017, the cash collateral securing the MVC Environmental working capital line of credit was released and a new credit facility was entered into secured by a \$1.0 million letter of credit. On February 16, 2018, the letter of credit was increased to \$3.0 million. The \$3.0 million letter of credit is collateralized by the Company's Credit Facility III (defined below) and had a fair value of approximately -\$26,000 or a liability of \$26,000 as of April 30, 2018.

During the six month period ended April 30, 2018, the Company provided Custom Alloy a \$2.0 million and a \$1.4 million letter of credit as part of a restructuring. The \$2.0 million letter of credit had a fair value of approximately -\$103,000 or a liability of \$103,000 as of April 30, 2018 and the \$1.4 million letter of credit had a fair value of approximately -\$62,000 or a liability of \$62,000 as of April 30, 2018. Both letters of credit are collateralized by the Company's Credit Facility III (defined below).

As of April 30, 2018, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -\$704,000 or a liability of \$704,000.

*Commitments of the Company*

On February 19, 2013, the Company sold \$70.0 million of senior unsecured notes (the Senior Notes) in a public offering. The Senior Notes will mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 15, 2016. The Senior Notes had an interest rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year, beginning April 15, 2013. The Company had also granted the underwriters a 30-day option to purchase up to an additional \$10.5 million of Senior Notes to cover overallotments. The additional \$10.5 million in principal was purchased and the total principal amount of the Senior Notes totaled \$80.5 million. The net proceeds to the Company from the sale of the Senior Notes, after offering expenses, were approximately \$77.4 million. The offering expenses incurred are amortized over the term of the Senior Notes.

On February 26, 2013, the Company received the funds related to the Senior Notes offering, net of expenses, and subsequently repaid the credit facility (the Credit Facility) with Guggenheim as administrative agent for the lenders in full, including all accrued interest. The Company used the excess net proceeds after the repayment of the Credit Facility for general corporate purposes, including, for example, investing in portfolio companies according to our investment objective and strategy, repurchasing shares pursuant to the share repurchase program adopted by our Board of Directors, funding distributions, and/or funding the activities of our subsidiaries.

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On May 3, 2013, the Company sold approximately \$33.9 million of additional Senior Notes in a direct offering. The additional Senior Notes will also mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 15, 2016. The Notes had an interest rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year.

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On December 21, 2017, all of the issued and outstanding Senior Notes were redeemed by the Company. Approximately \$1.8 million in unamortized deferred financing fees related to the Senior Notes were expensed at the time of repayment. See below for additional information.

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility ( Credit Facility II ) with BB&T. On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed and reduced to a \$50 million revolving credit facility, which expired on February 28, 2017, as of which time all outstanding amounts under it were due and repaid. On February 28, 2017, Credit Facility II was renewed and increased to a \$100 million revolving credit facility and expired on August 31, 2017. On August 31, 2017, Credit Facility II was renewed and decreased to a \$25 million revolving credit facility, which expires on August 31, 2018. There was no change to the interest rate or unused fee on the revolving credit facility. The Company incurred closing costs associated with this transaction of \$62,500. At October 31, 2017 and April 30, 2018, there was no balance and \$25.0 million outstanding on Credit Facility II, respectively. Credit Facility II is used to provide the Company with better overall financial flexibility in managing its investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 125 basis points. In addition, the Company is also subject to a 25 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II will be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities. As of April 30, 2018, the Company was in compliance with all covenants related to Credit Facility II.

On December 9, 2015, the Company entered into a three-year, \$50 million revolving borrowing base credit facility ( Credit Facility III ) with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. As of October 31, 2017 and April 30, 2018, there was no outstanding balance on Credit Facility III. Credit Facility III can, under certain conditions, be increased up to \$85 million. The new facility bears an interest rate of LIBOR plus 3.75% or the prime rate plus 1% (at the Company's option), and includes a 1% closing fee of the commitment amount and a 0.75% unused fee. The compensating balance for the revolving credit facility is \$5.0 million, which is reflected as restricted cash on the Company's Consolidated Balance Sheets. On February 26, 2018, in connection with the U.S. Gas Sale, Credit Facility III was amended, effective as of July 5, 2017, to exclude from pledged collateral the U.S. Gas second lien loan. All other material terms of Credit Facility III remained unchanged. As of April 30, 2018, the Company was in compliance with all covenants related to Credit Facility III. See Subsequent Events for more information.

On November 15, 2017, the Company completed a public offering of \$100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 ( Senior Notes II ). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional \$15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the Offering ). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately \$111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. As of April 30, 2018, the Senior Notes II had a total outstanding amount of \$115.0 million, net of deferred financing fees the balance was approximately \$111.7 million, with a market value of approximately \$117.8 million.

The Company enters into contracts with portfolio companies and other parties that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not experienced claims or losses pursuant to these contracts and believes the risk of loss related to indemnifications to be remote.

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**10. Management**

On November 6, 2003, Michael Tokarz assumed his positions as Chairman, Portfolio Manager and Director of the Company. From November 6, 2003 to October 31, 2006, the Company was internally managed. Effective November 1, 2006, Mr. Tokarz's employment agreement with the Company terminated and the obligations under that agreement were superseded by those under the Advisory Agreement entered into with TTG Advisers. Under the terms of the Advisory Agreement, the Company pays TTG Advisers a base management fee and an incentive fee for its provision of investment advisory and management services.

Our Board of Directors, including all of the Independent Directors, last approved a renewal of the Advisory Agreement at their in-person meeting held on October 28, 2016.

Under the terms of the Advisory Agreement, TTG Advisers determines, consistent with the Company's investment strategy, the composition of the Company's portfolio, the nature and timing of the changes to the Company's portfolio and the manner of implementing such changes. TTG Advisers also identifies and negotiates the structure of the Company's investments (including performing due diligence on prospective Portfolio Companies), closes and monitors the Company's investments, determines the securities and other assets purchased, retains or sells and oversees the administration, recordkeeping and compliance functions of the Company and/or third parties performing such functions for the Company. TTG Advisers' services under the Advisory Agreement are not exclusive, and it may furnish similar services to other entities. Pursuant to the Advisory Agreement, the Company is required to pay TTG Advisers a fee for investment advisory and management services consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at 2.0% per annum of the Company's total assets excluding cash, the value of any investment in a Third-Party Vehicle covered by a Separate Agreement (as defined in the Advisory Agreement) and the value of any investment by the Company not made in portfolio companies ( Non-Eligible Assets ) but including assets purchased with borrowed funds that are not Non-Eligible Assets. The incentive fee consists of two parts: (i) one part is based on our pre-incentive fee net operating income; and (ii) the other part is based on the capital gains realized on our portfolio of securities acquired after November 1, 2003.

The Advisory Agreement provides for an expense cap pursuant to which TTG Advisers will absorb or reimburse operating expenses of the Company, to the extent necessary to limit the Company's expense ratio (the consolidated expenses of the Company, including any amounts payable to TTG Advisers under the base management fee, but excluding the amount of any interest and other direct borrowing costs, taxes, incentive compensation and extraordinary expenses taken as a percentage of the Company's average net assets) to 3.5% in each of the 2009 and 2010 fiscal years.

On various dates, TTG Advisers and the Company entered into annual agreements to extend the expense cap of 3.5% to the 2011, 2012, 2013 and 2014 fiscal years ( Expense Limitation Agreement ). The Company and the Adviser agreed to continue the expense cap into fiscal year 2015 and fiscal year 2016, though they lowered the expense cap to 3.25% and modified the methodology so that the cap is applied to limit the Company's ratio of expenses to total assets less cash (the Modified Methodology ), consistent with the asset level used to calculate the base management fee. (The expenses covered by the cap remain unchanged.) On October 28, 2016, the Board of Directors, including all of the Independent Directors, approved the renewal of the Advisory Agreement for the 2017 fiscal year. Further, the Adviser agreed to continue to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2017. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first \$1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the \$1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. Furthermore, the Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal year 2017 of 3.25% under the Modified Methodology. For fiscal year 2018, the Adviser has agreed to continue the 3.25% expense cap under the Modified Methodology. The amount of any payments made by the GP of



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the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund continues to be excluded from the calculation of the Company's expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2017, TTG Advisers voluntarily agreed to waive \$150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement for its allocable portion of the compensation payable to certain officers of the Company, which may not exceed \$200,000 per year in the aggregate (the Voluntary Waiver). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2018, the Company did not have an investment in an exchange traded fund. In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount<sup>1</sup> as follows: (A) If the Company's NAV discount is greater than 20%, the management fee for the current quarter is reduced to 1.25%; (B) If the NAV discount is between 10% and 20%, the management fee will be 1.50%; and (C) If the NAV discount is less than 10% or eliminated, the 1.50% management fee would be re-examined, but in no event would it exceed 1.75%. For the quarter ended April 30, 2018, the management fee was 1.25%.

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund. The PE Fund has closed on approximately \$104 million of capital commitments. The Company's Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company's ability to make additional investments that represent more than 5% of its total assets or more than 10% of the outstanding voting securities of the issuer (Non-Diversified Investments) through the PE Fund. As previously disclosed, the Company is restricted in its ability to make Non-Diversified Investments. For services provided to the PE Fund, the GP and MVC Partners are together entitled to receive 25% of all management fees and other fees paid by the PE Fund and its portfolio companies and up to 30% of the carried interest generated by the PE Fund. Further, at the direction of the Board of Directors, the GP retained TTG Advisers to serve as the portfolio manager of the PE Fund. In exchange for providing those services, and pursuant to the Board of Directors' authorization and direction, TTG Advisers is entitled to receive the balance of the fees generated by the PE Fund and its portfolio companies and a portion of any carried interest generated by the PE Fund. Given this separate arrangement with the GP and the PE Fund (the PM Agreement), under the terms of the Company's Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. However, the Company's limited partnership interest and GP interest in the PE Fund are subject to the PE Fund's annual management fee, a portion of which, as described above, is retained by the Company and not paid out to TTG Advisers as portfolio manager of the PE Fund. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. Previously, MVC Partners was presented as a Portfolio Company on the Consolidated Schedules of Investments. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. There are additional disclosures resulting from this consolidation.

Management and portfolio fees (e.g., closing or monitoring fees) generated by the PE Fund (including its portfolio companies) that are paid to the GP are classified on the Consolidated Statements of Operations as Management fee income - Asset Management and Portfolio fee income - Asset Management, respectively. The portion of such fees that the GP pays to TTG Advisers (in accordance with its PM Agreement described above) are classified on the Consolidated Statements of Operations as Management fee - Asset Management and Portfolio fees - Asset Management. Under the PE Fund's agreements, a significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies

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<sup>1</sup> The NAV discount referred to herein is the average daily discount to NAV for a quarter. The discount is determined using the most recently determined NAV per share, which is typically the prior quarter end's NAV per share and the Company stock closing price on any given day for the quarter.

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to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

## 11. Incentive Compensation

Pursuant to the Advisory Agreement, the Company pays an incentive fee to TTG Advisers which is generally: (i) 20% of pre-incentive fee net operating income and (ii) 20% of cumulative aggregate net realized capital gains less aggregate unrealized depreciation (on our portfolio securities acquired after November 1, 2003). TTG Advisers is entitled to an incentive fee with respect to our pre-incentive fee net operating income in each fiscal quarter as follows: no incentive fee in any fiscal quarter in which our pre-incentive fee net operating income does not exceed the lower hurdle rate of 1.75% of net assets, 100% of our pre-incentive fee net operating income with respect to that portion of such pre-incentive fee net operating income, if any, that exceeds the lower hurdle amount but is less than 2.1875% of net assets in any fiscal quarter and 20% of the amount of our pre-incentive fee net operating income, if any, that exceeds 2.1875% of net assets in any fiscal quarter.

In accordance with GAAP, the Company had cumulatively accrued a capital gains incentive compensation provision of \$1.3 million as of April 30, 2018, of which \$1.3 million is not currently due under the Advisory Agreement. Capital gains incentive fee payments are made on an annual basis. GAAP requires that the capital gains incentive compensation provision consider the cumulative aggregate unrealized appreciation in the calculation, as capital gains incentive fee would be payable if such unrealized appreciation were realized, even though such unrealized appreciation is not permitted to be considered in calculating the incentive fee actually payable under the Advisory Agreement. This GAAP provision is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized depreciation included in the calculation of the capital gains incentive fee plus the aggregate cumulative unrealized appreciation. If such amount is positive at the end of a period, then GAAP requires the Company to record a capital gains incentive compensation provision equal to 20% of such cumulative amount, less the aggregate amount of actual capital gains incentive fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting incentive compensation provision for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no provision recorded. There can be no assurance that such unrealized appreciation will be realized in the future.

At October 31, 2017, the provision for estimated incentive compensation was approximately \$2.0 million. During the six month period ended April 30, 2018, this provision for incentive compensation was decreased by a net amount of approximately \$700,000 to approximately \$1.3 million, including both the pre-incentive fee net operating income and the capital gain incentive fee. The net decrease in the provision for incentive compensation reflects the realized loss of approximately \$3.0 million on the U.S. Gas loan and the Valuation Committee's determination to decrease the fair values of twelve of the Company's portfolio investments (Advantage, Dukane, Equus, HTI, Initials, MVC Environmental, RuMe, Turf, U.S. Gas, SCSD, Security Holdings and Crius) by a total of approximately \$8.7 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of six of the Company's portfolio investments (Centile, Custom Alloy, Highpoint, JSC Tekers, Legal Solutions, and MVC Automotive) by a total of approximately \$7.1 million. Also, for the quarter ended April 30, 2018, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate.

At October 31, 2016, the provision for estimated incentive compensation was approximately \$1.9 million. During the fiscal year ended October 31, 2017, this provision for incentive compensation was increased by a net amount of approximately \$4.5 million to approximately \$6.4 million, including both the pre-incentive fee net operating income and the capitals gains incentive fee. The net increase in the provision for incentive compensation during the fiscal year ended October 31, 2017, primarily reflects the





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realized gain from the sale of U.S. Gas above the October 31, 2016 fair value which was partially offset by the realized loss on the sale of SGDA Europe and also reflects the Valuation Committee's determination to increase the fair values of twelve of the Company's portfolio investments (Advantage, Centile, Custom Alloy, Dukane, JSC Tekers, Legal Solutions, Morey's, MVC Automotive, Pride, Quantum, U.S. Tech and Equus) by a total of approximately \$14.1 million. The net increase in the provision also reflects the Valuation Committee's determination to decrease the fair values of eleven of the Company's portfolio investments (BAC, HTI, Initials, MVC Environmental, RuMe, Turf, SCSD, Vestal, Security Holdings, SGDA Europe and Crius) by a total of approximately \$14.5 million. During the fiscal year ended October 31, 2017, the Company paid the Adviser the previously accrued \$1.1 million incentive fee payment related to the net operating income for the quarter ended April 30, 2016. As discussed in Realized Gains and Losses on Portfolio Securities, on July 5, 2017, the Company realized a gain of \$115.9 million from the sale of U.S. Gas (the U.S. Gas Sale). Under the Advisory Agreement, this transaction triggered an incentive compensation payment obligation to TTG Advisers, which payment, under the Advisory Agreement, is not required to be made until soon after the completion of the audit of the fiscal 2017 financials. The fiscal 2017 incentive fee payment obligation to TTG Advisers is approximately \$4.4 million. The Adviser has voluntarily agreed to defer the timing for collection of the portion of this payment obligation attributable to the portion of the proceeds of the U.S. Gas Sale not represented by cash proceeds (the Deferred Portion). The portion of the payment obligation attributable to the cash portion of the realized gain, \$1.9 million, was paid following the audit of the fiscal 2017 financials per the Advisory Agreement. Also, for the quarter ended October 31, 2017, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate.

**12. Tax Matters**

On October 31, 2017, the Company had a net capital loss carryforward of approximately \$1.0 million. The Company had approximately \$71.4 million in unrealized losses as of April 30, 2018.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet a more-likely-than-not threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. During the six month period ended April 30, 2018, the Company recorded approximately \$700,000 of additional interest expense associated with the deferred tax liability resulting from the installment sale treatment applied to the realized gain associated with the U.S. Gas note. The interest expense is required to be paid under Internal Revenue Service (IRS) Code section 453A. The \$700,000 is comprised of the calculated interest expense for FY 2017 as well as an estimate for the first six month period ended April 30, 2018. The Company has discussed with the IRS whether the IRS would be willing to issue a ruling to the Company that the Company is not liable for this interest expense given its pass-through status as a Regulated Investment Company. The Company has not yet received a response from the IRS, but has determined to record the associated interest expense during the period. The amount of estimated interest expense associated with the second fiscal quarter is approximately \$85,000. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2013 through 2017 for the Company and MVCFS remain subject to examination by the IRS.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. One of the more prominent changes addresses capital loss carryforwards. Under the Act,

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each fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under previous regulation.

The Company continues to assess the impact of the Tax Cuts and Jobs Act (the Act) and has not yet made any determination as to the specific effects, if any, that it may have on the Company's financial position and results of operations, including the impact the Act may have on the inputs used by the Company in the analysis of the fair value of its portfolio investments using the income or market approach.

### **13. Dividends and Distributions to Shareholders, Share Repurchase Program and Tender Offer**

As a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code ), the Company is required to distribute to its shareholders, in a timely manner, at least 90% of its investment company taxable and tax-exempt income each year. If the Company distributes, in a calendar year, at least 98% of its ordinary income for such calendar year and 98.2% of its capital gain net income for the 12-month period ending on October 31 of such calendar year (as well as any portion of the respective 2% balances not distributed in the previous year), it will not be subject to the 4% non-deductible federal excise tax on certain undistributed income of RICs.

Dividends and capital gain distributions, if any, are recorded on the ex-dividend date. Dividends and capital gain distributions are generally declared and paid quarterly according to the Company's policy established on July 11, 2005. An additional distribution may be paid by the Company to avoid imposition of federal income tax on any remaining undistributed net investment income and capital gains. Distributions can be made payable by the Company either in the form of a cash distribution or a stock dividend. The amount and character of income and capital gain distributions are determined in accordance with income tax regulations that may differ from U.S. generally accepted accounting principles. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Company, differing treatments of expenses paid by the Company, timing differences and differing characterizations of distributions made by the Company. Key examples of the primary differences in expenses paid are the accounting treatment of MVCFS (which is consolidated for GAAP purposes, but not income tax purposes) and the variation in treatment of incentive compensation expense. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications and may affect the allocation between net operating income, net realized gain (loss) and paid-in capital. Additionally, the characterization of the distribution is based upon current results, such characterization may change based upon results for the year.

All of our shareholders who hold shares of common stock in their own name will automatically be enrolled in our dividend reinvestment plan (the Plan ). All such shareholders will have any cash dividends and distributions automatically reinvested by Computershare Ltd. ( the Plan Agent ) in shares of our common stock. Of course, any shareholder may elect to receive his or her dividends and distributions in cash. Currently, the Company has a policy of paying quarterly dividends to shareholders. For any of our shares that are held by banks, brokers or other entities that hold our shares as nominees for individual shareholders, the Plan Agent will administer the Plan on the basis of the number of shares certified by any nominee as being registered for shareholders that have not elected to receive dividends and distributions in cash. To receive your dividends and distributions in cash, you must notify the Plan Agent, broker or other entity that holds the shares.

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**For the Quarter Ended January 31, 2018**

On December 19, 2017, the Company's Board of Directors declared a dividend of \$0.15 per share. The dividend was paid on January 8, 2018 to shareholders of record on December 29, 2017 and totaled approximately \$2.8 million.

During the quarter ended January 31, 2018, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,670 shares of our common stock at an average price of \$10.84, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

**For the Quarter Ended April 30, 2018**

On April 13, 2018, the Company's Board of Directors declared a dividend of \$0.15 per share. The dividend was paid on April 30, 2018 to shareholders of record on April 25, 2018 and totaled approximately \$2.8 million.

During the quarter ended April 30, 2018, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 8,349 shares of our common stock at an average price of \$10.10, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

**SHARE REPURCHASE PROGRAM**

On April 3, 2013, the Company's Board of Directors authorized an expanded share repurchase program to opportunistically buy back shares in the market in an effort to narrow the market discount of its shares. The previously authorized \$5 million limit has been eliminated. Under the repurchase program, shares may be repurchased from time to time at prevailing market prices. The repurchase program does not obligate the Company to acquire any specific number of shares and may be discontinued at any time. The following table represents purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 through fiscal year ended October 31, 2016. There were no repurchases made during the fiscal year ended October 31, 2017 and the six month period ended April 30, 2018.

Period *	Total Number of Shares Purchased	Average Price Paid per Share including commission	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Purchased Under the Program
<b>For the Year Ended October 31, 2013</b>	1,299,294	\$ 12.83	1,299,294	\$ 16,673,207
<b>For the Year Ended October 31, 2014</b>	310,706	\$ 13.24	1,610,000	\$ 4,114,967

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<b>For the Year Ended October 31, 2015</b>				1,610,000		
<b>For the Year Ended October 31, 2016</b>	146,409	\$	8.31	1,756,409	\$	1,216,746
<b>Total</b>	1,756,409	\$	12.53	1,756,409	\$	22,004,920

\*Disclosure covering repurchases will be made through quarterly and annual reports filed with the SEC going forward. MVC Capital's website will no longer contain the monthly repurchase information.

**TENDER OFFERS**

On July 21, 2017, the Company commenced a modified Dutch Auction tender offer (the Tender Offer) to purchase up to \$15 million of its common stock at a price per share not less than \$10.00 and not greater than \$11.00 in \$0.20 increments. The Company's Tender Offer expired at 5:00 p.m., New York City time, on August 18, 2017. A total of 3,634,597 shares of the Company's common stock were properly tendered and not properly withdrawn at or below a purchase price of \$10.40 per share. In

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accordance with the terms and conditions of the Tender Offer, the Company accepted for payment, on a pro rata basis, at a purchase price of \$10.40, 1,442,307 shares properly tendered at or below the purchase price and not properly withdrawn before the expiration date, at an aggregate cost of approximately \$15.0 million, excluding fees and expenses relating to the Tender Offer.

On November 22, 2017, the Company commenced a modified Dutch Auction tender offer (the TO) to purchase up to \$25 million of its common stock at a price per share not less than \$10.40 and not greater than \$11.00 in \$0.10 increments. The TO expired at 5:00 p.m., New York City time, on December 21, 2017. In accordance with the terms and conditions of the TO, the Company accepted for payment, at a purchase price of \$10.90, 2,293,577 shares properly tendered at or below the purchase price, at an aggregate cost of approximately \$25.0 million, excluding fees and expenses relating to the TO.

**14. Segment Data**

The Company's reportable segments are its investing operations as a business development company, MVC Capital, which includes MVC Cayman and MVC Turf. MVCFS, a wholly-owned subsidiary that provides advisory, administrative and other services to the Company and its portfolio companies, is also included.

The following table presents book basis segment data for the six month period ended April 30, 2018:

	MVC	MVCFS	Consolidated
Interest and dividend income	\$ 10,001,676	\$ 1,464	\$ 10,003,140
Fee income	83,222	50,236	133,458
Fee income - asset management		570,632	570,632
Total operating income	10,084,898	622,332	10,707,230
Total operating expenses	11,909,592	712,875	12,622,467
Less: Waivers by Adviser	(897,200)	(91,503)	(988,703)
Total net operating expenses	11,012,392	621,372	11,633,764
Net operating (loss) income before taxes	(927,494)	960	(926,534)
Tax expense		960	960
Net operating loss	(927,494)		(927,494)
Net realized loss on investments	(2,900,923)		(2,900,923)
Net unrealized appreciation on investments	1,371,349	13,467	1,384,816
Net (decrease) increase in net assets resulting from operations	\$ (2,457,068)	\$ 13,467	\$ (2,443,601)

Table of Contents**15. Significant Subsidiaries**

We have determined that for the six month period ended April 30, 2018, MVC Automotive and RuMe, unconsolidated portfolio companies, have met the conditions of a significant subsidiary. For the six month period ended April 30, 2017 (and not the fiscal 2018 period covered by this report), Equus met the conditions of a significant subsidiary. The financial information presented below includes summarized balance sheets as of March 31, 2018 (the last fiscal quarter-end of these companies prior to April 30, 2018) and March 31, 2017 and summarized income statements for the periods October 1, 2017 to March 31, 2018 and October 1, 2016 to March 31, 2017. The financial information below is based on unaudited financial statements and has been prepared and furnished by each portfolio company or derived from publicly available filings which, in any case, were not prepared by the Company.

<b>Balance Sheet</b> All numbers in thousands	<b>MVC Automotive</b> As of March 31, 2018		<b>RuMe</b> As of March 31, 2018		<b>MVC Automotive</b> As of March 31, 2017		<b>RuMe</b> As of March 31, 2017	
<b>Assets:</b>								
Total current assets	\$	68,732	\$	2,264	\$	45,078	\$	2,606
Total non-current assets		24,513		471		22,890		574
Total Assets	\$	93,245	\$	2,735	\$	67,968	\$	3,180
<b>Liabilities and Shareholders</b>								
<b>Equity:</b>								
Current Liabilities	\$	74,287	\$	5,604	\$	52,496	\$	5,352
Long-term liabilities		16,710		3,193		15,026		1,217
Shareholders Equity		2,248		(6,062)		446		(3,389)
Total Liabilities and Shareholders Equity	\$	93,245	\$	2,735	\$	67,968	\$	3,180

<b>Balance Sheet</b> All numbers in thousands	<b>Equus</b> As of March 31, 2018		<b>Equus</b> As of March 31, 2017	
<b>Assets:</b>				
Investments in portfolio securities at fair value	\$	32,234	\$	30,406
Cash, cash equivalents, temporary cash investments and restricted cash		29,353		45,812
Other assets		1,077		1,313
Total assets	\$	62,664	\$	77,531
<b>Liabilities:</b>				
Borrowing under margin account	\$	18,992	\$	34,999
Other liabilities		412		1,110
Total Liabilities	\$	19,404	\$	36,109
Net Assets	\$	43,260	\$	41,422

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Income Statement All numbers in thousands	MVC Automotive For the Period from October 1, 2017 to March 31, 2018	RuMe For the Period from October 1, 2017 to March 31, 2018	MVC Automotive For the Period from October 1, 2016 to March 31, 2017	RuMe For the Period from October 1, 2016 to March 31, 2017
Net Sales & Revenue	\$ 97,266	\$ 5,863	\$ 77,523	\$ 7,190
Cost of Sales	88,479	3,592	71,271	3,723
Gross Margin	8,787	2,271	6,252	3,467
Operating Expenses	8,738	3,019	6,861	3,398
Operating Income	49	(748)	(609)	69
Income Tax (Benefit)	190	0	148	0
Interest Expense	801	153	589	327
Other Expenses (Income), Net	(1,039)	(5)	(256)	(28)
<b>Net Income (Loss)</b>	<b>\$ 97</b>	<b>\$ (896)</b>	<b>\$ (1,090)</b>	<b>\$ (230)</b>

Income Statement All numbers in thousands	Equus For the Period from October 1, 2017 to March 31, 2018	Equus For the Period from October 1, 2016 to March 31, 2017
Investment income	\$ 234	\$ 382
Total expenses	1,985	3,558
Net investment loss	(1,751)	(3,176)
Net realized gain (loss)	2	(7)
Net change in unrealized appreciation (depreciation) of portfolio securities	2,864	2,286
Net change in unrealized appreciation (depreciation) of portfolio securities - related party	(51)	330
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 1,064</b>	<b>\$ (567)</b>



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**16. Subsequent Events**

On May 4, 2018, Custom Alloy made a principal payment of approximately \$249,000 on its first lien loan.

On May 7, 2018, the terms of Credit Facility III were amended to, among other things: (i) increase the limit for unsecured indebtedness and certain unsecured guaranty obligations of portfolio companies of the Company to \$10,000,000 and (ii) increase the limit on permitted investments of the Company with respect to certain debt, equity and follow-on investments to \$28,500,000. All other material terms of Credit Facility III remain unchanged.

On May 8, 2018, the Company loaned an additional \$400,000 to RuMe, increasing the subordinated loan amount to approximately \$2.1 million.

On May 15, 2018, the Company loaned Custom Alloy an additional \$200,000 on its first lien loan.

On May 18, 2018, Custom Alloy made a principal payment of approximately \$440,000 on its first lien loan.

On May 21, 2018, the Company repaid Credit Facility II in full, including all accrued interest.

On May 30, 2018, the Company loaned Security Holdings approximately \$4.8 million in the form of a senior subordinated loan. The loan has an annual interest rate of 15% and a maturity date of May 31, 2020.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company and its investment portfolio companies. Words such as *may*, *will*, *expect*, *believe*, *anticipate*, *intend*, *could*, *estimate*, *might* and *continue*, and the negative or other variations thereof or comparable terminology, are intended to identify forward-looking statements. Forward-looking statements are included in this report pursuant to the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. Such statements are predictions only, and the actual events or results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those relating to adverse conditions in the U.S. and international economies, competition in the markets in which our portfolio companies operate, investment capital demand, pricing, market acceptance, any changes in the regulatory environments in which we operate, changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, competitive forces, adverse conditions in the credit markets impacting the cost, including interest rates and/or availability of financing, the results of financing and investing efforts, the ability to complete transactions, the inability to implement our business strategies and other risks identified below or in the Company's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The

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Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. The following analysis of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements, the Notes thereto and the other financial information included elsewhere in this report and the Company's annual report on Form 10-K for the year ended October 31, 2017.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA:**

Financial information for the fiscal year ended October 31, 2017 is derived from the consolidated financial statements included in the Company's annual report on Form 10-K, which have been audited by Grant Thornton LLP, the Company's independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments), which are necessary to present fairly the results for such interim periods.

**Selected Consolidated Financial Data**

	For the Six Month Period Ended April 30, 2018 (Unaudited)	For the Six Month Period Ended April 30, 2017 (Unaudited)	Year Ended October 31, 2017
(In thousands, except per share data)			
<b>Operating Data:</b>			
Interest and related portfolio income:			
Interest and dividend income	\$ 10,003	\$ 6,190	\$ 17,273
Fee income	133	550	1,683
Fee income - asset management	571	569	1,138
Other Income			10
Total operating income	10,707	7,309	20,104
Expenses:			
Management fee	2,907	3,510	6,238
Portfolio fees - asset management	295	315	609
Management fee - asset management	133	111	245
Administrative	2,151	2,646	4,433
Interest and other borrowing costs	6,098	5,144	10,288
Loss on extinguishment of debt	1,783		
Net Incentive compensation (Note 11)	(745)	1,745	5,598
Total operating expenses	12,622	13,471	27,411
Expense waiver by Advisor	(75)	(75)	(150)
Voluntary management fee waiver by Advisor	(914)	(877)	(1,560)
Voluntary incentive fee waiver by Advisor			
Total waiver by adviser	(989)	(952)	(1,710)
Total net operating expenses	11,633	12,519	25,701
Net operating loss before taxes	(926)	(5,210)	(5,597)
Tax expense, net	1	1	2
Net operating loss	(927)	(5,211)	(5,599)
Net realized and unrealized (loss) gain:			
Net realized (loss) gain on investments	(2,901)	10,902	89,896

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Net unrealized appreciation (depreciation) on investments	1,385		1,755	(56,973)
Net realized and unrealized (loss) gain on investments	(1,516)		12,657	32,923
Net increase (decrease) in net assets resulting from operations	\$ (2,443)	\$	7,446	\$ 27,324
<b>Per Share:</b>				
Net increase (decrease) in net assets per share resulting from operations	\$ (0.13)	\$	0.33	\$ 1.22
Dividends per share	\$ 0.300	\$	0.270	\$ 0.555
<b>Balance Sheet Data:</b>				
Portfolio at value	\$ 324,602	\$	358,919	\$ 292,525
Portfolio at cost	396,010		371,324	363,218
Total assets	390,509		424,464	403,409
Shareholders' equity	246,299		280,914	279,489
Shareholders' equity per share (net asset value)	\$ 13.09	\$	12.45	\$ 13.24
Common shares outstanding at period end	18,821		22,556	21,114
<b>Other Data:</b>				
Number of Investments funded in period	13		4	7
Investments funded (\$) in period	\$ 41,897	\$	5,124	\$ 12,650
Repayment/sales in period	9,873		20,035	116,012
Net investment activity in period	32,024		(14,911)	(103,362)

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	2018			2017				2016		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
<b>Quarterly Data (Unaudited):</b>										
Total operating income	5,500	5,207	5,490	7,305	3,929	3,380	5,417	8,005	15,855	8,090
Management fee	1,496	1,411	1,335	1,393	1,696	1,814	1,721	1,932	1,958	1,979
Portfolio fees - asset management	148	147	148	146	138	177	183	185	186	187
Management fee - asset management	66	67	67	67	49	62	72	60	86	101
Administrative	856	1,295	983	804	1,172	1,474	802	1,319	1,174	958
Interest, fees and other borrowing costs	2,981	3,117	2,495	2,649	2,606	2,538	2,598	2,488	2,497	2,629
Loss on extinguishment of debt		1,783								
Net Incentive compensation	(1,012)	267	(1,224)	5,077	985	760	577	(1,512)	1,135	(2,230)
Total waiver by adviser	(599)	(390)	(372)	(386)	(461)	(491)	(467)	(521)	(1,527)	(532)
Tax expense	1		1			1	1		1	
Net operating (loss) income before net realized and unrealized gains	1,563	(2,490)	2,057	(2,445)	(2,256)	(2,955)	(70)	4,054	10,345	4,998
Net increase (decrease) in net assets resulting from operations	(3,393)	950	(4,028)	23,906	3,069	4,377	5,279	(3,536)	6,046	(4,991)
Net increase (decrease) in net assets resulting from operations per share	(0.18)	0.05	(0.17)	1.06	0.14	0.19	0.23	(0.16)	0.26	(0.21)
Net asset value per share	13.09	13.42	13.24	13.38	12.45	12.45	12.39	12.27	12.56	12.43

**OVERVIEW**

The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company under the 1940 Act. The Company's investment objective is to seek to maximize total return from capital appreciation and/or income.

On November 6, 2003, Mr. Tokarz assumed his positions as Chairman and Portfolio Manager of the Company. He and the Company's investment professionals (who, effective November 1, 2006, provide their services to the Company through the Company's investment adviser, TTG Advisers) are seeking to implement our investment objective (*i.e.*, to maximize total return from capital appreciation and/or income) through making a broad range of private investments in a variety of industries.

The investments can include senior or subordinated loans, convertible debt and convertible preferred securities, common or preferred stock, equity interests, warrants or rights to acquire equity interests, and other private equity transactions. During the fiscal year ended October 31, 2017, the Company made one new and 6 follow-on investments in 4 existing portfolio companies totaling approximately \$12.5 million. During the six month period ended April 30, 2018, the Company made 4 new investments and 11 follow-on investments in 8 existing portfolio companies totaling approximately \$42.4 million.

The Company's prior investment objective was to achieve long-term capital appreciation from venture capital investments in information technology companies. Accordingly, the Company's investments had focused on investments in equity and debt securities of information technology companies. As of April 30, 2018, approximately 1.2% of the current fair value of our assets consisted of Legacy Investments. We are, however, seeking to manage these Legacy Investments to try and realize maximum returns. We generally seek to capitalize on opportunities

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to realize cash returns on these investments when presented with a potential liquidity event, i.e., a sale, public offering, merger or other reorganization.

Our new portfolio investments are made pursuant to our current objective and strategy. We are concentrating our investment efforts on small and middle-market companies that, in our view, provide opportunities to maximize total return from capital appreciation and/or income though our current focus is more on yield generating investments which can include, but is not limited to senior and subordinated loans, convertible debt, common and preferred equity with a coupon or liquidation preference and warrants or rights to acquire equity interests (the Yield-Focused Strategy ). We have continued the transition to the Yield-Focused Strategy. We have done this through selling a number of equity investments, including our 2017 sale of U.S. Gas, our then-largest portfolio company. These sales and repayments have improved our liquidity position, which provides us with flexibility to redeploy capital into debt or similar income-producing investments. The Company continues to seek to monetize various

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equity investments to further support the Yield-Focused Strategy. We participate in the private equity business generally by providing negotiated long-term equity and/or debt investment capital to privately-owned small and middle-market companies. Our financings are generally used to fund growth, buyouts, acquisitions, recapitalizations, note purchases and/or bridge financings. We generally invest in private companies, though, from time to time, we may invest in public companies that may lack adequate access to public capital.

We may also seek to achieve our investment objective by establishing a subsidiary or subsidiaries that would serve as general partner to a private equity or other investment fund(s). In fact, during fiscal year 2006, we established MVC Partners for this purpose. Furthermore, the Board of Directors authorized the establishment of a PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as the GP and which may raise up to \$250 million. On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund. The PE Fund closed on approximately \$104 million of capital commitments. The Company's Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company's ability to make Non-Diversified Investments through the PE Fund. As previously disclosed, the Company is restricted in its ability to make Non-Diversified Investments. For services provided to the PE Fund, the GP and MVC Partners are together entitled to receive 25% of all management fees and other fees paid by the PE Fund and its portfolio companies and up to 30% of the carried interest generated by the PE Fund. Further, at the direction of the Board of Directors, the GP retained TTG Advisers to serve as the portfolio manager of the PE Fund. In exchange for providing those services, and pursuant to the Board of Directors' authorization and direction, TTG Advisers is entitled to receive the balance of the fees and any carried interest generated by the PE Fund and its portfolio companies. Given this separate arrangement with the GP and the PE Fund, under the terms of the Company's Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. Previously, MVC Partners was presented as a portfolio company on the Schedule of Investments. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. Also, during fiscal year ended October 31, 2014, MVC Turf, Inc. ( MVC Turf ) was consolidated with the Company as MVC Turf was an MVC wholly-owned holding company. The consolidation of MVC Turf did not have a material effect on the financial position or net results of operations of the Company. On March 7, 2017, the Company exchanged its shares of MVC Turf for approximately \$3.8 million of additional subordinated debt in Turf Products. MVC Turf is no longer consolidated with the Company. Please see Note 2 of our consolidated financial statements Consolidation for more information.

As a result of the closing of the PE Fund, consistent with the Board-approved policy concerning the allocation of investment opportunities, the PE Fund received a priority allocation of all private equity investments that would otherwise be Non-Diversified Investments for the Company during the PE Fund's investment period that ended on October 28, 2014. Additional capital may be called for follow-on investments in existing portfolio companies of the PE Fund or to pay operating expenses of the PE Fund until the partnership is no longer extended.

Additionally, in pursuit of our objective, we may acquire a portfolio of existing private equity or debt investments held by financial institutions or other investment funds should such opportunities arise.

Furthermore, pending investments in portfolio companies pursuant to the Company's principal investment strategy, the Company may invest in certain securities on a short-term or temporary basis. In addition to cash-equivalents and other money market-type investments, such short-term investments may include exchange-traded funds and private investment funds offering periodic liquidity.

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**OPERATING INCOME**

*For the Six Month Period Ended April 30, 2018 and 2017.* Total operating income was \$10.7 million and \$7.3 million for the six month period ended April 30, 2018 and 2017, respectively, an increase of approximately \$3.4 million.

***For the Six Month Period Ended April 30, 2018***

Total operating income was \$10.7 million for the six month period ended April 30, 2018. The increase in operating income over the same period last year was primarily due to the increase in dividend income and the increase in interest earned on loans from the Company's portfolio companies, continuing the transition to the Yield-Focused Strategy. The Company earned approximately \$8.9 million in interest income from investments in portfolio companies. Of the \$8.9 million recorded in interest income, approximately \$1.6 million was payment in kind interest. The payment in kind is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company's debt investments yielded annualized rates from 5.0% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$571,000 and fee income from the Company's portfolio companies of approximately \$133,000, totaling approximately \$704,000 in fee income. Of the \$571,000 of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund's agreements, a significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

***For the Six Month Period Ended April 30, 2017***

Total operating income was \$7.3 million for the six month period ended April 30, 2017. The decrease in operating income over the same period last year was primarily due to the decrease in dividend income and the decreases in interest earned on loans and fee income from the Company's portfolio companies. The Company earned approximately \$6.2 million in interest income from investments in portfolio companies. Of the \$6.2 million recorded in interest income, approximately \$1.0 million was payment in kind interest. The payment in kind is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company's debt investments yielded annualized rates from 5.0% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$568,000 and fee income from the Company's portfolio companies of approximately \$550,000, totaling approximately \$1.1 million in fee income. Of the \$568,000 of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund's agreements, a significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

**OPERATING EXPENSES**

*For the Six Month Period Ended April 30, 2018 and 2017.* Operating expenses, net of Voluntary Waivers, were approximately \$11.6 million and \$12.5 million for the six month period ended April 30, 2018 and 2017, respectively, a decrease of approximately \$900,000.



*For the Six Month Period Ended April 30, 2018*

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$11.6 million or 9.04% of the Company's average net assets, when annualized, for the six month period ended April 30, 2018. Significant components of operating expenses for the six month period ended April 30, 2018 were interest and other borrowing costs of approximately \$6.1 million and management fee expense

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paid by the Company of approximately \$2.0 million, which is net of the voluntary management fee waiver of approximately \$914,000.

The approximately \$900,000 decrease in the Company's net operating expenses for the six month period ended April 30, 2018 compared to the same period in 2017, was primarily due to the approximately \$2.5 million decrease in the provision for incentive compensation expense and an approximately \$639,000 decrease in management fee expense paid by the Company, including the voluntary management fee waiver. These decreases were partially offset by increases in interest and other borrowing costs of approximately \$955,000 and approximately \$1.8 million in unamortized deferred financing fees for the Senior Notes that were expensed at the time they were repaid. The Company incurred approximately \$800,000 of additional interest expense for a brief period during the six month period ended April 30, 2018, when both the Senior Notes and Senior Notes II were outstanding at the same time. Also during the period, the Company recorded approximately \$700,000 of additional interest expense associated with the deferred tax liability resulting from the installment sale treatment applied to the realized gain associated with the U.S. Gas note. The interest expense is required to be paid under IRS Code section 453A. The \$700,000 is comprised of the calculated interest expense for FY 2017 as well as an estimate for the first six month period ended April 30, 2018. The Company has discussed with the IRS whether the IRS would be willing to issue a ruling to the Company that the Company is not liable for this interest expense given its pass-through status as a Regulated Investment Company. The Company has not yet received a response from the IRS, but has determined to record the associated interest expense during the period. The amount of estimated interest expense associated with the second fiscal quarter is approximately \$85,000. The estimate is subject to change based on the various inputs used in the calculation which can change based on market conditions. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 31, 2017, the Board approved the renewal of the Advisory Agreement for the 2018 fiscal year. The Company and the Adviser agreed on an expense cap for fiscal 2017 of 3.25% under the Modified Methodology. For fiscal year 2018, the Adviser has agreed to continue the 3.25% expense cap under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund continues to be excluded from the calculation of the Company's expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2018, TTG Advisers voluntarily agreed to extend the Voluntary Waiver. TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2018, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the six month period ended April 30, 2018, the Company's annualized expense ratio was 2.80%, (taking into account the same carve outs as those applicable to the expense cap). In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount<sup>2</sup> as follows: (A) If the Company's NAV discount is greater than 20%, the management fee for the current quarter is reduced to 1.25%; (B) If the NAV discount is between 10% and 20%, the management fee will be 1.50%; and (C) If the NAV discount is less than 10% or eliminated, the 1.50% management fee would be re-examined, but in no event would it exceed 1.75%. For the quarter ended April 30, 2018, the management fee was 1.25%.

Pursuant to the terms of the Advisory Agreement, during the six month period ended April 30, 2018, the provision for incentive compensation was decreased by a net amount of approximately \$700,000 to

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<sup>2</sup> The NAV discount referred to herein is the average daily discount to NAV for a quarter. The discount is determined using the most recently determined NAV per share, which is typically the prior quarter end's NAV per share and the Company stock closing price on any given day for the quarter.

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approximately \$1.3 million, including both the pre-incentive fee net operating income and the capital gain incentive fee. The net decrease in the provision for incentive compensation reflects the realized loss on the U.S. Gas loan and the Valuation Committee's determination to decrease the fair values of twelve of the Company's portfolio investments (Advantage, Dukane, Equus, HTI, Initials, MVC Environmental, RuMe, Turf, U.S. Gas, SCSD, Security Holdings and Crius) by a total of approximately \$8.7 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of six of the Company's portfolio investments (Centile, Custom Alloy, Highpoint, JSC Tekers, Legal Solutions, and MVC Automotive) by a total of approximately \$7.1 million. Also, for the quarter ended April 30, 2018, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. As discussed in Realized Gains and Losses on Portfolio Securities, on July 5, 2017, the Company realized a gain of \$115.9 million from the sale of U.S. Gas (the U.S. Gas Sale). Under the Advisory Agreement, this transaction triggered an incentive compensation payment obligation to TTG Advisers, which payment, under the Advisory Agreement, is not required to be made until soon after the completion of the audit of the fiscal 2017 financials. The fiscal 2017 incentive fee payment obligation to TTG Advisers is approximately \$4.4 million. The portion of the payment obligation attributable to the cash portion of the realized gain, \$1.9 million, was paid following the audit of the fiscal 2017 financials per the Advisory Agreement. Please see Note 11 of our consolidated financial statements Incentive Compensation for more information, particularly on the deferred collection of the incentive fee payment on the Deferred Portion.

***For the Six Month Period Ended April 30, 2017***

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$12.5 million or 9.00% of the Company's average net assets, when annualized, for the six month period ended April 30, 2017. Significant components of operating expenses for the six month period ended April 30, 2017 were interest and other borrowing costs of approximately \$5.1 million and management fee expense paid by the Company of approximately \$2.6 million, which is net of the voluntary management fee waiver of approximately \$878,000.

The approximately \$3.9 million increase in the Company's net operating expenses for the six month period ended April 30, 2017 compared to the same period in 2016, was primarily due to the approximately \$3.8 million increase in the estimated provision for incentive compensation expense, which takes into account the \$1.0 million incentive fee waiver in 2016. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 28, 2016, the Board approved the renewal of the Advisory Agreement for the 2017 fiscal year. Further, the Adviser agreed to continue to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2017. For the quarter ended April 30, 2016, a \$2.1 million provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income exceeded the hurdle rate. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first \$1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the \$1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. As such, a \$1.0 million incentive fee waiver was recorded during the quarter ended April 30, 2016 resulting in a net \$1.1 million provision being recorded for the net operating income portion of the incentive fee. During the six month period ended April 30, 2017, the Company paid the Adviser the previously accrued \$1.1 million incentive fee payment related to the net operating income for the quarter ended April 30, 2016. The Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal 2017 of 3.25% under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE

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Fund continues to be excluded from the calculation of the Company's expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2017, TTG Advisers voluntarily agreed to waive \$150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the "Voluntary Waiver"). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2017, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the six month period ended April 30, 2017, the Company's expense ratio was 2.97%, (taking into account the same carve outs as those applicable to the expense cap).

Pursuant to the terms of the Advisory Agreement, during the six month period ended April 30, 2017, the provision for incentive compensation was increased by a net amount of approximately \$700,000 to approximately \$2.6 million, including both the pre-incentive fee net operating income and the capital gains incentive fee. The net increase in the provision for incentive compensation during the six month period ended April 30, 2017, primarily reflects the Valuation Committee's determination to increase the fair values of twelve of the Company's portfolio investments (Advantage, Centile, Dukane, JSC Tekers, Legal Solutions, Moreys, MVC Automotive, Pride, Quantum, Security Holdings, U.S. Tech and Equus) by a total of approximately \$10.6 million. The net increase in the provision also reflects the Valuation Committee's determination to decrease the fair values of nine of the Company's portfolio investments (BAC, Custom Alloy, Initials, MVC Environmental, RuMe, Turf, SCSD, Vestal and SGDA Europe) by a total of approximately \$3.3 million. Also, for the quarter ended April 30, 2017, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. Please see Note 11 of our consolidated financial statements "Incentive Compensation" for more information.

**REALIZED GAINS AND LOSSES ON PORTFOLIO SECURITIES**

*For the Six Month Period Ended April 30, 2018 and 2017.* Net realized losses for the six month period ended April 30, 2018 were approximately \$2.9 million and net realized gains for the six month period ended April 30, 2017 were approximately \$10.9 million, a net decrease of approximately \$13.8 million.

***For the Six Month Period Ended April 30, 2018***

Net realized losses for the six month period ended April 30, 2018 were approximately \$2.9 million. The Company's net realized losses were primarily due to the realized loss of approximately \$3.0 million on the U.S. Gas second lien loan due to a working capital adjustment. The second lien loan is still subject to indemnification adjustments.

***For the Six Month Period Ended April 30, 2017***

Net realized gains for the six month period ended April 30, 2017 were approximately \$10.9 million. The Company's net realized gains for the six month period ended April 30, 2017 was primarily due to realized gain of approximately \$10.2 million on the sale of AccuMed Corp., a portfolio company of the PE Fund.

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On December 23, 2016, the Company received proceeds of approximately \$12.2 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$9.8 million. The Company later received an escrow distribution of approximately \$416,000 and carried interest payments from the PE Fund totaling approximately \$390,000 related to the sale, which were recorded as additional realized gains.

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On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company's LLC interest in Turf Products, for approximately \$3.8 million of additional subordinated debt in Turf Products. The Company also received a cash distribution from MVC Turf prior to the share exchange of approximately \$323,000, which was treated as a return of capital. The Company realized a gain of approximately \$609,000 as a result of the share exchange.

On March 22, 2017, the Company sold its common stock and warrant in Vestal receiving proceeds of approximately \$687,000 and approximately \$413,000, respectively. This resulted in realized gains of approximately \$437,000 and approximately \$413,000 related to the common stock and warrant, respectively.

On April 7, 2017, the Company realized a loss of approximately \$2.3 million on the common stock and loan of Tekers.

During the six month period ended April 30, 2017, the Company recorded net realized gains of approximately \$183,000 from the sale of certain short-term investments and approximately \$1.0 million from its escrow receivables.

**UNREALIZED APPRECIATION AND DEPRECIATION OF PORTFOLIO SECURITIES**

*For the Six Month Period Ended April 30, 2018 and 2017.* The Company had a net change in unrealized appreciation on portfolio investments of approximately \$1.4 million for the six month period ended April 30, 2018 and approximately \$1.8 million for the six month period ended April 30, 2017, a net decrease of approximately \$400,000.

***For the Six Month Period Ended April 30, 2018***

The Company had a net change in unrealized appreciation on portfolio investments of approximately \$1.4 million for the six month period ended April 30, 2018. The net change in unrealized appreciation for the six month period ended April 30, 2018 was the result of the Valuation Committee determination to increase the fair value of the Company's investments in: Centile equity interest by \$491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock and series C preferred stock by a total of approximately \$3.6 million, Highpoint loan by approximately \$99,000, JSC Tekers Holdings preferred stock by approximately \$194,000, Legal Solutions loan by approximately \$1,900, MVC Automotive equity interest by approximately \$2.8 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$561,000 and RuMe guarantee by approximately \$52,000. These changes in unrealized appreciation were partially off-set by the Valuation Committee determination to decrease the fair value of the Company's investments in: Advantage preferred stock by approximately \$61,000, Custom Alloy letters of credit by approximately \$42,000, Dukane loan by approximately \$29,000, Foliofn preferred stock by \$609,000, HTI loan by approximately \$179,000, Initials loan by approximately \$36,000, MVC Environmental loan and letter of credit by a total of approximately \$758,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately \$3.0 million, Security Holdings equity interest by approximately \$1.5 million, Turf loans by approximately \$424,000, U.S. Gas loan by approximately \$765,000 and SCSD common stock by approximately \$134,000. The market values of Crius and Equus decreased by approximately \$1.6 million and 267,000, respectively.

*For the Six Month Period Ended April 30, 2017*

The Company had a net change in unrealized appreciation on portfolio investments of approximately \$1.8 million for the six month period ended April 30, 2017. The components of the net change in unrealized appreciation for the six month period ended April 30, 2017 were the reversal of the unrealized appreciation on the general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$6.5 million, the Turf equity interest of approximately \$456,000 and the Vestal common

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stock and warrant totaling approximately \$750,000 which was partially offset by the reversal of the unrealized depreciation on the Tekers common stock and loan of approximately \$2.3 million. The net change is also a result of the Valuation Committee determination to increase the fair value of the Company's investments in: Advantage preferred stock by approximately \$355,000, Centile equity interest by \$476,000, Dukane loan by approximately \$72,000, JSC Tekers preferred stock by approximately \$28,000, Legal Solutions loan by approximately \$242,000, Morey's loan by approximately \$1.7 million, MVC Automotive equity interest by approximately \$1.4 million, Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, Security Holdings equity interest by approximately \$534,000, Equus common stock by approximately \$4.4 million, U.S. Tech loan by \$5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$270,000, Turf guarantee by approximately \$3,000 and the RuMe guarantee by approximately \$141,000. These changes in unrealized appreciation were partially off-set by the Valuation Committee determination to decrease the fair value of the Company's investments in: BAC common stock by approximately \$55,000, Custom Alloy second lien and unsecured loans by a total of approximately \$205,000, Foliofn preferred stock by \$136,000, Initials loan by approximately \$142,000, MVC Environmental common stock by approximately \$927,000, RuMe series C preferred stock by approximately \$350,000, series B-1 preferred stock by approximately \$14,000, common stock by approximately \$78,000 and warrant by approximately \$138,000, Turf loan by approximately \$239,000, SCSD common stock by \$775,000, Vestal loan by approximately \$57,000, common stock by approximately \$54,000 and warrant by approximately \$62,000 and the SGDA Europe common equity interest by approximately \$358,000.

**PORTFOLIO INVESTMENTS**

*For the Six Month Period Ended April 30, 2018 and the Year Ended October 31, 2017.* The cost of the portfolio investments held by the Company at April 30, 2018 and at October 31, 2017 was \$396.0 million and \$363.2 million, respectively, an increase of approximately \$32.8 million. The aggregate fair value of portfolio investments at April 30, 2018 and at October 31, 2017 was \$324.4 million and \$292.5 million, respectively, an increase of approximately \$31.9 million. The cost and fair value of cash, restricted cash and cash equivalents held by the Company at April 30, 2018 and October 31, 2017 was \$36.2 million and \$106.7 million, respectively, representing a decrease of approximately \$70.5 million.

*For the Six Month Period Ended April 30, 2018*

During the six month period ended April 30, 2018, the Company made four new investments, committing capital that totaled approximately \$32.2 million. Pursuant to the Order, that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and Private Fund co-invested in Essner (\$3.7 million investment for the Company), Black Diamond Equipment (\$7.5 million investment for the Company), Apex (\$15.0 million investment for the Company) and Array (\$6.0 million investment for the Company).

During the six month period ended April 30, 2018, the Company made 11 follow-on investments in 8 portfolio companies that totaled approximately \$10.2 million. On November 8, 2017, the Company loaned an additional \$1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately \$526,000 to Initials increasing the senior subordinated loan amount to approximately \$5.3 million. On December 22, 2017, the Company loaned \$1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed \$6.0 million in the form of a first lien loan with an interest rate of 10% and a maturity date of August 31, 2018 to Custom Alloy. The funded amount as of April 30, 2018 was approximately \$3.4 million with \$2.6 million unfunded on the commitment. On March 19, 2018, the Company invested approximately \$68,000 in SGDA Europe for a warrant. On each of March 22, 2018 and April 6, 2018, the Company loaned \$350,000 to RuMe, increasing the subordinated loan amount to approximately \$1.7 million and



extended the maturity date to March 30, 2020. The interest rate on the

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loan was changed from 10% cash to 10% PIK. On March 22, 2018, the Company loaned approximately \$2.3 million to MVC Automotive increasing the bridge loan amount to approximately \$7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately \$308,000 to Security Holdings, increasing the bridge loan amount to approximately \$4.7 million.

On November 28, 2017, the Company restructured the Custom Alloy second lien loan and unsecured subordinated loan. The second lien loan was restructured into a \$3.5 million second lien loan with an interest rate of 10% and a maturity date of December 31, 2020, 6,500 shares of series B preferred Stock with a 10% PIK coupon and a maturity date of December 31, 2020 and 17,935 shares of series C preferred Stock. The unsecured subordinated loan was restructured into 3,617 shares of series A preferred Stock with a 12% PIK coupon and a maturity date of April 30, 2020. The Company also provided a \$2.0 million and \$1.4 million letter of credit.

On November 29, 2017, the Company received a principal payment of \$3.0 million from Dukane resulting in a balance outstanding of approximately \$4.4 million as of April 30, 2018.

On December 29, 2017, the Company received a principal payment of \$200,000 from Vestal.

Effective January 1, 2018, the cost basis of the U.S. Gas second lien loan was decreased by approximately \$3.0 million due to a working capital adjustment, resulting in a realized loss of approximately \$3.0 million. The second lien loan is still subject to indemnification adjustments.

On February 9, 2018, FDS repaid its loan in full including all accrued interest.

On April 2, 2018, Turf made a principal payment of \$70,000 on its third lien loan.

On April 4, 2018, Vestal repaid its loan in full, including all accrued interest.

On April 11, 2018, Morey s made a principal payment of \$2.0 million on its second lien loan.

During the quarter ended January 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Centile equity interest by \$295,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letter of credit by a total of approximately \$638,000, Highpoint loan by approximately \$99,000, Initials loan by approximately \$46,000, JSC Tekers preferred stock by approximately \$370,000, Legal Solutions loan by approximately \$1,000, MVC Automotive equity interest by approximately \$1.8 million, MVC Environmental letter of credit by approximately \$7,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$394,000, RuMe guarantee and letter of credit by a total of approximately \$57,000 and Security Holdings equity interest by approximately \$812,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, Custom Alloy, RuMe, Dukane, Morey s, Highpoint and Security Holdings were due to the capitalization of PIK interest totaling

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\$715,324. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$143,000, Custom Alloy letter of credit by approximately \$70,000, Dukane loan by approximately \$30,000, Foliofn preferred stock by \$543,000, HTI loan by approximately \$130,000, MVC Environmental loan by approximately \$498,000, RuMe series B-1 preferred stock, series C preferred stock, common stock and warrants by a total of approximately \$1.2 million, Turf loans by approximately \$136,000, U.S. Gas loan by approximately \$1.7 million and SCSD common stock by approximately \$134,000.

During the quarter ended April 30, 2018, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$82,000, Centile equity interest by \$196,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately \$3.0 million, Dukane loan by approximately \$300, Legal Solutions loan by approximately \$900, MVC Automotive equity interest by

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approximately \$934,000, RuMe guarantee by approximately \$28,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$167,000 and U.S. Gas loan by approximately \$909,000. In addition, increases in the cost basis of the loans to SGDA Europe, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials and Security Holdings were due to the capitalization of PIK interest totaling \$635,592. The Valuation Committee also decreased the fair value of the Company s investments in: Foliof/n preferred stock by \$66,000, HTI loan by approximately \$49,000, Initials loan by approximately \$82,000, JSC Tekers Holdings preferred stock by approximately \$176,000, MVC Environmental loan and letter of credit by a total of approximately \$267,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately \$1.8 million, Security Holdings equity interest by approximately \$2.3 million and Turf loans by approximately \$288,000.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the Company s investments in: Centile equity interest by \$491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock and series C preferred stock by a total of approximately \$3.6 million, Highpoint loan by approximately \$99,000, JSC Tekers Holdings preferred stock by approximately \$194,000, Legal Solutions loan by approximately \$1,900, MVC Automotive equity interest by approximately \$2.8 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$561,000 and RuMe guarantee by approximately \$52,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials, SGDA Europe and Security Holdings were due to the capitalization of PIK interest totaling \$1,350,916. The Valuation Committee also decreased the fair value of the Company s investments in: Advantage preferred stock by approximately \$61,000, Custom Alloy letters of credit by approximately \$42,000, Dukane loan by approximately \$29,000, Foliof/n preferred stock by \$609,000, HTI loan by approximately \$179,000, Initials loan by approximately \$36,000, MVC Environmental loan and letter of credit by a total of approximately \$758,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately \$3.0 million, Security Holdings equity interest by approximately \$1.5 million, Turf loans by approximately \$424,000, U.S. Gas loan by approximately \$765,000 and SCSD common stock by approximately \$134,000.

At April 30, 2018, the fair value of all portfolio investments, exclusive of any U.S. Treasury obligations and escrow receivables, was \$324.6 million with a cost basis of \$396.0 million. At April 30, 2018, the fair value and cost basis of investments made by the Company s former management team pursuant to the prior investment objective ( Legacy Investments ) was \$4.8 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was \$319.8 million and \$381.0 million, respectively. At October 31, 2017, the fair value of all portfolio investments, exclusive of escrow receivables, was \$292.5 million with a cost basis of \$363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was \$5.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was \$287.1 million and \$348.2 million, respectively.

***For the Fiscal Year Ended October 31, 2017***

During the fiscal year ended October 31, 2017, in connection with the sale of U.S. Gas, the Company received securities that totaled approximately \$66.4 million (based on values determined as of July 5, 2017). The securities were received from U.S. Gas (\$40.5 million) and Crius (\$25.9 million). The Company also made one new investment in Highpoint (\$5.0 million).

During the fiscal year ended October 31, 2017, the Company made 6 follow-on investments in 4 existing portfolio companies that totaled approximately \$7.5 million. On November 9, 2016, the Company invested approximately \$59,000 in MVC Environmental and received an additional 30 shares of common stock. On December 1, 2016, the Company loaned an additional \$500,000 to U.S. Tech increasing the total amount outstanding to \$5.5 million. On December 13, 2016, the Company loaned an



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additional \$475,000 to MVC Automotive increasing the amount outstanding on the bridge loan to approximately \$3.8 million. The maturity date was also extended to December 31, 2017. On April 3, 2017, the Company loaned Security Holdings approximately \$4.1 million in the form of a bridge loan with an interest rate of 5% and a maturity date of December 31, 2019. On May 3, 2017, the Company invested approximately \$1.1 million in MVC Automotive for additional common equity and loaned MVC Automotive approximately \$1.1 million, increasing the amount outstanding on the bridge loan to approximately \$4.9 million. The maturity date was also extended to June 30, 2018. On October 2, 2017, the Company loaned Security Holdings an additional \$150,000, increasing the amount outstanding on the loan to approximately \$4.2 million.

On December 23, 2016, the Company received proceeds of approximately \$12.2 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$9.8 million. The Company later received an escrow distribution of approximately \$416,000 and carried interest payments from the PE Fund totaling approximately \$390,000 related to the sale, which were recorded as additional realized gains.

On January 4, 2017, BAC repaid their senior loan in full, including all accrued interest totaling approximately \$31,000.

On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company's LLC interest in Turf Products, for approximately \$3.8 million of additional subordinated debt in Turf Products. This additional subordinated debt increases the Company's existing subordinated debt investment to approximately \$7.7 million. The subordinated debt has an interest rate of 10% and matures on August 7, 2020. The Company's warrant and guarantee were also retired as a part of this recapitalization. The Company also received a cash distribution from MVC Turf prior to the share exchange of approximately \$323,000, which was treated as a return of capital. The Company realized a gain of approximately \$609,000 as a result of the share exchange.

On March 22, 2017, the Company sold its common stock and warrant in Vestal receiving proceeds of approximately \$687,000 and approximately \$413,000, respectively. This resulted in realized gains of approximately \$437,000 and approximately \$413,000 related to the common stock and warrant, respectively. The Company also received a principal payment of approximately \$4.1 million on its senior subordinated loan as part of Vestal's refinancing resulting in an outstanding balance of approximately \$2.5 million. The new loan has an interest rate of 12% and a maturity date of August 21, 2022.

On April 7, 2017, the Company realized a loss of approximately \$2.3 million on the sale of the common stock and the forgiveness of the loan to Tekers.

On April 12, 2017, the Company received a principal payment from Pride of approximately \$79,000.

On April 24, 2017, Equus entered into a definitive agreement to acquire U.S. Gas (the Equus Merger Agreement). Closing of the transaction was subject to a number of conditions. On May 23, 2017, the Boards of MVC and U.S. Gas provided notice to Equus of a superior proposal that had been received from Crius and of MVC's and U.S. Gas's intent to terminate the Equus Merger Agreement. On May 30, 2017, MVC and U.S. Gas terminated the Equus Merger Agreement, and in connection with such termination and pursuant to the Equus Merger Agreement, U.S. Gas paid to Equus a termination fee of \$2.5 million.

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On April 28, 2017, the Company received a principal payment from Moreys of \$262,000.

On May 30, 2017, U.S. Gas entered into a definitive agreement to be acquired by Crius Energy Trust for \$172.5 million in a combination of cash, second-lien notes, and Crius trust units.

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On June 8, 2017, the Company received total proceeds of approximately \$18.1 million for the repayment of the outstanding Biogenic loans. The total proceeds include repayment of all outstanding principal and a substantial portion of the unpaid accrued interest related to the loans that were previously reserved against in full beginning on April 1, 2016. The warrants were also realized as part of this transaction resulting in a realized loss of approximately \$620,000.

On June 26, 2017, Thunderdome repaid its loan in full totaling approximately \$3.0 million, including all accrued interest.

On July 5, 2017, the Company received gross consideration for its investment in U.S. Gas valued at approximately \$127.4 million, including approximately \$11.0 million for the repayment of its two outstanding loans from the Company. The fair value of the consideration received by the Company for its equity investment in U.S. Gas was \$116.4 million. As a result of the gross consideration received, the Company realized a gain of approximately \$115.9 million. The \$116.4 million was comprised of: (i) cash of approximately \$50.0 million; (ii) the U.S. Gas second lien loan (with a face amount of approximately \$40.5 million); and (iii) 3,282,982 Crius trust units valued at approximately \$25.9 million on the date of closing. In addition to the approximately \$116.4 million proceeds that the Company received from the sale of U.S. Gas to Crius (pre-indemnification and pre-working capital true-up), the Company also received \$1.48 million in cash to hold in its capacity as Holder Representative (of the U.S. Gas selling shareholders). This \$1.48 million cash received by the Company will be used to pay, over time, for legal costs, potential settlements, true-up payments, etc. on behalf of the U.S. Gas selling shareholders. Since the Company expects the \$1.48 million to be fully used for legal costs, settlements and true-up payments, on behalf of the U.S. Gas selling shareholders, the Company has reserved in full against all proceeds received. If there are any excess proceeds, once all costs and payments associated with the transaction have been made, the excess proceeds will be split amongst the non-legacy U.S. Gas selling shareholders on a pro-rata basis.

On July 20, 2017, Pride repaid its loan in full totaling approximately \$5.1 million, including all accrued interest.

On August 29, 2017, the Company realized a loss of approximately \$5.0 million on the sale of the Actelis common stock back to the company.

On September 19, 2017, Quantum repaid its loan in full, including all accrued interest. At the same time, the Company sold the Quantum warrant resulting in a realized gain of approximately \$540,000.

On September 29, 2017, the Company realized a loss of approximately \$3.7 million on the sale of Mainstream common stock back to the company.

On October 18, 2017, the Company realized a loss of approximately \$785,000 on the sale of the BAC common stock.

On October 26, 2017, the Company exchanged its common equity interest in SGDA Europe for a \$1.2 million first lien note, resulting in a realized loss of approximately \$27.5 million.



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During the fiscal year ended October 31, 2017, Initials made a principal payment of approximately \$69,000.

During the fiscal year ended October 31, 2017, the Company received a distribution of approximately \$330,000 from Security Holdings, which was recorded as a return of capital.

During the quarter ended January 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$136,000, Centile equity interest by \$340,000, Custom Alloy unsecured loan by approximately \$370,000, Dukane loan by approximately

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\$71,000, Legal Solutions loan by approximately \$112,000, Morey's loan by approximately \$462,000, Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, Security Holdings equity interest by approximately \$1.5 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$99,000, Turf loan by approximately \$7,000 and guarantee by approximately \$3,000, RuMe guarantee by approximately \$50,000 and the U.S. Tech loan by \$5,000. The Valuation Committee also increased the Ohio Medical escrow by approximately \$73,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$511,649. The Valuation Committee also decreased the fair value of the Company's investments in: BAC common stock by approximately \$55,000, Custom Alloy second lien loan by approximately \$575,000, Foliofn preferred stock by \$264,000, Initials loan by approximately \$95,000, JSC Tekers preferred stock by approximately \$43,000, MVC Automotive equity interest by \$307,000, MVC Environmental common stock by approximately \$517,000, RuMe series C preferred stock by approximately \$186,000, series B-1 preferred stock by approximately \$9,000, common stock by approximately \$42,000 and warrant by approximately \$66,000, SCSD common stock by \$560,000, SGDA Europe common equity interest by approximately \$252,000 and Vestal loan by approximately \$57,000, common stock by approximately \$54,000 and warrant by approximately \$62,000.

During the quarter ended April 30, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$219,000, Centile equity interest by \$136,000, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$128,000, JSC Tekers preferred stock by approximately \$71,000, Legal Solutions loan by approximately \$130,000, Morey's loan by approximately \$1.3 million, MVC Automotive equity interest by approximately \$1.7 million, Quantum warrant by approximately \$2,000, RuMe guarantee by approximately \$91,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$171,000. The Valuation Committee also increased the Ohio Medical escrow by approximately \$228,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, MVC Environmental, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$406,896. The Valuation Committee also decreased the fair value of the Company's investments in: Initials loan by approximately \$47,000, MVC Environmental common stock by approximately \$410,000, RuMe series C preferred stock by approximately \$164,000, series B-1 preferred stock by approximately \$5,000, common stock by approximately \$36,000 and warrant by approximately \$72,000, SGDA Europe common equity interest by approximately \$106,000, Security Holdings equity interest by approximately \$962,000, Turf loan by approximately \$246,000 and SCSD common stock by \$215,000.

During the quarter ended July 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$139,000, Centile equity interest by \$629,000, Custom Alloy unsecured loan by approximately \$317,000, Dukane loan by approximately \$1,000, JSC Tekers preferred stock by approximately \$419,000, Legal Solutions loan by approximately \$1,000, Morey's loan by approximately \$1.0 million, MVC Automotive equity interest by approximately \$1.4 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.1 million, Quantum warrant by approximately \$1,000, RuMe series C preferred stock by approximately \$129,000, series B-1 preferred stock by approximately \$58,000, common stock by approximately \$29,000 and warrant by approximately \$66,000 and the Turf loan by approximately \$154,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, MVC Environmental, RuMe, Dukane, Initials and U.S. Gas were due to the capitalization of PIK interest totaling \$486,743. The Valuation Committee also decreased the fair value of the Company's investments in: Custom Alloy second lien loan by approximately \$375,000, Foliofn preferred stock by \$156,000, HTI loan by approximately \$119,000, RuMe guarantee by approximately \$81,000, Initials loan by approximately \$248,000, MVC Environmental common stock by approximately \$760,000 and loan by approximately \$1.1 million, SGDA Europe common equity interest by approximately \$73,000 and the SCSD common stock by approximately \$316,000.

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During the quarter ended October 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$98,000, Custom Alloy unsecured loan by approximately \$189,000 and second lien loan by approximately \$807,000, Centile equity interest by \$306,000, HTI loan by approximately \$7,000, JSC Tekers preferred stock by approximately \$19,000, Legal Solutions loan by approximately \$1,000, Turf loan by approximately \$71,000, MVC Automotive equity interest by approximately \$1.1 million, RuMe warrant by approximately \$420,000 and guarantee by approximately \$20,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$275,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, Morey's, RuMe and Dukane were due to the capitalization of PIK interest totaling \$470,290. The Valuation Committee also decreased the fair value of the Company's investments in: Foliofn preferred stock by \$241,000, Initials loan by approximately \$54,000, RuMe series C preferred stock by approximately \$398,000, series B-1 preferred stock by approximately \$52,000, common stock by approximately \$88,000 and letter of credit by approximately \$345,000, Security Holdings equity interest by approximately \$3.5 million, MVC Environmental letter of credit by approximately \$9,000 and loan by approximately \$921,000.

During the fiscal year ended October 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$593,000, Centile equity interest by \$1.4 million, Custom Alloy unsecured loan by approximately \$876,000, Dukane loan by approximately \$73,000, JSC Tekers preferred stock by approximately \$466,000, Legal Solutions loan by approximately \$244,000, Morey's loan by approximately \$2.7 million, MVC Automotive equity interest by approximately \$3.9 million, Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, U.S. Tech loan by \$5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.7 million, Turf guarantee by approximately \$3,000, RuMe warrants by approximately \$348,000 and guarantee by approximately \$81,000. The Valuation Committee also increased the Ohio Medical escrow by approximately \$301,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling \$1,875,578. The Valuation Committee also decreased the fair value of the Company's investments in: BAC common stock by approximately \$55,000, Custom Alloy second lien loan by approximately \$144,000, Foliofn preferred stock by \$533,000, Initials loan by approximately \$444,000, MVC Environmental common stock by approximately \$1.7 million, loan by approximately \$2.0 million and letter of credit by approximately \$9,000, RuMe series B-1 preferred stock by approximately \$9,000, series C preferred stock by approximately \$619,000, common stock by approximately \$137,000 and letter of credit by approximately \$345,000, Turf loan by approximately \$14,000, HTI loan by approximately \$112,000, SCSD common stock by \$1.1 million, Vestal loan by approximately \$57,000, common stock by approximately \$54,000 and warrant by approximately \$62,000, Security Holdings equity interest by approximately \$3.0 million and the SGDA Europe common equity interest by approximately \$431,000.

At October 31, 2017, the fair value of all portfolio investments, exclusive of escrow receivables, was \$292.5 million with a cost basis of \$363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was \$5.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$287.1 million and \$348.2 million, respectively. At October 31, 2016, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was \$360.1 million with a cost basis of \$374.7 million. At October 31, 2016, the fair value and cost basis of Legacy Investments was \$5.9 million and \$23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$354.2 million and \$350.9 million, respectively.

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***Portfolio Companies***

During the six month period ended April 30, 2018, the Company had investments in the following portfolio companies:

***Advantage Insurance Inc.***

Advantage, Puerto Rico, is a provider of specialty insurance, reinsurance and related services to business owners and high net worth individuals.

At October 31, 2017, the Company's investment in Advantage consisted of 750,000 shares of preferred stock at a cost basis of \$7.5 million and a fair value of approximately \$8.9 million.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the preferred stock by approximately \$61,000.

At April 30, 2018, the Company's investment in Advantage consisted of 750,000 shares of preferred stock at a cost basis of \$7.5 million and a fair value of approximately \$8.8 million.

***Apex Industrial Technologies, LLC***

Apex, Cincinnati, Ohio, is a leading provider of automation vending equipment in industrial, retail and foodservice environments.

On March 9, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in a first lien loan to Apex. The Company and the Private Fund invested \$15.0 million and \$5.0 million, respectively, in such notes with an interest rate of 12% and a maturity date of March 9, 2023. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company's investment in the loan.

At April 30, 2018, the Company's investment in Apex consisted of a first lien loan with an outstanding amount of approximately \$15.0 million, a cost basis of approximately \$14.9 million and a fair value of approximately \$15.0 million.

***Array Information Technology, Inc.***

Array, Greenbelt, Maryland, is a leading IT services firm supporting multiple command and/or control groups within the U.S. Air Force, as well as various other federal, municipal and commercial customers.

On April 3, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in a second lien loan to Array. The Company and the Private Fund invested \$6.0 million and \$2.0 million, respectively, in such notes with an interest rate of 12% cash and 0-4% PIK, based on performance with the initial rate at 4% PIK, and a maturity date of October 3, 2023. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company's investment in the loan.

At April 30, 2018, the Company's investment in Array consisted of a second lien loan with an outstanding amount of approximately \$6.0 million, a cost basis of approximately \$5.9 million and a fair value of approximately \$6.0 million.

#### ***Black Diamond Equipment Rental***

Black Diamond, Morgantown, West Virginia, is a heavy equipment rental company.

On December 28, 2017, pursuant to the Order, each of the Company and the Private Fund co-invested in second lien notes issued by Black Diamond. The Company and the Private Fund invested \$7.5 million and \$2.5 million, respectively, in such notes with an interest rate of 12.5% and a maturity date of June 27, 2022. The Company and the Private Fund each received a warrant related to this investment. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company's investment in the loan.

At April 30, 2018, the Company's investment in Black Diamond consisted of a second lien loan with an outstanding amount of approximately \$7.5 million, a cost basis of approximately \$7.0 million and a

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fair value of approximately \$7.1 million and a warrant with a cost basis and fair value of approximately \$401,000.

***Centile Holding B.V.***

Centile, Sophia-Antipolis, France, is a leading European innovator of unified communications, network platforms, hosted solutions, applications and tools that help mobile, fixed and web-based communications service providers serve the needs of enterprise end users.

At October 31, 2017, the Company's investment in Centile consisted of common equity interest at a cost of \$3.5 million and a fair value of approximately \$6.8 million.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the common equity interest by approximately \$491,000.

At April 30, 2018, the Company's investment in Centile consisted of common equity interest at a cost of \$3.5 million and a fair value of approximately \$7.3 million.

Puneet Sanan, a representative of the Company, serves as a director of Centile.

***Crius Energy Trust***

Crius, Toronto, Canada, is a leading retail energy marketer.

At October 31, 2017, the Company's investment in Crius consisted of 3,282,982 equity units at a cost of approximately \$25.9 million and a fair value of approximately \$21.0 million.

At April 30, 2018, the Company's investment in Crius consisted of 3,282,982 equity units at a cost of approximately \$25.9 million and a market value of approximately \$19.4 million.

***Custom Alloy Corporation***

Custom Alloy, High Bridge, New Jersey, manufactures time sensitive and mission critical butt-weld pipe fittings and forgings for the natural gas pipeline, power generation, oil/gas refining and extraction, and nuclear generation markets.

At October 31, 2017, the Company's investment in Custom Alloy consisted of an unsecured subordinated loan with a cost basis, outstanding balance and a fair value of approximately \$3.0 million and a second lien loan with a cost basis and outstanding balance of approximately \$24.4 million and a fair value of approximately \$18.5 million. The second lien loan had an interest rate of 10.1% and a maturity date of April 30, 2020 and the unsecured subordinated loan had an interest rate of 12% and a maturity date of March 31, 2018. The Company reserved in full against all accrued PIK interest starting July 1, 2016.

On November 28, 2017, the Company restructured the Custom Alloy second lien loan and unsecured subordinated loan. The second lien loan was restructured into a \$3.5 million second lien loan with an interest rate of 10% (PIK coupon until December 31, 2017 and 10% cash thereafter) and a maturity date of December 31, 2020, 6,500 shares of series B preferred stock with a 10% PIK coupon until December 31, 2018 and 12% cash thereafter and a maturity date of December 31, 2020 and 17,935 shares of series C preferred stock. The unsecured subordinated loan was restructured into 3,617 shares of series A preferred stock with a 12% PIK coupon until December 31, 2018 and 12% cash thereafter and a maturity date of April 30, 2020. The Company also provided a \$2.0 million and \$1.4 million letters of credit.

On February 28, 2018, the Company committed \$6.0 million in the form of a first lien loan with an interest rate of 10% and a maturity date of August 31, 2018 to Custom Alloy. The funded amount as of April 30, 2018 was approximately \$3.4 million with \$2.6 million unfunded on the commitment.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the second lien loan by approximately \$208,000, the series A preferred by approximately \$266,000, the series B preferred stock by approximately \$494,000, the series C preferred stock by approximately \$2.6 million and the \$2.0 million letter of credit by approximately \$20,000. The Valuation Committee also decreased the value of the \$1.4 million letter of credit by approximately \$62,000.

At April 30, 2018, the Company's investment in Custom Alloy consisted of a second lien loan with a cost basis of approximately \$3.1 million, an outstanding balance of approximately \$3.6 million and a fair

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value of approximately \$3.3 million, first lien loan with an outstanding balance, cost basis and fair value of approximately \$3.4 million, series A preferred stock with a cost basis of \$3.0 million and a fair value of approximately \$3.3 million, series B preferred stock with a cost basis of approximately \$5.7 million and a fair value of approximately \$5.8 million, series C preferred stock with a cost basis of approximately \$17.9 million and a fair value of approximately \$12.9 million. The two letters of credit had a combined cost basis of \$0 and a fair value of approximately -\$165,000 or a liability of approximately \$165,000.

***Dukane IAS, LLC***

Dukane, St. Charles, Illinois, is a global provider of plastic welding equipment.

At October 31, 2017, the Company's investment in Dukane consisted of a second lien loan with an outstanding amount of approximately \$7.3 million, a cost basis of approximately \$7.2 million and a fair value of approximately \$7.3 million. The second lien loan had an interest rate of 13% and a maturity date of November 17, 2020.

On November 29, 2017, the Company received a principal payment of \$3.0 million from Dukane.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the loan by approximately \$29,000.

At April 30, 2018, the Company's investment in Dukane consisted of a second lien loan with an outstanding amount of approximately \$4.3 million, a cost basis of approximately \$4.2 million and a fair value of approximately \$4.4 million.

***Essner Manufacturing LP***

Essner, Ft. Worth, Texas, manufactures and supplies complex assemblies, machined parts and precision sheet metal components to aerospace suppliers.

On December 20, 2017, pursuant to the Order, each of the Company and the Private Fund co-invested in 5-year first lien notes issued by Essner. The Company and the Private Fund invested \$3.67 million and \$1.3 million, respectively, in such notes (paying interest between 10.5% and 11.5% over the life of the notes and a maturity date of December 20, 2022). In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company's investment in the loan.



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At April 30, 2018, the Company's investment in Essner consisted of a first lien loan with an outstanding amount of approximately \$3.7 million, a cost basis of approximately \$3.6 million and a fair value of approximately \$3.7 million.

### *Equus Total Return, Inc.*

Equus is a publicly traded business development company and regulated investment company listed on the New York Stock Exchange (NYSE:EQS). Consistent with the Company's valuation procedures, the Company has been marking this investment to its market price.

At October 31, 2017, the Company's investment in Equus consisted of 4,444,644 shares of common stock with a cost of approximately \$10.0 million and a market value of approximately \$10.8 million.

At April 30, 2018, the Company's investment in Equus consisted of 4,444,644 shares of common stock with a cost of approximately \$10.0 million and a market value of approximately \$10.6 million.

### *FDS, Inc.*

FDS, Fort Worth, TX, is a data service provider.

At October 31, 2017, the Company's investment in FDS consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of \$2.4 million. The loan had an interest rate of 12% and a maturity date of November 30, 2017.

On February 9, 2018, FDS repaid its loan in full including all accrued interest.

At April 30, 2018, the Company no longer held an investment in FDS.

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***Foliofn, Inc.***

Foliofn, Vienna, Virginia, a Legacy Investment, is a financial services technology company that offers investment solutions to financial services firms and investors.

At October 31, 2017, the Company's investment in Foliofn consisted of 5,802,259 shares of Series C preferred stock with a cost of \$15.0 million and a fair value of approximately \$5.4 million.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the preferred stock by \$609,000.

At April 30, 2018, the Company's investment in Foliofn consisted of 5,802,259 shares of Series C preferred stock with a cost of \$15.0 million and a fair value of approximately \$4.8 million.

Chris Ferguson, a representative of the Company, serves as a director of Foliofn.

***Highpoint Global, LLC***

Highpoint, Indianapolis, Indiana, is a government services firm focused on improving interactions between citizens and government organizations, particularly the Center for Medicare and Medicaid Services.

At October 31, 2017, the Company's investment in Highpoint consisted of a second lien loan with an outstanding amount of approximately \$5.0 million and a cost basis and fair value of approximately \$4.9 million. The loan had an interest rate of 14% and a maturity date of September 30, 2022.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the loan by approximately \$99,000.

At April 30, 2018, the Company's investment in Highpoint consisted of a second lien loan with an outstanding amount, cost basis and fair value of approximately \$5.0 million. The loan had an interest rate of 14% and a maturity date of September 30, 2022.

***HTI Technologies and Industries, Inc.***

HTI, LaVergne, Tennessee, is a manufacturer of electric motor components and designer of small motor systems.

At October 31, 2017, the Company's investment in HTI consisted of a second lien loan with an outstanding amount of approximately \$9.9 million and a cost basis and fair value of approximately \$9.8 million. The loan has an interest rate of 14% and a maturity date of June 21, 2018.

During the six month period ended April 30, 2018, the maturity was extended to June 21, 2019.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the loan by approximately \$179,000.

At April 30, 2018, the Company's investment in HTI consisted of a second lien loan with an outstanding amount and cost basis of approximately \$10.0 million and a fair value of approximately \$9.7 million.

***Initials, Inc.***

Initials, Clarkesville, Georgia, is a direct selling organization specializing in customized bags, organizational products and fashion accessories.

At October 31, 2017, the Company's investment in Initials consisted of a senior subordinated loan with an outstanding amount and cost basis of approximately \$4.8 million and a fair value of approximately \$4.3 million. The loan has an interest rate of 15% and matures on June 23, 2020.

On December 21, 2017, the Company loaned approximately \$526,000 to Initials increasing the senior subordinated loan amount to approximately \$5.3 million.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the loan by approximately \$36,000.

At April 30, 2018, the Company's investment in Initials consisted of a senior subordinated loan with an outstanding amount and cost basis of approximately \$5.4 million and a fair value of approximately \$4.9 million.

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***JSC Tekers Holdings***

JSC Tekers, Latvia, is a company focused on real estate management.

At October 31, 2017, the Company's investment in JSC Tekers consisted of 9,159,085 shares of preferred stock with a cost basis of \$11.8 million and a fair value of \$4.2 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$0.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the preferred stock by \$194,000.

At April 30, 2018, the Company's investment in JSC Tekers consisted of 9,159,085 shares of preferred stock with a cost basis of \$11.8 million and a fair value of \$4.4 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$0.

***Legal Solutions Holdings, Inc.***

Legal Solutions, Covina, CA, is a provider of record retrieval services to the California workers' compensation applicant attorney market.

At October 31, 2017, the Company's investment in Legal Solutions consisted of a senior subordinated loan with an interest rate of 15% and a maturity date of September 12, 2018 with an outstanding amount and cost basis of approximately \$11.5 million and a fair value of approximately \$11.6 million.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the loan by approximately \$1,900.

At April 30, 2018, the Company's investment in Legal Solutions consisted of a senior subordinated loan with an outstanding balance and cost basis of approximately \$11.6 million and a fair value of approximately \$11.7 million.

***Morey's Seafood International LLC***

Morey's, Motley, Minnesota, is a manufacturer, marketer and distributor of fish and seafood products.

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At October 31, 2017, the Company's investment in Morey's consisted of a second lien loan that had an outstanding balance and cost basis of \$17.2 million and a fair value of \$17.8 million. The loan had an interest rate of 14% and a maturity date of August 12, 2018.

On April 11, 2018, Morey's made a principal payment of \$2.0 million on its second lien loan.

During the six month period ended April 30, 2018, the maturity was extended to August 12, 2022.

At April 30, 2018, the loan had an outstanding balance and cost basis of \$15.9 million and a fair value of \$16.2 million.

### ***MVC Automotive Group GmbH***

MVC Automotive, an Amsterdam-based holding company, owns and operates ten Ford, Jaguar, Land Rover, Mazda, and Volvo dealerships located in Austria and the Czech Republic.

At October 31, 2017, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$51.2 million and a fair value of approximately \$17.4 million and a bridge loan with an outstanding amount, cost basis and fair value of approximately \$4.9 million. The bridge loan had an interest rate of 6% and a maturity date of June 30, 2018. The mortgage guarantee for MVC Automotive was equivalent to approximately \$6.0 million at October 31, 2017. This guarantee was taken into account in the valuation of MVC Automotive.

On March 22, 2018, the Company loaned approximately \$2.3 million to MVC Automotive increasing the bridge loan amount to approximately \$7.1 million and extending the maturity date to June 30, 2019.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair value of the equity interest by approximately \$2.8 million.

At April 30, 2018, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$51.2 million and a fair value of approximately \$20.2 million and a bridge

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loan with an outstanding amount, cost basis and fair value of approximately \$7.1 million. The mortgage guarantee for MVC Automotive was equivalent to approximately \$7.1 million at April 30, 2018. This guarantee was taken into account in the valuation of MVC Automotive.

Michael Tokarz, Chairman of the Company, Scott Foote and Puneet Sanan, representatives of the Company, serve as directors of MVC Automotive.

***MVC Environmental, Inc.***

MVC Environmental, a New York-based holding company, owns and operates intellectual property and environmental service facilities for oil and gas waste recycling in the Eagle Ford Shale region of Texas.

At October 31, 2017, the Company's investment in MVC Environmental consisted of common stock with a cost basis of approximately \$3.1 million and a fair value of approximately \$0, a senior secured loan with an outstanding balance and cost basis of \$6.9 million and a fair value of approximately \$4.9 million. The Company reserved in full all of the accrued interest starting July 1, 2017. The loan bears annual interest of 9% and matures on December 22, 2020.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the loan by approximately \$742,000 and the letter of credit by approximately \$16,000.

At April 30, 2018, the Company's investment in MVC Environmental consisted of common stock with a cost basis of approximately \$3.1 million and a fair value of approximately \$0, a senior secured loan with an outstanding balance and cost basis of \$6.9 million and a fair value of approximately \$4.1 million and a letter of credit with a cost basis of \$0 and a fair value of approximately -\$26,000 or a liability of \$26,000. The Company reserved in full against all of the accrued interest starting July 1, 2017.

David Williams, representative of the Company, serve as a director of MVC Environmental.

***MVC Private Equity Fund, L.P.***

MVC Private Equity Fund, L.P., Purchase, New York, is a private equity fund focused on control equity investments in the lower middle market. MVC GP II, an indirect wholly-owned subsidiary of the Company, serves as the GP to the PE Fund and is exempt from the requirement to register with the Securities and Exchange Commission as an investment adviser under Section 203 of the Investment Advisers Act of 1940. MVC GP II is wholly-owned by MVCFS, a subsidiary of the Company. The Company's Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company's ability to participate in Non-Diversified Investments made by the PE Fund. As previously disclosed, the Company is limited in its ability to make Non-Diversified Investments. For services provided to the PE

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Fund, the GP and MVC Partners are together entitled to receive 25% of all management fees and other fees paid by the PE Fund and its portfolio companies and up to 30% of the carried interest generated by the PE Fund. Further, at the direction of the Board of Directors, the GP retained TTG Advisers to serve as the portfolio manager of the PE Fund. In exchange for providing those services, and pursuant to the Board of Directors' authorization and direction, TTG Advisers is entitled to the remaining 75% of the management and other fees generated by the PE Fund and its portfolio companies and any carried interest generated by the PE Fund. A significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund. Given this separate arrangement with the GP and the PE Fund, under the terms of the Company's Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. The PE Fund's term will end on October 29, 2016; unless the GP, in its sole discretion, extends the term of the PE Fund for two additional periods of one year each.

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund. Of the \$20.1 million total commitment, MVCFS, through its wholly-owned subsidiary MVC GP II, has committed \$500,000 to the PE Fund as its general partner. See MVC Partners for more information on the other portion of the Company's commitment to the PE Fund. The PE Fund has closed on approximately \$104 million of capital commitments.

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During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners' operations.

At October 31, 2017, the limited partnership interest in the PE Fund had a cost of approximately \$11.5 million and a fair value of approximately \$17.8 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$292,000 and a fair value of approximately \$448,000.

During the six month period ended April 30, 2018, the Valuation Committee increased the fair values of the limited partnership and general partnership interests by a total of approximately \$561,000.

At April 30, 2018, the limited partnership interest in the PE Fund had a cost of approximately \$11.5 million and a fair value of approximately \$18.4 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$292,000 and a fair value of approximately \$461,000. As of April 30, 2018, the PE Fund had investments in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc. and Advanced Oilfield Services, LLC.

***RuMe, Inc.***

RuMe, Denver, Colorado, produces functional and affordable products for the environmentally and socially-conscious consumer reducing dependence on single-use products.

At October 31, 2017, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately \$924,000 and a fair value of \$402,000, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately \$1.0 million and a fair value of approximately \$2.0 million, 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$5.2 million and a subordinated note with an outstanding balance, cost basis and a fair value of approximately \$992,000. The warrants have a cost basis of approximately \$336,000 and a fair value of approximately \$1.4 million, the guarantee was fair valued at approximately -\$197,000 or a liability of approximately \$197,000 and the letter of credit was fair valued at approximately -\$345,000 or a liability of approximately \$345,000. The subordinated note had an interest rate of 10% PIK, which changed to 10% cash on January 1, 2018, and a maturity date of September 22, 2019.

On each of March 22, 2018 and April 6, 2018, the Company loaned \$350,000 to RuMe, increasing the subordinated loan amount to approximately \$1.7 million and extended the maturity date to March 30, 2020. The interest rate on the loan was changed from 10% cash to 10% PIK.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the common stock by approximately \$310,000, the series B-1 preferred stock by approximately \$163,000, the series C preferred stock by approximately \$1.4 million, the letter of credit by approximately \$23,000 and the warrants by a total of approximately \$1.1 million. The Valuation Committee also increased the guarantee by approximately \$52,000.



At April 30, 2018, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately \$924,000 and a fair value of \$93,000, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately \$1.0 million and a fair value of approximately \$1.8 million, 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$3.8 million and a subordinated note with an outstanding balance, cost basis and a fair value of approximately \$1.7 million. The warrants have a cost basis of approximately \$336,000 and a fair value of approximately \$323,000, the guarantee was fair valued at approximately -\$145,000 or a liability of approximately \$145,000 and the letter of credit was fair valued at approximately -\$369,000 or a liability of approximately \$369,000.

***Security Holdings, B.V.***

Security Holdings is an Amsterdam-based holding company that owns FIMA, a Lithuanian security and engineering solutions company.

At October 31, 2017, the Company's investment in Security Holdings consisted of common equity interest with a cost basis of approximately \$51.2 million and a fair value of approximately \$31.9 million

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and a bridge loan with an outstanding balance, cost basis and fair value of approximately \$4.2 million. The bridge loan has an interest rate of 5% and a maturity date of December 31, 2019.

On April 10, 2018, the Company loaned approximately \$308,000 to Security Holdings, increasing the bridge loan amount to approximately \$4.7 million.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the common equity interest by approximately \$1.5 million.

At April 30, 2018, the Company's investment in Security Holdings consisted of common equity interest with a cost basis of approximately \$51.2 million and a fair value of approximately \$30.4 million and a bridge loan with an outstanding balance, cost basis and fair value of approximately \$4.7 million.

Puneet Sanan, a representative of the Company, serves as a director of Security Holdings.

***SGDA Europe B.V.***

SGDA Europe is an Amsterdam-based holding company that pursues environmental and remediation opportunities in Romania.

At October 31, 2017, the Company's investment in SGDA Europe consisted of a first lien loan with an outstanding balance, cost basis and fair value of approximately \$1.2 million. The first lien note has an interest rate of 5%, with a PIK toggle at SGDA Europe's option, and a maturity date of October 26, 2024.

On March 19, 2018, the Company invested approximately \$68,000 in SGDA Europe for a warrant.

At April 30, 2018, the Company's investment in SGDA Europe consisted of a first lien loan with an outstanding balance, cost basis and fair value of approximately \$1.2 million and a warrant with a cost basis and fair value of approximately \$68,000.

***Turf Products, LLC***

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Turf, Enfield, Connecticut, is a wholesale distributor of golf course and commercial turf maintenance equipment, golf course irrigation systems and consumer outdoor power equipment.

At October 31, 2017, the Company's investment in Turf consisted of a senior subordinated loan, bearing interest at 10% per annum with a maturity date of August 7, 2020. The senior subordinated loan had an outstanding balance and cost basis of approximately \$7.7 million and a fair value of approximately \$7.6 million.

On December 22, 2017, the Company loaned \$1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020.

On April 2, 2018, Turf made a principal payment of \$70,000 on its third lien loan.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the senior subordinated loan by approximately \$355,000 and the fair value of the third lien loan by approximately \$69,000.

At April 30, 2018, the senior subordinated loan had an outstanding balance and cost basis of approximately \$7.7 million and a fair value of approximately \$7.2 million, the third lien loan had an outstanding balance, cost basis and fair value of approximately \$1.3 million.

### *United States Technologies, Inc.*

U.S. Technologies, Fairlawn, New Jersey, offers diagnostic testing, redesign, manufacturing, reverse engineering and repair services for malfunctioning electronic components of machinery and equipment.

At October 31, 2017 and April 30, 2018, the senior term loan had an outstanding amount and cost basis of approximately \$5.5 million and a fair value of approximately \$5.6 million. The loan has an interest rate of 10.5% and matures on July 17, 2020.

### *U.S. Gas & Electric, Inc.*

U.S. Gas, North Miami Beach, Florida, a wholly-owned indirect subsidiary of Crius, is a licensed Energy Service Company ( ESCO ) that markets and distributes natural gas to small commercial and residential retail customers in the state of New York.

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At October 31, 2017, the Company's investment in U.S. Gas, an indirect subsidiary of Crius, consisted of a second lien loan with an outstanding balance, cost basis and a fair value of approximately \$40.5 million. The loan has an interest rate of 9.5% and matures on July 5, 2025.

Effective January 1, 2018, the cost basis of the U.S. Gas second lien loan was decreased by approximately \$3.0 million due to a working capital adjustment, resulting in a realized loss of approximately \$3.0 million. The second lien loan is still subject to indemnification adjustments.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the loan by approximately \$765,000.

At April 30, 2018, the Company's investment in U.S. Gas, an indirect subsidiary of Crius, consisted of a second lien loan with an outstanding balance and cost basis of approximately \$37.5 million and a fair value of approximately \$39.8 million.

***U.S. Spray Drying Holding Company***

SCSD, Huguenot, New York, provides custom spray drying products to the food, pharmaceutical, nutraceutical, flavor and fragrance industries.

At October 31, 2017, the Company's investment in SCSD consisted of 784 shares of class B common stock with a cost basis and fair value of approximately \$5.5 million. The secured loan had an outstanding balance, cost basis and fair value of \$1.5 million. The secured loan had an interest rate of 12% and a maturity date of April 30, 2019.

On November 8, 2017, the Company loaned an additional \$1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020.

During the six month period ended April 30, 2018, the Valuation Committee decreased the fair value of the common stock by approximately \$134,000.

At April 30, 2018, the Company's investment in SCSD consisted of 784 shares of class B common stock with a cost basis of approximately \$5.5 million and a fair value of approximately \$5.4 million. The secured loan and the senior secured loan each had an outstanding balance, cost basis and fair value of \$1.5 million.

Puneet Sanan and Shivani Khurana, representatives of the Company, serve as directors of SCSD.

*Vestal Manufacturing Enterprises, Inc.*

Vestal, Sweetwater, Tennessee, is a market leader for steel fabricated products to brick and masonry segments of the construction industry. Vestal manufactures and sells both cast iron and fabricated steel specialty products used in the construction of single-family homes.

At October 31, 2017, the Company's investment in Vestal consisted of a subordinated loan with an outstanding balance, cost basis and fair value of approximately \$2.5 million. The loan had an annual interest rate of 12% and a maturity date of August 21, 2022.

On December 29, 2017, the Company received a principal payment of \$200,000 from Vestal.

On April 4, 2018, Vestal repaid its loan in full, including all accrued interest.

At April 30, 2018, the Company no longer held an investment in Vestal.

**Liquidity and Capital Resources**

Our liquidity and capital resources are derived from our public offering of securities, our credit facility and cash flows from operations, including investment sales and repayments and income earned. Our primary use of funds includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, proceeds generated from our portfolio investments and/or proceeds from public and private offerings of securities to finance pursuit of our investment objective.

At April 30, 2018, the Company had investments in portfolio companies totaling \$324.6 million. Also, on that date, the Company had approximately \$790,000 in cash equivalents and approximately \$30.1 million in cash and restricted cash. The Company considers all money market and other cash

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investments purchased with an original maturity of less than three months to be cash equivalents. U.S. government securities and cash equivalents are highly liquid. Pending investments in portfolio companies pursuant to our principal investment strategy, the Company may make other short-term or temporary investments, including in exchange-traded funds and private investment funds offering periodic liquidity.

During the six month period ended April 30, 2018, the Company made four new investments, committing capital that totaled approximately \$32.2 million. Pursuant to the Order, that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and Private Fund co-invested in Essner (\$3.7 million investment for the Company), Black Diamond Equipment (\$7.5 million investment for the Company), Apex (\$15.0 million investment for the Company) and Array (\$6.0 million investment for the Company).

During the six month period ended April 30, 2018, the Company made 11 follow-on investments in 8 portfolio companies that totaled approximately \$10.2 million. On November 8, 2017, the Company loaned an additional \$1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately \$526,000 to Initials increasing the senior subordinated loan amount to approximately \$5.3 million. On December 22, 2017, the Company loaned \$1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed \$6.0 million in the form of a first lien loan with an interest rate of 10% and a maturity date of August 31, 2018 to Custom Alloy. The funded amount as of April 30, 2018 was approximately \$3.4 million with \$2.6 million unfunded on the commitment. On March 19, 2018, the Company invested approximately \$68,000 in SGDA Europe for a warrant. On each of March 22, 2018 and April 6, 2018, the Company loaned \$350,000 to RuMe, increasing the subordinated loan amount to approximately \$1.7 million and extended the maturity date to March 30, 2020. The interest rate on the loan was changed from 10% cash to 10% PIK. On March 22, 2018, the Company loaned approximately \$2.3 million to MVC Automotive increasing the bridge loan amount to approximately \$7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately \$308,000 to Security Holdings, increasing the bridge loan amount to approximately \$4.7 million.

**Current commitments include:**

***Commitments to Portfolio Companies:***

At April 30, 2018 and October 31, 2017, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company	Amount Committed	Amount Funded at April 30, 2018
MVC Private Equity Fund LP	\$ 20.1 million	\$ 14.6 million
<b>Total</b>	<b>\$ 20.1 million</b>	<b>\$ 14.6 million</b>

Portfolio Company	Amount Committed	Amount Funded at October 31, 2017
MVC Private Equity Fund LP	\$ 20.1 million	\$ 14.6 million
<b>Total</b>	<b>\$ 20.1 million</b>	<b>\$ 14.6 million</b>

***Guarantees:***

At April 30, 2018 and October 31, 2017, the Company had the following commitments to guarantee various loans and mortgages:

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Guarantee	Amount Committed	Amount Funded at April 30, 2018
MVC Automotive	\$	7.1 million
RuMe	\$	1.0 million
<b>Total</b>	<b>\$</b>	<b>8.1 million</b>

Guarantee	Amount Committed	Amount Funded at October 31, 2017
MVC Automotive	\$	6.0 million
RuMe	\$	1.0 million
<b>Total</b>	<b>\$</b>	<b>7.0 million</b>

ASC 460, *Guarantees*, requires the Company to estimate the fair value of the guarantee obligation at its inception and requires the Company to assess whether a probable loss contingency exists in accordance with the requirements of ASC 450, *Contingencies*. At April 30, 2018, the Valuation Committee estimated the combined fair values of the guarantee obligations noted above to be approximately -\$145,000 or a liability of approximately \$145,000.

These guarantees are further described below, together with the Company's other commitments.

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of April 30, 2018 is approximately 5.8 million Euro (equivalent to approximately \$7.1 million).

The Company agreed to cash collateralize a \$300,000 third party letter of credit for RuMe, which is still a commitment of the Company as of April 30, 2018. The Company also guaranteed \$1.0 million of RuMe's indebtedness to Colorado Business Bank, which had a fair value of approximately -\$145,000 or a liability of \$145,000 as of April 30, 2018. On September 22, 2017, the Company provided RuMe an additional \$2.0 million letter of credit, which was reduced to \$1.5 million on February 1, 2018, and had a fair value of approximately -\$369,000 or a liability of \$369,000 as of April 30, 2018. The \$1.5 million letter of credit is collateralized by the Company's Credit Facility III (defined below).

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately \$104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners' operations. The investment period related to the PE Fund has ended. Additional capital may be called for follow-on investments in existing portfolio companies of the PE Fund or to pay operating expenses of the PE Fund until the partnership is terminated. During the fiscal year ended October 31, 2017, the Company received proceeds of approximately \$12.6 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$10.2 million, including escrow distributions. As of April 30, 2018, \$14.6 million of the Company's commitment has been contributed.

During the fiscal year ended October 31, 2016, the Company agreed to cash collateralize a \$500,000 working capital line of credit for an entity partially owned by MVC Environmental provided by Branch Banking and Trust Company (BB&T). During the fiscal year ended October 31, 2017, the cash collateral securing the MVC Environmental working capital line of credit was released and a new credit facility was entered into



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secured by a \$1.0 million letter of credit. On February 16, 2018, the letter of credit was increased to \$3.0 million. The \$3.0 million letter of credit is collateralized by the Company's

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Credit Facility III (defined below) and had a fair value of approximately -\$26,000 or a liability of \$26,000 as of April 30, 2018.

During the six month period ended April 30, 2018, the Company provided Custom Alloy a \$2.0 million and a \$1.4 million letter of credit as part of a restructuring. The \$2.0 million letter of credit had a fair value of approximately -\$103,000 or a liability of \$103,000 as of April 30, 2018 and the \$1.4 million letter of credit had a fair value of approximately -\$62,000 or a liability of \$62,000 as of April 30, 2018. Both letters of credit are collateralized by the Company's Credit Facility III (defined below).

As of April 30, 2018, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -\$704,000 or a liability of \$704,000.

*Commitments of the Company*

On February 19, 2013, the Company sold \$70.0 million of senior unsecured notes (the Senior Notes) in a public offering. The Senior Notes will mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 15, 2016. The Senior Notes had an interest rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year, beginning April 15, 2013. The Company had also granted the underwriters a 30-day option to purchase up to an additional \$10.5 million of Senior Notes to cover overallocments. The additional \$10.5 million in principal was purchased and the total principal amount of the Senior Notes totaled \$80.5 million. The net proceeds to the Company from the sale of the Senior Notes, after offering expenses, were approximately \$77.4 million. The offering expenses incurred are amortized over the term of the Senior Notes.

On February 26, 2013, the Company received the funds related to the Senior Notes offering, net of expenses, and subsequently repaid the credit facility (the Credit Facility) with Guggenheim as administrative agent for the lenders in full, including all accrued interest. The Company used the excess net proceeds after the repayment of the Credit Facility for general corporate purposes, including, for example, investing in portfolio companies according to our investment objective and strategy, repurchasing shares pursuant to the share repurchase program adopted by our Board of Directors, funding distributions, and/or funding the activities of our subsidiaries.

On May 3, 2013, the Company sold approximately \$33.9 million of additional Senior Notes in a direct offering. The additional Senior Notes will also mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 15, 2016. The Notes had an interest rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year.

On December 21, 2017, all of the issued and outstanding Senior Notes were redeemed by the Company. Approximately \$1.8 million in unamortized deferred financing fees related to the Senior Notes were expensed at the time of repayment. See below for additional information.

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility (Credit Facility II) with BB&T. On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed

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and reduced to a \$50 million revolving credit facility, which expired on February 28, 2017, as of which time all outstanding amounts under it were due and repaid. On February 28, 2017, Credit Facility II was renewed and increased to a \$100 million revolving credit facility and expired on August 31, 2017. On August 31, 2017, Credit Facility II was renewed and decreased to a \$25 million revolving credit facility, which expires on August 31, 2018. There was no change to the interest rate or unused fee on the revolving credit facility. The Company incurred closing costs associated with this transaction of \$62,500. At October 31, 2017 and April 30, 2018, there was no balance and \$25.0 million

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outstanding on Credit Facility II, respectively. Credit Facility II is used to provide the Company with better overall financial flexibility in managing its investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 125 basis points. In addition, the Company is also subject to a 25 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II will be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities. As of April 30, 2018, the Company was in compliance with all covenants related to Credit Facility II.

On December 9, 2015, the Company entered into a three-year, \$50 million revolving borrowing base credit facility ( Credit Facility III ) with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. As of October 31, 2017 and April 30, 2018, there was no outstanding balance on Credit Facility III. Credit Facility III can, under certain conditions, be increased up to \$85 million. The new facility bears an interest rate of LIBOR plus 3.75% or the prime rate plus 1% (at the Company's option), and includes a 1% closing fee of the commitment amount and a 0.75% unused fee. The compensating balance for the revolving credit facility is \$5.0 million, which is reflected as restricted cash on the Company's Consolidated Balance Sheets. On February 26, 2018, in connection with the U.S. Gas Sale, Credit Facility III was amended, effective as of July 5, 2017, to exclude from pledged collateral the U.S. Gas second lien loan. All other material terms of Credit Facility III remained unchanged. As of April 30, 2018, the Company was in compliance with all covenants related to Credit Facility III. See Subsequent Events for more information.

On November 15, 2017, the Company completed a public offering of \$100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 ( Senior Notes II ). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional \$15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the Offering ). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately \$111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. As of April 30, 2018, the Senior Notes II had a total outstanding amount of \$115.0 million, net of deferred financing fees the balance was approximately \$111.7 million, with a market value of approximately \$117.8 million.

The Company enters into contracts with portfolio companies and other parties that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not experienced claims or losses pursuant to these contracts and believes the risk of loss related to indemnifications to be remote.

Subsequent Events

On May 4, 2018, Custom Alloy made a principal payment of approximately \$249,000 on its first lien loan.

On May 7, 2018, the terms of Credit Facility III were amended to, among other things: (i) increase the limit for unsecured indebtedness and certain unsecured guaranty obligations of portfolio companies of the Company to \$10,000,000 and (ii) increase the limit on permitted investments of the Company with respect to certain debt, equity and follow-on investments to \$28,500,000. All other material terms of Credit Facility III remain unchanged.

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On May 8, 2018, the Company loaned an additional \$400,000 to RuMe, increasing the subordinated loan amount to approximately \$2.1 million.

On May 15, 2018, the Company loaned Custom Alloy an additional \$200,000 on its first lien loan.

On May 18, 2018, Custom Alloy made a principal payment of approximately \$440,000 on its first lien loan.

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On May 21, 2018, the Company repaid Credit Facility II in full, including all accrued interest.

On May 30, 2018, the Company loaned Security Holdings approximately \$4.8 million in the form of a senior subordinated loan. The loan has an annual interest rate of 15% and a maturity date of May 31, 2020.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Historically the Company has invested in small companies, and its investments in these companies are considered speculative in nature. The Company's investments often include securities that are subject to legal or contractual restrictions on resale that adversely affect the liquidity and marketability of such securities. As a result, the Company is subject to risk of loss which may prevent our shareholders from achieving price appreciation, dividend distributions and return of capital.

Financial instruments that subjected the Company to concentrations of market risk consisted principally of equity investments, subordinated notes, debt instruments, and escrow receivables, which represent approximately 83.1% of the Company's total assets at April 30, 2018. As discussed in Note 8 Portfolio Investments, these investments consist of securities in companies with no readily determinable market values and as such are valued in accordance with the Company's fair value policies and procedures. The Company's investment strategy represents a high degree of business and financial risk due to the fact that portfolio company investments are generally illiquid, in small and middle market companies, and include entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be: (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. The Company may make short-term investments in 90-day Treasury Bills or longer-term treasury notes, which are federally guaranteed securities, or other investments, including exchange-traded funds, private investment funds and designated money market accounts, pending investments in portfolio companies made pursuant to our principal investment strategy.

In addition, the following risk factors relate to market risks impacting the Company.

*We depend on key personnel of TTG Advisers, especially Mr. Tokarz, in seeking to achieve our investment objective.*

We depend on the continued services of Mr. Tokarz and certain other key management personnel of TTG Advisers. If we were to lose access to any of these personnel, particularly Mr. Tokarz, it could negatively impact our operations and we could lose business opportunities. There is a risk that Mr. Tokarz's expertise may be unavailable to the Company, which could significantly impact the Company's ability to achieve its investment objective.

*Our returns may be substantially lower than the average returns historically realized by the private equity industry as a whole.*

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Past performance of the private equity industry is not necessarily indicative of that sector's future performance, nor is it necessarily a good proxy for predicting the returns of the Company. We cannot guarantee that we will meet or exceed the rates of return historically realized by the private equity industry as a whole. Additionally, our overall returns are impacted by certain factors related to our structure as a publicly-traded business development company, including:

- The substantially lower return we are likely to realize on short-term liquid investments during the period in which we are identifying potential investments, and

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- The periodic disclosure required of business development companies, which could result in the Company being less attractive as an investor to certain potential portfolio companies.

*Substantially all of our portfolio investments and escrow receivables are recorded at fair value and, as a result, there is a degree of uncertainty regarding the carrying values of our portfolio investments.*

Pursuant to the requirements of the 1940 Act, because our portfolio company investments do not have readily ascertainable market values, we record these investments at fair value in accordance with our Valuation Procedures adopted by our Board of Directors. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors' supervision and pursuant to the Valuation Procedures.

At April 30, 2018, approximately 75.5% of our total assets represented portfolio investments recorded at fair value.

There is no single standard for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments we make. In determining the fair value of a portfolio investment, the Valuation Committee analyzes, among other factors, the portfolio company's financial results and projections and publicly traded comparable companies when available, which may be dependent on general economic conditions. We specifically value each individual investment and record unrealized depreciation for an investment that we believe has become impaired, including where collection of a loan or realization of an equity security is doubtful. Conversely, we will record unrealized appreciation if we have an indication (based on a significant development) that the underlying portfolio company has appreciated in value and, therefore, our equity security has also appreciated in value, where appropriate. Without a readily ascertainable market value and because of the inherent uncertainty of fair valuation, fair value of our investments may differ significantly from the values that would have been used had a ready market existed for the investments, and the differences could be material.

Pursuant to our Valuation Procedures, our Valuation Committee (which is comprised of three Independent Directors) reviews, considers and determines fair valuations on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). Any changes in valuation are recorded in the consolidated statements of operations as Net change in unrealized appreciation (depreciation) on investments.

*We previously identified a material weakness in our internal control over financial reporting, which has now been remediated. Any future failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our securities to decline.*

We previously identified a material weakness in our internal control over financial reporting related to the valuation of certain portfolio companies and, as a result of such weakness, our management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of October 31, 2014 and October 31, 2015. This contributed to a delay in the filing of certain prior financial statements. The material weakness concerned the design and operating effectiveness of certain valuation related controls associated with investments in certain affiliated or controlled portfolio companies (e.g., MVC Automotive and SGDA Europe). The Company addressed the material weakness through, among other things, adding new and/or enhanced existing controls surrounding the valuation process and



financial reporting oversight of various controlled/affiliated portfolio companies.

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Although we have remediated this material weakness in our internal control over financial reporting, any failure to improve our disclosure controls and procedures or internal control over financial reporting to address any identified weaknesses in the future, if they were to occur, could prevent us from maintaining accurate accounting records and discovering material accounting errors. Any of these results could adversely affect our business and the value of our common stock.

***Economic recessions or downturns could impair our portfolio companies and have a material adverse impact on our business, financial condition and results of operations.***

Many of the companies in which we have made or will make investments may be susceptible to adverse economic conditions. Adverse economic conditions may affect the ability of a company to engage in a liquidity event. These conditions could lead to financial losses in our portfolio and a decrease in our revenues, net income and assets. Depending on market conditions, we could incur substantial realized losses and suffer unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Our overall business of making loans or private equity investments may be affected by current and future market conditions. The absence of an active mezzanine lending or private equity environment may slow the amount of private equity investment activity. As a result, the pace of our investment activity may slow, which could impact our ability to achieve our investment objective. In addition, significant changes in the capital markets could have an effect on the valuations of private companies and on the potential for liquidity events involving such companies. This could affect the amount and timing of any gains realized on our investments and thus have a material adverse impact on our financial condition.

Depending on market conditions, we could incur substantial realized losses and suffer unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. Declines in the market values of the Company's investments could lead to diminished investment opportunities for the Company, prevent the Company from successfully executing its investment strategies or require the Company to dispose of investments at a loss.

***We may not realize gains from our equity investments.***

When we invest in mezzanine and senior debt securities, we may acquire warrants or other equity securities as well. We may also invest directly in various equity securities. Our goal is ultimately to realize gains upon our disposition of such interests. However, the equity interests we receive or invest in may not appreciate in value and, in fact, may decline in value. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it would be advantageous to sell. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

***The market for private equity investments can be highly competitive. In some cases, our status as a regulated business development company may hinder our ability to participate in investment opportunities.***

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We face competition in our investing activities from private equity funds, other business development companies, investment banks, investment affiliates of large industrial, technology, service and financial companies, small business investment companies, wealthy individuals and foreign investors. As a regulated business development company, we are required to disclose quarterly the name and business description of portfolio companies and the value of any portfolio securities. Many of our competitors are not subject to this disclosure requirement. Our obligation to disclose this information could hinder our ability to invest in certain portfolio companies. Additionally, other regulations, current and future, may make us less attractive as a potential investor to a given company than a private equity fund not subject to the same regulations. Furthermore, some of our competitors have greater resources than we do. Increased

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competition would make it more difficult for us to purchase or originate investments at attractive prices. As a result of this competition, sometimes we may be precluded from making certain investments.

***Our ability to use our capital loss carryforwards may be subject to limitations.***

On October 31, 2017, the Company had a net capital loss carryforward of approximately \$1.0 million. The Company had approximately \$71.4 million in unrealized losses as of April 30, 2018. If we experience an aggregate 50% shift in the ownership of our common stock from shareholder transactions over a three year period (e.g., if a shareholder acquires 5% or more of our outstanding shares of common stock, or if a shareholder who owns 5% or more of our outstanding shares of common stock significantly increases or decreases its investment in the Company), our ability to utilize our capital loss carryforwards to offset future capital gains may be severely limited. Further, in the event that we are deemed to have failed to meet the requirements to qualify as a RIC, our ability to use our capital loss carryforwards could be adversely affected. Please see Note 12 of our consolidated financial statements Tax Matters for more information.

***Loss of pass-through tax treatment would substantially reduce net assets and income available for dividends.***

We have operated so as to qualify as a RIC. If we meet source of income, diversification and distribution requirements, we will qualify for effective pass-through tax treatment. We would cease to qualify for such pass-through tax treatment if we were unable to comply with these requirements. In addition, we may have difficulty meeting the requirement to make distributions to our shareholders because in certain cases we may recognize income before or without receiving cash representing such income, such as in the case of debt obligations that are treated as having original issue discount. If we fail to qualify as a RIC, we will have to pay corporate-level taxes on all of our income whether or not we distribute it, which would substantially reduce the amount of income available for distribution to our shareholders, and all of our distributions will be taxed to our shareholders as ordinary corporate distributions. Even if we qualify as a RIC, we generally will be subject to a corporate-level income tax on the income we do not distribute. Moreover, if we do not distribute at least: (1) 98% of our ordinary income during each calendar year, (2) 98.2% of our capital gain net income realized in the period from November 1 of the prior year through October 31 of the current year, and (3) all such ordinary income and capital gain net income for the previous years that were not distributed during those years, we generally will be subject to a 4% excise tax on certain undistributed amounts.

***There are certain risks associated with the Company holding debt obligations that are treated under applicable tax rules as having original issue discount.***

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (OID) (such as debt instruments with payment-in-kind, or PIK, interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the OID that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute OID or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to include market discount in our taxable income in the current year, instead of upon disposition, as failing to make such election would limit our ability to deduct interest expenses for tax purposes.

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Any OID or other amounts accrued will be included in our investment company taxable income for the year of the accrual. Therefore, we may be required to make a distribution to our shareholders in order

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to satisfy the annual distribution requirement necessary to qualify for and maintain RIC tax treatment under Subchapter M of the Code, even though we will not have received any corresponding cash amount. As a result, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for or maintain RIC tax treatment and thus become subject to corporate-level income tax, as described in the previous risk factor regarding loss of pass-through tax treatment.

Additionally, the higher interest rates of OID instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID instruments generally represent a significantly higher credit risk than coupon loans. Even if the accounting conditions for income accrual are met, the borrower could still default when the Company's actual collection is supposed to occur at the maturity of the obligation.

OID instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID income may also create uncertainty about the source of the Company's cash distributions. For accounting purposes, any cash distributions to shareholders representing OID income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. Thus, despite the fact that a distribution of OID income comes from the cash invested by the shareholders, the 1940 Act does not require that shareholders be given notice of this fact by reporting it as a return of capital. PIK interest has the effect of generating investment income and potentially increasing the incentive fees payable to TTG Advisers at a compounding rate. In addition, the deferral of PIK interest also reduces the loan-to-value ratio at a compounding rate. Furthermore, OID creates the risk that fees will be paid to TTG Advisers based on non-cash accruals that ultimately may not be realized, while TTG Advisers will be under no obligation to reimburse the Company for these fees.

***Our ability to grow depends on our ability to raise capital.***

To fund new investments or other activities, periodically we may need to issue equity securities or borrow from financial institutions. Unfavorable economic conditions, among other things, could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. If we fail to obtain capital to fund our investments, it could limit both our ability to grow our business and our profitability. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ depends on TTG Advisers' and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to maintain our current facilities or obtain other lines of credit at all or on terms acceptable to us.

***Complying with the RIC requirements may cause us to forgo otherwise attractive opportunities.***

In order to qualify as a RIC for U.S. federal income tax purposes, we must satisfy tests concerning the sources of our income, the nature and diversification of our assets and the amounts we distribute to our shareholders. We may be unable to pursue investments that would otherwise be advantageous to us in order to satisfy the source of income or asset diversification requirements for qualification as a RIC. In particular, to qualify as a RIC, at least 50% of our assets must be in the form of cash and cash items, Government securities, securities of other RICs, and other securities that represent not more than 5% of our total assets and not more than 10% of the outstanding voting securities of the issuer. We have from time to time held a significant portion of our assets in the form of securities that exceed 5% of our total assets or more than 10% of the outstanding voting securities of an issuer, and compliance with the RIC requirements may restrict us from making investments that represent more than 5% of our total assets or more than 10% of the outstanding voting securities of the issuer. Thus, compliance with the RIC requirements may hinder our ability to take advantage of investment opportunities believed to be attractive, including potential follow-on

investments in certain of our portfolio companies.

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***Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital.***

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock or warrants at a price below the then-current net asset value per share of our common stock if our Board of Directors determines that such sale is in the best interests of the Company and its stockholders, and, if required by law or regulation, our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our Board of Directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution.

***Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.***

We intend to continue to qualify as a business development company ( BDC ) under the 1940 Act. The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets in specified types of securities, primarily in private companies or thinly-traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a business development company. If we decide to withdraw our election, or if we otherwise fail to qualify as a business development company, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business.

***Changes in the law or regulations that govern business development companies and RICs, including changes in tax laws or regulations, may significantly impact our business.***

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels, including federal securities law and federal taxation law. These laws and regulations, as well as their interpretation, may change from time to time. A change in these laws or regulations may significantly affect our business.

***Results may fluctuate and may not be indicative of future performance.***

Our operating results will fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. In addition to many of the above-cited risk factors, other factors could cause operating results to fluctuate including, among others, variations in the investment origination volume and fee income earned, variation in timing of prepayments, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions.



*Our common stock price can be volatile.*

The trading price of our common stock may fluctuate substantially. The price of the common stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

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- Price and volume fluctuations in the overall stock market from time to time;
  
- Significant volatility in the market price and trading volume of securities of business development companies or other financial services companies;
  
- Volatility resulting from trading by third parties in derivative instruments that use our common stock as the referenced asset, including puts, calls, long-term equity participation securities, or LEAPs, or short trading positions;
  
- Changes in regulatory policies or tax guidelines with respect to business development companies or RICs;
  
- Our adherence to applicable regulatory and tax requirements
  
- Actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;
  
- General economic conditions and trends;
  
- Loss of a major funding source, which would limit our liquidity and our ability to finance transactions;
  
- Changes in interest rates; or
  
- Departures of key personnel of TTG Advisers.

*We are subject to market discount risk.*

As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon

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our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV. Although our shares, from time to time, had traded at a premium to our NAV, in more recent years, our shares have traded at a discount to NAV, which discount may fluctuate over time. Our common stock has historically traded at prices below our net asset value per share and was trading as of April 30, 2018 at an approximately 24.2% discount to NAV.

*We have not established a mandated minimum dividend payment level and we cannot assure you of our ability to make distributions to our shareholders in the future.*

We cannot assure that we will achieve investment results that will allow us to make cash distributions or year-to-year increases in cash distributions. Our ability to make distributions is impacted by, among other things, the risk factors described in this report. In addition, the asset coverage test applicable to us as a business development company can limit our ability to make distributions. Any distributions will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our RIC status and such other factors as our Board of Directors may deem relevant from time to time. We cannot assure you of our ability to make distributions to our shareholders.

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***During certain periods, our distributions have exceeded and may, in the future, exceed our taxable earnings and profits. Therefore, during those times, portions of the distributions that we make may represent a return of capital to you for tax purposes, which will reduce your tax basis in your shares.***

During certain periods, our distributions have exceeded and may, in the future, exceed our earnings and profits. For example, in the event that we encounter delays in locating suitable investment opportunities, we may pay all or a portion of our distributions from the proceeds of any securities offering, from borrowings that were made in anticipation of future cash flow or from available funds. Therefore, portions of the distributions that we make may be a return of the money that you originally invested and represent a return of capital to you for tax purposes. A return of capital generally is a return of your investment rather than a return of earnings or gains derived from our investment activities and will be made after deducting the fees and expenses payable in connection with the offering. Such a return of capital is not taxable, but reduces your tax basis in your shares, which may result in higher taxes for you even if your shares are sold at a price below your original investment.

***We have borrowed and may continue to borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.***

We have borrowed and may continue to borrow money (subject to the 1940 Act limits) in seeking to achieve our investment objective going forward. Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, can increase the risks associated with investing in our securities.

Under the provisions of the 1940 Act, we are permitted, as a business development company, to borrow money or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Under the recently passed Small Business Credit Availability Act, subject to satisfying certain disclosure requirements and obtaining board or shareholder approval, the asset coverage requirement under the 1940 Act has been lowered to 150%. As of the date hereof, we remain subject to the 200% asset coverage requirement.

We have borrowed from and may continue to borrow from, and issue senior debt securities to, banks, insurance companies and other private and public lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to the claims of our common shareholders. If the value of our assets increases, then leveraging would cause the NAV attributable to our common stock to increase more sharply than it would had we not used leverage. Conversely, if the value of our consolidated assets decreases, leveraging would cause the NAV to decline more sharply than it otherwise would have had we not used leverage.

Similarly, any increase in our consolidated income in excess of consolidated interest expense on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our consolidated income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

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As of April 30, 2018, we have approximately \$115.0 million in aggregate principal amount of Senior Notes II (as defined above), due on November 30, 2022. We also have access to leverage through credit facilities.

Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at

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any particular time will depend on our management's and our Board of Director's assessments of market and other factors at the time of any proposed borrowing.

***We may be unable to meet our covenant obligations under our credit facility, which could adversely affect our business.***

Credit Facility III imposes certain financial and operating covenants that may restrict a portion of our business activities, including limitations that could hinder our ability to obtain additional financings and in some cases, to increase our dividends. If we cannot meet these covenants, events of default would arise, which could result in payment of the applicable indebtedness being accelerated and may limit our ability to execute on our investment strategy, as would be the case if we were unable to renew such facility. Any additional facility we access could also impose additional covenants that could restrict our business activities. A failure to add new or replacement debt facilities or issue additional debt securities or other evidences of indebtedness could have an adverse effect on our business, financial condition or results of operations.

***Changes in interest rates may affect our cost of capital and net operating income and our ability to obtain additional financing.***

Because we have borrowed and may continue to borrow money to make investments, our net investment income before net realized and unrealized gains or losses, or net investment income, may be dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates would not have a material adverse effect on our net investment income. In periods of declining interest rates, we may have difficulty investing our borrowed capital into investments that offer an appropriate return. Because of the generally fixed-rate nature of our debt investments and our borrowings, a hypothetical 1% increase or 1% decrease in interest rates is not expected to have a determinable (or easily predictable) material impact on the Company's net investment income. In periods of sharply rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use a combination of long-term and short-term borrowings and equity capital to finance our investing activities. We may utilize our short-term credit facilities as a means to bridge to long-term financing. Our long-term fixed-rate investments are financed primarily with equity and long-term fixed-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Additionally, we cannot assure you that financing will be available on acceptable terms, if at all. Deterioration in the credit markets, which could delay our ability to sell certain of our loan investments in a timely manner, could also negatively impact our cash flows.

***A small portion of our existing investment portfolio was not selected by the investment team of TTG Advisers.***

As of April 30, 2018, 1.2% of the Company's assets consisted of Legacy Investments. These investments were made pursuant to the Company's prior investment objective of seeking long-term capital appreciation from venture capital investments in information technology companies. Generally, a cash return may not be received on these investments until a liquidity event, i.e., a sale, public offering or merger, occurs. Until then, these Legacy Investments remain in the Company's portfolio. The Company is managing them to seek to realize maximum returns.

***Under the Advisory Agreement, TTG Advisers is entitled to compensation based on our portfolio's performance. This arrangement may result in riskier or more speculative investments in an effort to maximize incentive compensation. Additionally, because the base management fee payable under the Advisory Agreement is based on total assets less cash, TTG Advisers may have an incentive to increase portfolio leverage in order to earn higher base management fees.***



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The way in which the compensation payable to TTG Advisers is determined may encourage the investment team to recommend riskier or more speculative investments and to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would adversely affect our shareholders, including investors in this offering. In addition, key criteria related to determining appropriate investments and investment strategies, including the preservation of capital, might be under-weighted if the investment team focuses exclusively or disproportionately on maximizing returns.

***There are potential conflicts of interest that could impact our investment returns.***

Our officers and directors, and members of the TTG Advisers investment team, may serve other entities, including the PE Fund, and Series A of Public Pension Capital, LLC (the PPC Fund ) and others that operate in the same or similar lines of business as we do. Accordingly, they may have obligations to those entities, the fulfillment of which might not be in the best interests of us or our shareholders. It is possible that new investment opportunities that meet our investment objective may come to the attention of one of the management team members or our officers or directors in his or her role as an officer or director of another entity or as an investment professional associated with that entity, and, if so, such opportunity might not be offered, or otherwise made available, to us.

Additionally, as an investment adviser, TTG Advisers has a fiduciary obligation to act in the best interests of its clients, including us. To that end, if TTG Advisers manages any additional investment vehicles or client accounts (which includes its current management of the PE Fund and PPC Fund), TTG Advisers will endeavor to allocate investment opportunities in a fair and equitable manner. When the investment professionals of TTG Advisers identify an investment, they will have to choose which investment fund should make the investment. As a result, there may be times when the management team of TTG Advisers has interests that differ from those of our shareholders, giving rise to a conflict. In an effort to mitigate situations that give rise to such conflicts, TTG Advisers adheres to a policy (which was approved by our Board of Directors) relating to allocation of investment opportunities, which generally requires, among other things, that TTG Advisers continue to offer the Company MVC Targeted Investments that are not Non-Diversified Investments. For more information on the allocation policy, please see Our Investment Strategy Allocation of Investment Opportunities above.

***Our relationship with any investment vehicle we or TTG Advisers manage could give rise to conflicts of interest with respect to the allocation of investment opportunities between us on the one hand and the other vehicles on the other hand.***

Our subsidiaries are authorized to and serve as a general partner or managing member to a private equity or other investment vehicle(s) ( Other Vehicles ). In addition, TTG Advisers may serve as an investment manager, sub-adviser or portfolio manager to Other Vehicles. Further, Mr. Tokarz is a co-founder of PPC, a registered investment adviser that provides advisory services to Series A of the PPC Fund. As a result of this relationship, certain of PPC s principals and other PPC investment professionals may make themselves available, from time to time, to consult with TTG Advisers on investment matters relating to MVC or the PE Fund. In this connection, certain employees of PPC are associated persons of TTG Advisers when providing certain services on behalf of TTG Advisers and, in this capacity, are subject to its oversight and supervision. Likewise, TTG Advisers makes available to PPC certain investment professionals that are employed by TTG Advisers to provide services for PPC and the PPC Fund. The foregoing raises a potential conflict of interest with respect to allocation of investment opportunities to us, on the one hand and to the Other Vehicles on the other hand. The Board and TTG Advisers have adopted an allocation policy (described above) to help mitigate potential conflicts of interest among us and Other Vehicles. For more information on the allocation policy, please see Our Investment Strategy Allocation of Investment Opportunities above.





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***Wars, terrorist attacks, and other acts of violence may affect any market for our common stock, impact the businesses in which we invest and harm our operations and our profitability.***

Wars, terrorist attacks and other acts of violence are likely to have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the unrest, wars and occupation cannot be predicted with any certainty. Furthermore, terrorist attacks may harm our results of operations and your investment. We cannot assure you that there will not be further terrorist attacks against the United States or U.S. businesses. Such attacks and armed conflicts in the United States or elsewhere may impact the businesses in which we invest directly or indirectly, by undermining economic conditions in the United States. Losses resulting from terrorist events are generally uninsurable.

***We are dependent on information systems, and systems failures, as well as operating failures, could disrupt our business, which may, in turn, negatively affect our liquidity, financial condition or results of operations.***

Our business is dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

In addition to our dependence on information systems, poor operating performance by our service providers could adversely impact us.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our securities and our ability to pay distributions to our stockholders.

***Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.***

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve a third party or our own personnel gaining unauthorized access to our information systems for purposes of obtaining ransom payments, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for loss or misappropriation of data, stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our reputation or business relationships. As our business relies on technology, we are subject to the risks posed to our information systems, both internal and those provided by third-party service providers. These third-party service providers have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

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***Our financial condition and results of operations will depend on our ability to effectively manage our future growth.***

Our ability to achieve our investment objective can depend on our ability to sustain continued growth. Accomplishing this result on a cost-effective basis is largely a function of our marketing capabilities, our management of the investment process, our ability to provide competent, attentive and efficient services and our access to financing sources on acceptable terms. As we grow, TTG Advisers may need to hire, train, supervise and manage new employees. Failure to effectively manage our future growth could have a material adverse effect on our business, financial condition and results of operations.

***Investing in private companies involves a high degree of risk.***

Our investment portfolio generally consists of loans to, and investments in, private companies. Investments in private businesses involve a high degree of business and financial risk, which can result in substantial losses and, accordingly, should be considered speculative. There is generally very little publicly available information about the companies in which we invest, and we rely significantly on the due diligence of the members of the investment team to obtain information in connection with our investment decisions. It is thus difficult, and often impossible, to protect the Company from the risk of fraud, misrepresentation or poor judgment by these companies.

***Our investments in portfolio companies are generally illiquid.***

We generally acquire our investments directly from the issuer in privately negotiated transactions. Most of the investments in our portfolio (other than cash or cash equivalents and certain other investments made pending investments in portfolio companies such as investments in exchange-traded funds) are typically subject to restrictions on resale or otherwise have no established trading market. We may exit our investments when the portfolio company has a liquidity event, such as a sale, recapitalization or initial public offering. The illiquidity of our investments may adversely affect our ability to dispose of equity and debt securities at times when it may be otherwise advantageous for us to liquidate such investments. In addition, if we were forced to immediately liquidate some or all of the investments in the portfolio, the proceeds of such liquidation could be significantly less than the current fair value of such investments.

***Our investments in small and middle-market privately-held companies are extremely risky and the Company could lose its entire investment.***

Investments in small and middle-market privately-held companies are subject to a number of significant risks including the following:

- *Small and middle-market companies may have limited financial resources and may not be able to repay the loans we make to them.* Our strategy includes providing financing to companies that typically do not have capital sources readily available to them. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the borrowers to repay their loans to us upon maturity.

- *Small and middle-market companies typically have narrower product lines and smaller market shares than large companies.* Because our target companies are smaller businesses, they may be more vulnerable to competitors actions and market conditions, as well as general economic downturns. In addition, smaller companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.

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- *There is generally little or no publicly available information about these privately-held companies.* There is generally little or no publicly available operating and financial information about privately-held companies. As a result, we rely on our investment professionals to perform due diligence investigations of these privately-held companies, their operations and their prospects. We may not learn all of the material information we need to know regarding these companies through our investigations. It is difficult, if not impossible, to protect the Company from the risk of fraud, misrepresentation or poor judgment by our portfolio companies. Accordingly, the Company's performance (including the valuation of its investments) is subject to the ongoing risk that the portfolio companies or their employees, agents, or service providers, may commit fraud adversely affecting the value of our investments.
- *Small and middle-market companies generally have less predictable operating results.* We expect that our portfolio companies may have significant variations in their operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, finance expansion or maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by their senior lenders.
- *Small and middle-market businesses are more likely to be dependent on one or two persons.* Typically, the success of a small or middle-market company also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us.
- *Small and middle-market companies are likely to have greater exposure to economic downturns than larger companies.* We expect that our portfolio companies will have fewer resources than larger businesses and an economic downturn may thus more likely have a material adverse effect on them.
- *Small and middle-market companies may have limited operating histories.* We may make debt or equity investments in new companies that meet our investment criteria. Portfolio companies with limited operating histories are exposed to the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

*Our borrowers may default on their payments, which may have an effect on our financial performance.*

We may make long-term unsecured, subordinated loans, which may involve a higher degree of repayment risk than conventional secured loans. We primarily invest in companies that may have limited financial resources and that may be unable to obtain financing from traditional sources. In addition, numerous factors may adversely affect a portfolio company's ability to repay a loan we made to it, including the failure to meet a

business plan, a downturn in its industry or operating results, or negative economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral.

*Our investments in mezzanine and other debt securities may involve significant risks.*

Our investment strategy contemplates investments in mezzanine and other debt securities of privately held companies. Mezzanine investments typically are structured as subordinated loans (with or without warrants) that carry a fixed rate of interest. We may also make senior secured and other types of loans or debt or similar income producing investments. Our debt or similar income producing investments are not,

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and typically will not be, rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade quality (rated lower than Baa3 by Moody's or lower than BBB- by Standard & Poor's, commonly referred to as junk bonds). Loans of below investment grade quality have predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. Our debt investments in portfolio companies may thus result in a high level of risk and volatility and/or loss of principal.

***Our portfolio companies may be highly leveraged.***

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair such companies' ability to finance their future operations and capital needs. As a result, the flexibility of these companies to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

***We are a non-diversified investment company within the meaning of the 1940 Act, and therefore may invest a significant portion of our assets in a relatively small number of portfolio companies, which subjects us to a risk of significant loss should the performance or financial condition of one or more portfolio companies deteriorate.***

We are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of portfolio companies and/or in a limited number of industries. For example, as of April 30, 2018, the fair value of our largest investment, Crius, including its wholly-owned indirect subsidiary, U.S. Gas (collectively, Crius) comprised 24.0% of our net assets. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may continue to be significantly represented among our investments. To the extent that we have large positions in the securities of a small number of portfolio companies, we are subject to an increased risk of significant loss should the performance or financial condition of these portfolio companies or their respective industries deteriorate. We may also be more susceptible to any single economic or regulatory occurrence as a result of holding large positions in a small number of portfolio companies. See the risk factor below regarding the industry in which Crius operates.

***We are particularly exposed to the risks of the energy services industry.***

We presently have a significant investment in Crius. As a result, the Company is particularly subject to the risks impacting the energy services industry. Crius's operating results may fluctuate on a seasonal or quarterly basis and with general economic conditions. Weather conditions and other natural phenomena can also have an adverse impact on earnings and cash flows. Unusually mild weather in the future could diminish Crius's results of operations and harm its financial condition. Crius enters into contracts to purchase and sell electricity and natural gas as part of its operations. With respect to such transactions, the rate of return on its capital investments is not determined through mandated rates, and its revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power in its regional markets and other competitive markets. These market prices can fluctuate substantially over relatively short periods of time. Trading margins may erode as markets mature and there may be diminished opportunities for gain should volatility decline. Fuel prices may also be volatile, and the price Crius can obtain for power sales may not change at the same rate as changes in fuel costs. These factors could reduce Crius margins and therefore diminish its revenues and results of operations.





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Crius relies on a firm supply source to meet its energy management obligations for its customers. Should Crius's suppliers fail to deliver supplies of natural gas and electricity, there could be a material impact on its cash flows and statement of operations.

Crius is subject to substantial regulation by regulatory authorities. It is required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. Crius cannot predict the impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to it. Changes in regulations or the imposition of additional regulations could influence its operating environment and may result in substantial costs to Crius.

***When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.***

We currently have, and anticipate making debt and minority equity investments; therefore, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our interests. Due to the lack of liquidity in the markets for our investments in privately held companies, we may not be able to dispose of our interests in our portfolio companies as readily as we would like. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

***We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.***

Some of our loans to our portfolio companies may be structured to include customary business and financial covenants placing affirmative and negative obligations on the operation of each company's business and its financial condition. However, from time to time, we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay dividends and cause you to lose all or part of your investment.

***Our portfolio companies may incur obligations that rank equally with, or senior to, our investments in such companies. As a result, the holders of such obligations may be entitled to payments of principal or interest prior to us, preventing us from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization, acquisition, merger or bankruptcy of the relevant portfolio company.***

Our portfolio companies may have other obligations that rank equally with, or senior to, the securities in which we invest. By their terms, such other securities may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in the relevant portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying investors that are senior to us, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of other

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securities ranking equally with securities in which we invest, we would have to share on an equal basis any distributions with other investors holding such securities in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. As a result, we

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may be prevented from obtaining the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***Recent tax legislation may have unanticipated effects on us.***

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies.

***Investments in foreign debt or equity may involve significant risks in addition to the risks inherent in U.S. investments.***

Our investment strategy has resulted in some investments in debt or equity of foreign companies (subject to applicable limits prescribed by the 1940 Act). These risks may be even more pronounced for investments in less developed or emerging market countries. Investing in foreign companies can expose us to additional risks not typically associated with investing in U.S. companies. These risks include exchange rates, changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility, including developing or emerging market countries. A portion of our investments are located in countries that use the euro as their official currency. The USD/euro exchange rate, like foreign exchange rates in general, can be volatile and difficult to predict. This volatility could materially and adversely affect the value of the Company's shares and our interests in affected portfolio companies.

***Hedging transactions may expose us to additional risks.***

We may enter into hedging transactions to seek to reduce currency, commodity or other rate risks. However, unanticipated changes in currency or other rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek or be able to establish a perfect or effective correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies.

***Our investments in private equity funds, including the PE Fund, are subject to substantial risk, including a loss of investment.***

The PE Fund is not, and other private equity funds in which the Company may invest, will not be registered as an investment company under the 1940 Act. Therefore, with respect to its investments in such funds, the Company will not have the benefit of the protections afforded by the 1940

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Act to investors in registered investment companies, such as the limitations applicable to the use of leverage and the requirements concerning custody of assets, composition of boards of directors and approvals of investment advisory arrangements. Additionally, the interests in the PE Fund are privately placed and are not registered under the Securities Act, and the PE Fund is not a reporting company under the 1934 Act. Accordingly, the amount of information available to investors about the PE Fund will be limited.

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Investment in a private equity fund involves the same types of risks associated with an investment in any operating company. However, the investments made by private equity funds will entail a high degree of risk and in most cases be highly illiquid and difficult to value since no ready market typically exists for the securities of companies held in a private equity fund's portfolio. (See Note 6 Investment Valuation Policy, which discusses our valuation policy respecting our interest in the PE Fund.) Investing in private equity investments is intended for long-term investment by investors who can accept the risks associated with making highly speculative, primarily illiquid investments in privately negotiated transactions, and who can bear the risk of loss of their investment. Attractive investment opportunities in private equity may occur only periodically, if at all. Furthermore, private equity has generally been dependent on the availability of debt or equity financing to fund the acquisitions of their investments. Due to recent market conditions, however, the availability of such financing has been reduced dramatically, limiting the ability of private equity to obtain the required financing.

*Investing in our securities may involve a high degree of risk.*

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our securities may not be suitable for someone with a low risk tolerance.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Management with the participation of the individual who performs the functions of the Principal Executive Officer (the CEO) and the individual who performs the functions of a Principal Financial Officer (the CFO), has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, management has concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

There has been no change in the Company's internal control over financial reporting that occurred during the second quarter of 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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**Part II. Other Information**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

A description of the risk factors associated with our business is set forth in the Quantitative and Qualitative Disclosures about Market Risk section, above.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

We had no unregistered sales of equity securities for the quarter ended April 30, 2018.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

*Annual Meeting Date*

The Company has not yet determined the date of the 2018 annual meeting of stockholders (the Annual Meeting ). The Company will disclose the date of the Annual Meeting on the Company s website under the Investor Relations page at: <http://www.mvccapital.com/>. Shareholders are urged to check the website for the posting of the date, time and place of the Annual Meeting.

**Item 6. Exhibits**

Incorporated by reference to the Exhibit Index included herewith.

Other required Exhibits are included in this Form 10-Q or have been previously filed with the Securities and Exchange Commission (the SEC ) in the Company s Registration Statements on Form N-2 (Reg. Nos. 333-147039, 333-119625, 333-125953) or the Company s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, as filed with the SEC (File No. 814-00201).



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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
10.1	<u>Fourth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank</u>
10.2	<u>Fifth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank</u>
10.3	<u>Form of Amended and Restated Custody Agreement between Registrant and U.S. Bank National Association</u>
10.4	<u>Form of Amended and Restated Fund Administration Servicing Agreement between Registrant and U.S. Bancorp Fund Services, LLC</u>
10.5	<u>Form of Amended and Restated Fund Accounting Servicing Agreement between Registrant and U.S. Bancorp Fund Services, LLC</u>
31.1	<u>Rule 13a-14(a) Certifications.</u>
32.1	<u>Section 1350 Certifications.</u>

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed by the undersigned, thereunto duly authorized.

Date: June 11, 2018

MVC CAPITAL, INC.

/s/ Michael Tokarz  
Michael Tokarz

In the capacity of the officer who performs the functions of Principal Executive Officer.

MVC CAPITAL, INC.

Date: June 11, 2018

/s/ Scott Schuenke  
Scott Schuenke

In the capacity of the officer who performs the functions of Principal Financial Officer.