

MVC CAPITAL, INC.  
Form 10-Q  
December 01, 2015  
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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, 2015 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 ☐

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 22,702,821 shares of the registrant's common stock, \$.01 par value, outstanding as of December 1, 2015.

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MVC Capital, Inc.

(A Delaware Corporation)

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[Table of Contents](#)**Part I. Consolidated Financial Information****Item 1. Consolidated Financial Statements****CONSOLIDATED FINANCIAL STATEMENTS****MVC Capital, Inc.****Consolidated Balance Sheets**

	<b>April 30, 2015 (Unaudited)</b>	<b>October 31, 2014</b>
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 5,756,676	\$ 8,781,375
Restricted cash equivalents (cost \$6,077,260 and \$6,265,500)	6,077,260	6,265,500
Cash equivalents (cost \$3,317,751 and \$8,391,089)	3,317,751	8,391,089
Investments at fair value		
Short-term investments (cost \$0 and \$99,999,629)		99,897,404
Non-control/Non-affiliated investments (cost \$160,668,051 and \$150,682,873)	133,919,823	126,303,048
Affiliate investments (cost \$115,083,581 and \$115,021,554)	168,460,548	173,682,927
Control investments (cost \$173,877,631 and \$174,266,037)	131,941,134	147,644,189
Total investments at fair value (cost \$449,629,263 and \$539,970,093)	434,321,505	547,527,568
Receivable on sale of short-term investments	95,061,588	
Deferred financing fees	2,812,874	2,972,864
Dividends and interest receivables, net of reserves	2,747,247	1,188,398
Fee and other receivables	1,281,380	1,939,827
Prepaid expenses	609,859	646,801
<b>Total assets</b>	<b>\$ 551,986,140</b>	<b>\$ 577,713,422</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Senior notes	\$ 114,408,750	\$ 114,408,750
Revolving credit facility	95,000,000	100,000,000
Bridge Loan	12,382,481	
Provision for incentive compensation (Note 11)	9,152,087	14,733,887
Management fee payable	1,518,517	1,474,223
Professional fees payable	1,206,253	1,309,085
Interest payable	425,915	374,875
Accrued expenses and liabilities	412,232	456,148
Foreign currency forward contract	347,440	
Management fee payable - Asset Management	296,812	296,812

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Portfolio fees payable - Asset Management	250,351	436,791
Liability for share exchange	225,137	221,424
Consulting fees payable	145,825	97,250
Taxes payable	977	1,219
<b>Total liabilities</b>	<b>235,772,777</b>	<b>233,810,464</b>
<b>Commitments and Contingencies (Note 9)</b>		
<b>Shareholders' equity</b>		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued and 22,702,821 and 22,702,821 shares outstanding, respectively	283,044	283,044
Additional paid-in-capital	421,034,012	421,037,726
Accumulated earnings	87,791,551	83,996,734
Dividends paid to stockholders	(122,883,140)	(116,753,378)
Accumulated net realized loss	576,895	2,697,840
Net unrealized (depreciation) appreciation	(15,292,793)	7,937,198
Treasury stock, at cost, 5,601,627 and 5,601,627 shares held, respectively	(55,296,206)	(55,296,206)
<b>Total shareholders' equity</b>	<b>316,213,363</b>	<b>343,902,958</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 551,986,140</b>	<b>\$ 577,713,422</b>
<b>Net asset value per share</b>	<b>\$ 13.93</b>	<b>\$ 15.15</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, 2014 to April 30, 2015	For the Six Month Period November 1, 2013 to April 30, 2014
<b>Operating Income:</b>		
Dividend income		
Non-control/Non-affiliated investments	\$ 445	\$ 69,580
Affiliate investments		71,590
Total dividend income	445	141,170
Payment-in-kind dividend income		
Affiliate investments		143,182
Total payment-in-kind dividend income		143,182
Interest income		
Non-control/Non-affiliated investments	6,139,784	2,692,651
Affiliate investments	644,948	2,406,842
Control investments	171,414	191,798
Total interest income	6,956,146	5,291,291
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	1,979,617	1,634,473
Affiliate investments	61,896	498,657
Control investments	77,265	77,264
Total payment-in-kind interest income	2,118,778	2,210,394
Fee income		
Non-control/Non-affiliated investments		300,991
Affiliate investments	362,666	460,001
Control investments	161,501	161,499
Total fee income	524,167	922,491
Fee income - Asset Management (1)		
Portfolio fees	521,100	595,827
Management fees	8,684	617,485
Total fee income - Asset Management	529,784	1,213,312
Other income		553,769
<b>Total operating income</b>	<b>10,129,320</b>	<b>10,475,609</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs	5,070,830	4,660,899
Management fee	4,045,747	4,416,533
Legal fees	817,000	290,000
Other expenses	463,899	103,797
Portfolio fees - Asset Management (1)	390,825	446,870
Audit & tax preparation fees	338,000	324,100

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Consulting fees	226,902	259,402
Directors' fees	210,000	206,250
Insurance	171,840	173,400
Administration	120,873	126,123
Public relations fees	92,000	102,000
Printing and postage	44,911	49,889
Management fee - Asset Management (1)	(2,402)	463,114
Net Incentive compensation (Note 11)	(5,581,800)	(2,978,955)
<b>Total operating expenses</b>	<b>6,408,625</b>	<b>8,643,422</b>
Less: Voluntary Expense Waiver by Adviser (2)	(75,000)	(75,000)
<b>Total waivers</b>	<b>(75,000)</b>	<b>(75,000)</b>
<b>Net operating income before taxes</b>	<b>3,795,695</b>	<b>1,907,187</b>
<b>Tax Expenses:</b>		
Current tax expense	878	877
<b>Total tax expense</b>	<b>878</b>	<b>877</b>
<b>Net operating income</b>	<b>3,794,817</b>	<b>1,906,310</b>
<b>Net Realized and Unrealized (Loss) Gain on Investments:</b>		
Net realized (loss) gain on investments		
Short-term investments	44,433	176,515
Non-control/Non-affiliated investments	(2,165,378)	308,196
Total net realized (loss) gain on investments	(2,120,945)	484,711
Net unrealized depreciation on investments	(23,229,991)	(13,356,836)
Net realized and unrealized loss on investments	(25,350,936)	(12,872,125)
<b>Net decrease in net assets resulting from operations</b>	<b>\$ (21,556,119)</b>	<b>\$ (10,965,815)</b>
<b>Net decrease in net assets per share resulting from operations</b>	<b>\$ (0.95)</b>	<b>\$ (0.49)</b>
<b>Dividends declared per share</b>	<b>\$ 0.270</b>	<b>\$ 0.270</b>
<b>Weighted average number of shares outstanding(3)</b>	<b>22,702,821</b>	<b>22,574,010</b>

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

(1) These items are related to the management of the MVC Private Equity Fund, L.P. ( "PE Fund" ). Please see Note 10 Management for more information.

(2) Reflects the six month portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2015 and 2014 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.

(3)Please see Note 13 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, 2015 to April 30, 2015	For the Quarter February 1, 2014 to April 30, 2014
<b>Operating Income:</b>		
Dividend income		
Non-control/Non-affiliated investments	\$ 185	\$ 69,390
Affiliate investments		36,149
Total dividend income	185	105,539
Payment-in-kind dividend income		
Affiliate investments		72,300
Total payment-in-kind dividend income		72,300
Interest income		
Non-control/Non-affiliated investments	3,172,113	1,389,257
Affiliate investments	317,519	1,330,673
Control investments	84,286	96,493
Total interest income	3,573,918	2,816,423
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	1,145,893	852,407
Affiliate investments	30,591	251,784
Control investments	37,993	37,992
Total payment-in-kind interest income	1,214,477	1,142,183
Fee income		
Non-control/Non-affiliated investments		300,487
Affiliate investments	179,666	230,001
Control investments	80,751	80,749
Total fee income	260,417	611,237
Fee income - Asset Management (1)		
Portfolio fees	249,625	308,710
Management fees	(24,945)	454,392
Total fee income - Asset Management	224,680	763,102
Other income		351,571
<b>Total operating income</b>	<b>5,273,677</b>	<b>5,862,355</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs	2,615,820	2,405,389
Management fee	2,065,942	2,227,455
Legal fees	408,000	152,000
Other expenses	313,827	(36,941)
Portfolio fees - Asset Management (1)	187,219	340,794
Audit & tax preparation fees	176,000	161,700

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Consulting fees	111,051	124,251
Directors' fees	105,000	103,125
Insurance	85,920	86,700
Administration	59,260	61,448
Public relations fees	45,500	51,000
Printing and postage	22,480	24,083
Management fee - Asset Management (1)	(18,709)	231,533
Net Incentive compensation (Note 11)	(3,462,232)	(3,413,806)
<b>Total operating expenses</b>	<b>2,715,078</b>	<b>2,518,731</b>
Less: Voluntary Expense Waiver by Adviser (2)	(37,500)	(37,500)
<b>Total waivers</b>	<b>(37,500)</b>	<b>(37,500)</b>
<b>Net operating income before taxes</b>	<b>2,596,099</b>	<b>3,381,124</b>
<b>Tax Expenses:</b>		
Current tax expense	439	(23)
<b>Total tax expense</b>	<b>439</b>	<b>(23)</b>
<b>Net operating income</b>	<b>2,595,660</b>	<b>3,381,147</b>
<b>Net Realized and Unrealized (Loss) Gain on Investments:</b>		
Net realized (loss) gain on investments		
Short-term investments	182,187	338,448
Non-control/Non-affiliated investments	(2,165,378)	383,402
Total net realized (loss) gain on investments	(1,983,191)	721,850
Net unrealized depreciation on investments	(12,425,387)	(16,754,026)
Net realized and unrealized loss on investments	(14,408,578)	(16,032,176)
<b>Net decrease in net assets resulting from operations</b>	<b>\$ (11,812,918)</b>	<b>\$ (12,651,029)</b>
<b>Net decrease in net assets per share resulting from operations</b>	<b>\$ (0.52)</b>	<b>\$ (0.57)</b>
<b>Dividends declared per share</b>	<b>\$ 0.135</b>	<b>\$ 0.135</b>
<b>Weighted average number of shares outstanding(3)</b>	<b>22,702,821</b>	<b>22,541,251</b>

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

(1) These items are related to the management of the MVC Private Equity Fund, L.P. ( "PE Fund" ). Please see Note 10 Management for more information.

(2) Reflects the six month portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2015 and 2014 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.

(3)Please see Note 13 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, 2014 to April 30, 2015	For the Six Month Period November 1, 2013 to April 30, 2014
<b>Cash flows from Operating Activities:</b>		
Net decrease in net assets resulting from operations	\$ (21,556,119)	\$ (10,965,815)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net realized loss (gain)	2,120,945	(484,711)
Net change in unrealized depreciation	23,229,991	13,356,836
Amortization of premiums (discounts) and fees	(67,281)	(861,285)
Increase in accrued payment-in-kind dividends and interest	(938,784)	(2,127,458)
Amortization of deferred financing fees, net of financing fees paid	159,990	213,660
Allocation of flow through income		(281,831)
Changes in operating assets and liabilities:		
Dividends, interest and fees receivable	(1,558,849)	(707,738)
Fee and other receivables	658,447	183,818
Short-term investments receivables	(95,061,588)	(99,783,203)
Escrow receivables, net of reserves		300,000
Prepaid expenses	36,942	26,196
Prepaid taxes		336
Incentive compensation (Note 11)	(5,581,800)	(2,978,955)
Other liabilities	(189,522)	388,298
Purchases of equity investments		(12,818,418)
Purchases of debt instruments	(39,851,907)	(34,037,000)
Purchases of short-term investments	(194,199,016)	(199,323,373)
Proceeds from equity investments (1)	388,406	491,075
Proceeds from debt instruments	28,630,651	7,200,000
Sales/maturities of short-term investments	294,244,212	249,435,798
<b>Net cash used in operating activities</b>	<b>(9,535,282)</b>	<b>(92,773,770)</b>
<b>Cash flows from Financing Activities:</b>		
Net proceeds from revolving credit facility	(5,000,000)	50,000,000
Net proceeds from bridge loan	12,382,481	
Share exchange	(3,714)	
Distributions paid to shareholders	(6,129,762)	(6,086,138)
Repurchase of common stock		(2,109,087)
<b>Net cash provided by financing activities</b>	<b>1,249,005</b>	<b>41,804,775</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>(8,286,277)</b>	<b>(50,968,995)</b>
<b>Unrestricted and restricted cash and cash equivalents, beginning of period</b>	<b>\$ 23,437,964</b>	<b>\$ 81,026,560</b>
<b>Unrestricted and restricted cash and cash equivalents, end of period</b>	<b>\$ 15,151,687</b>	<b>\$ 30,057,565</b>

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(1) For the six month period ended April 30, 2014, proceeds from equity investments includes \$491,075 in escrow receivables, net of reserves.

During the six month period ended April 30, 2015 and 2014 MVC Capital, Inc. paid \$4,557,783 and \$4,348,623 in interest expense, respectively.

During the six month period ended April 30, 2015 and 2014 MVC Capital, Inc. paid \$1,420 and \$300 in income taxes, respectively.

**Non-cash activity:**

During the six month period ended April 30, 2015 and 2014, MVC Capital, Inc. recorded payment in-kind dividend and interest of \$938,784 and \$2,127,458, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the six month period ended April 30, 2014, MVC Capital, Inc. was allocated \$553,769, in flow-through income from its equity investment in Octagon Credit Investors, LLC. Of these amounts, \$271,938, was received in cash and the balance of \$281,831, was undistributed and therefore increased the cost of the investment. The fair value was then increased by \$101,099, by the Company's Valuation Committee.

On November 19, 2013, MVC Capital, Inc. converted the MVC Automotive Group B.V. bridge loan of approximately \$1.6 million to additional common equity interest.

On April 20, 2015, Biovation Acquisition Corp., a newly formed entity by the Company, credit purchased the assets of Biovation Holdings, Inc. in exchange for the majority of the economic ownership. The company received 90 shares of Class B non-voting common stock of Biovation Acquisition Corp.

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, 2014 to April 30, 2015 (Unaudited)	For the Six Month Period November 1, 2013 to April 30, 2014 (Unaudited)	For the Year Ended October 31, 2014
<b>Operations:</b>			
Net operating gain	\$ 3,794,817	\$ 1,906,310	\$ 1,579,417
Net realized (loss) gain on investments	(2,120,945)	484,711	16,519,778
Net change in unrealized depreciation on investments	(23,229,991)	(13,356,836)	(37,941,262)
<b>Net decrease in net assets from operations</b>	<b>(21,556,119)</b>	<b>(10,965,815)</b>	<b>(19,842,067)</b>
<b>Shareholder Distributions from:</b>			
Income	(3,794,817)	(1,906,310)	(1,579,417)
Realized gain			(10,636,482)
Return of capital	(2,334,945)	(4,179,828)	
<b>Net decrease in net assets from shareholder distributions</b>	<b>(6,129,762)</b>	<b>(6,086,138)</b>	<b>(12,215,899)</b>
<b>Capital Share Transactions:</b>			
Reissuance of treasury stock for share exchange			4,350,722
Provision for share exchange	(3,714)		(221,424)
Offering expenses			(139,000)
Repurchase of common stock		(2,109,087)	(4,114,967)
<b>Net decrease in net assets from capital share transactions</b>	<b>(3,714)</b>	<b>(2,109,087)</b>	<b>(124,669)</b>
<b>Total decrease in net assets</b>	<b>(27,689,595)</b>	<b>(19,161,040)</b>	<b>(32,182,635)</b>
<b>Net assets, beginning of period/year</b>	<b>343,902,958</b>	<b>376,085,593</b>	<b>376,085,593</b>
<b>Net assets, end of period/year</b>	<b>\$ 316,213,363</b>	<b>\$ 356,924,553</b>	<b>\$ 343,902,958</b>
<b>Common shares outstanding, end of period/year</b>	<b>22,702,821</b>	<b>22,464,814</b>	<b>22,702,821</b>

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

Table of Contents**MVC Capital, Inc.****Consolidated Selected Per Share Data and Ratios**

	For the Six Month Period November 1, 2014 to April 30, 2015 (Unaudited)	For the Six Month Period November 1, 2013 to April 30, 2014 (Unaudited)	For the Year Ended October 31, 2014
Net asset value, beginning of period/year	\$ 15.15	\$ 16.63	\$ 16.63
(Loss) Gain from operations:			
Net operating gain	0.17	0.08	0.07
Net realized and unrealized loss on investments	(1.12)	(0.57)	(0.95)
Total loss from investment operations	(0.95)	(0.49)	(0.88)
Less distributions from:			
Income	(0.17)	(0.08)	(0.07)
Realized gain			(0.47)
Return of capital	(0.10)	(0.19)	
Total distributions	(0.27)	(0.27)	(0.54)
Capital share transactions			
Dilutive effect of share issuance			(0.10)
Anti-dilutive effect of share repurchase program		0.02	0.04
Total capital share transactions		0.02	(0.06)
Net asset value, end of period/year	\$ 13.93	\$ 15.89	\$ 15.15
Market value, end of period/year	\$ 9.70	\$ 13.04	\$ 11.27
Market discount	(30.37)%	(17.94)%	(25.61)%
<b>Total Return - At NAV (a)</b>	(6.30)%(d)	(2.85)%(d)	(5.75)%
<b>Total Return - At Market (a)</b>	(11.49)%(d)	(3.83)%(d)	(14.97)%
<b>Ratios and Supplemental Data:</b>			
Portfolio turnover ratio	6.54%	1.77%	14.16%
Net assets, end of period/year (in thousands)	\$ 316,213	\$ 356,925	\$ 343,903
Ratios to average net assets:			
Expenses including tax expense	3.87%(c)	4.68%(c)	5.04%
Expenses excluding tax expense	3.87%(c)	4.68%(c)	5.04%

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Net operating income before tax expense	2.32%(c)	1.04%(c)	0.44%
Net operating income after tax expense	2.32%(c)	1.04%(c)	0.44%
Ratios to average net assets excluding waivers:			
Expenses including tax expense	3.91%(c)	4.72%(c)	5.08%
Expenses excluding tax expense	3.91%(c)	4.72%(c)	5.08%
Net operating income before tax expense	2.27%(c)	1.00%(c)	0.40%
Net operating income after tax expense	2.27%(c)	1.00%(c)	0.40%

(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	7.28%(c)	6.31%(c)	6.35%
Expenses excluding incentive compensation, interest and other borrowing costs	4.18%(c)	3.76%(c)	3.75%
Net operating loss before incentive compensation	(1.09)%(c)	(0.59)%(c)	(0.87)%
Net operating income before incentive compensation, interest and other borrowing costs	2.01%(c)	1.96%(c)	1.73%
Ratios to average net assets excluding waivers:			
(b)			
Expenses excluding incentive compensation	7.32%(c)	6.35%(c)	6.40%
Expenses excluding incentive compensation, interest and other borrowing costs	4.22%(c)	3.80%(c)	3.79%
Net operating loss before incentive compensation	(1.14)%(c)	(0.63)%(c)	(0.92)%
Net operating income before incentive compensation, interest and other borrowing costs	1.96%(c)	1.92%(c)	1.69%

(c) Annualized.

(d) Non- 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, 2015**
**(Unaudited)**

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
<b>Non-control/Non-affiliated investments- 42.35% (a), (c), (f), (g)</b>					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d), (i)		\$ 5,000,003	
Agri-Carriers Group, Inc.	Transportation	Senior Subordinated Debt 12.0000% Cash, 3.0000% Deferred, 07/20/2017 (l), (m)	\$ 11,774,486	11,790,819	\$ 11,774,486
Biogenic Reagents	Renewable energy	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b), (l)	5,353,593	5,353,593	5,353,593
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b), (l)	4,818,233	4,818,233	4,881,620
		Senior Note 12.0000% Cash, 4.0000% PIK, 09/30/2015 (b), (l)	4,081,751	4,081,751	4,081,751
		Warrants (d)	1		1,122,027
				14,253,577	15,438,991
Biovation Acquisition Co.	Manufacturer of Laminate Material and Composites	Common Stock (90 shares) (d)		534,622	534,622
Biovation Holdings, Inc.	Manufacturer of Laminate Material and Composites	Bridge Loan 6.0000% Cash, 6.0000% PIK, 10/31/2014 (b), (h)	1,079,328	1,079,328	
		Warrants (d)	3	397,677	
				1,477,005	
Custom Alloy Corporation	Manufacturer of Pipe Fittings	Second Lien Loan, 7.3000% Cash, 3.7000% PIK, 04/30/2020 (b), (l)	23,359,311	23,359,311	23,264,436
		Unsecured Subordinated Loan 12.0000% Cash, 09/04/2016 (l)	3,000,000	3,000,000	3,000,000
				26,359,311	26,264,436
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d), (i)		15,000,000	5,920,000
G3K Display, Inc.	Retail Store Fixtures	Senior Lien Loan 13.0000% Cash, 04/11/2019 (h)	5,625,000	5,625,000	
		Warrants (d)	1		
				5,625,000	

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Inland Environmental & Remediation LP	Environmental Services	Senior Secured Loan 12.0000% Cash, 04/17/2019 (l)	15,000,000	14,434,989	13,000,000
		Warrants (d)	1	713,000	
				15,147,989	13,000,000
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 2.0000% Deferred, 09/12/2018 (l), (m)	8,705,000	8,721,466	8,705,000
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d), (i)		3,750,000	
Morey's Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 3.0000% PIK, 08/12/2018 (b), (l)	15,572,288	15,572,288	15,572,288
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	2,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			33,000
				1,231,638	35,000
Prepaid Legal Services, Inc.	Consumer Services	Second Lien Term Loan , 9.7500% Cash, 07/01/2020	10,000,000	9,888,240	10,000,000
The Results Companies, LLC	Business Services	Senior Subordinated Debt 13.0000% Cash, 2.5000% Deferred, 07/01/2016 (l), (m)	9,000,000	9,014,637	9,000,000
RX Innovation, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 4.0000% Deferred, 03/01/2017 (l), (m)	10,300,000	10,313,456	10,300,000
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d)		5,488,000	5,875,000
		Secured Loan 12.0000% Cash, 05/02/2019	1,500,000	1,500,000	1,500,000
				6,988,000	7,375,000
<b>Sub Total Non-control/Non-affiliated investments</b>				<b>160,668,051</b>	<b>133,919,823</b>
<b>Affiliate investments - 53.27% (a), (c), (f), (g)</b>					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d), (e)		7,500,000	7,713,364
Centile Holdings B.V.	Software	Common Equity Interest (d), (e)		3,274,376	4,358,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d), (e)		4,500	4,200
		Preferred Stock (9,159,085 shares) (d), (e)		11,810,188	5,563,800
				11,814,688	5,568,000
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d), (e)		52,846,140	48,650,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d), (e)		28,544,800	7,900,000
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 13.0000% Cash, 07/01/2019 (l)	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK ,	3,103,577	3,103,577	3,103,577

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	07/01/2018 (b), (l)		
	Convertible Series I Preferred Stock (32,200 shares) (d), (k)	500,000	83,667,607
	Convertible Series J Preferred Stock (8,216 shares) (d)		
		11,103,577	94,271,184
<b>Sub Total Affiliate investments</b>		<b>115,083,581</b>	<b>168,460,548</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, 2015****(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 -</b>					
<b>41.73% (c), (f), (g)</b>					
Equus Total Return, Inc.	Regulated Investment Company	Common Stock (4,444,644 shares) (d)	\$	10,030,272	\$ 8,622,609
Harmony Health & Beauty, Inc.	Health & Beauty - Distributor	Common Stock (147,621 shares) (a), (d)		6,700,000	
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a), (d), (e)		45,662,438	15,900,000
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a), (d), (j) General Partnership Interest (a), (d), (j)		13,838,539	19,824,316
				353,024	500,007
				14,191,563	20,324,323
Ohio Medical Corporation	Medical Device Manufacturer	Common Stock (8,512 shares) (a), (d)		15,763,637	
		Series A Convertible Preferred Stock 16.0000% PIK (31,346 shares) (a), (b)		30,000,000	13,300,000
		Series C Convertible Preferred Stock 16.0000% PIK (9,927 shares) (a), (b)		22,618,466	30,028,930
				68,382,103	43,328,930
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a), (d)		924,475	924,475
		Series C Preferred Stock (23,896,634 shares) (a), (d)		3,410,694	5,643,890
		Series B-1 Preferred Stock (4,999,076 shares) (a), (d)		999,815	1,431,635
				5,334,984	8,000,000
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (a), (d), (e)		2,300,000	1,034,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/01/2018 (a), (b), (l)	\$ 3,895,262	3,895,262	3,867,338
	Irrigation Equipment	Limited Liability Company Interest (a), (d)		3,535,694	3,991,794
		Guarantee (a), (d)	1		(66,860)
		Warrants (a), (d)	150		
				7,430,956	7,792,272

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Velocitius B.V.	Renewable Energy	Common Equity Interest		
		(a), (d), (e)	11,395,315	9,439,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash,		
		04/29/2016 (a), (l)	600,000	600,000
		Common Stock (81,000 shares) (a), (d)	1,850,000	16,900,000
			2,450,000	17,500,000
<b>Sub Total Control Investments</b>			<b>173,877,631</b>	<b>131,941,134</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 137.35% (f)</b>				
			\$ 449,629,263	\$ 434,321,505
<b>Cash Equivalents and Restricted Cash Equivalents - 2.97% (f), (g)</b>				
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (1,894,835 shares)		
			1,894,835	1,894,835
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (7,500,176 shares)		
			7,500,176	7,500,176
<b>Total Cash Equivalents and Restricted Cash Equivalents</b>			<b>9,395,011</b>	<b>9,395,011</b>
<b>TOTAL INVESTMENTS - 140.32% (f)</b>				
			\$ 459,024,274	\$ 443,716,516

(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., SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Velocitius 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 and Cayman Islands which represents approximately 32% of the net assets. The remaining portfolio companies are located in North America which represents approximately 106% of the net assets.

(f) Percentages are based on net assets of \$316,213,363 as of April 30, 2015.

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

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(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 five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors.

(k) Upon a liquidity event, the Company may receive additional ownership in U.S. Gas & Electric, Inc.

(l) All or a portion of these securities may serve as collateral for the Firstrust Bank Bridge Loan.

(m) Deferred interest of \$396,325, \$148,661, \$463,755 and \$345,847 for Agri-Carriers Group, Legal Solutions Holdings, RXInnovation and The Results Companies, respectively, is shown as a receivable on the Consolidated Balance Sheet as of April 30, 2015.

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, 2014**

<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- 36.73% (a), (c), (f), (g)</b>					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d), (i)		\$ 5,000,003	
Biogenic Reagents	Renewable energy	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	\$ 5,246,951	5,246,951	\$ 5,246,951
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	4,722,256	4,722,256	5,027,257
		Senior Note 12.0000% Cash, 4.0000% PIK, 09/30/2015 (b)	4,000,444	4,000,444	4,000,444
		Warrants (d)	1	13,969,651	14,274,652
Biovation Holdings, Inc.	Manufacturer of Laminate Material and Composites	Bridge Loan 6.0000% Cash, 6.0000% PIK, 10/31/2014 (b), (h)	3,779,321	3,779,321	3,391,663
		Warrants (d)	3	397,677	
				4,176,998	3,391,663
Custom Alloy Corporation	Manufacturer of Pipe Fittings	Second Lien Loan, 7.3% Cash, 3.7% PIK, 04/30/2020 (b)	23,000,000	23,000,000	23,000,000
		Unsecured Subordinated Loan 12.0000% Cash, 09/04/2016	6,500,000	6,500,000	6,500,000
				29,500,000	29,500,000
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d), (i)		15,000,000	5,893,000
G3K Display, Inc.	Retail Store Fixtures	Senior Lien Loan 13.0000% Cash, 4/11/2019 (h)	5,625,000	5,625,000	
		Warrants (d)	1	5,625,000	
Inland Environmental & Remediation LP	Environmental Services	Senior Secured Loan 12.0000% Cash, 4/17/2019	15,000,000	14,364,313	14,364,313
		Warrants (d)	1	713,000	713,000
				15,077,313	15,077,313
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d), (i)		3,750,000	
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 3.0000% PIK, 08/12/2018 (b)	15,338,768	15,338,768	15,591,635
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	5,000



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		Series A Convertible Preferred Stock (5,000 shares) (d)		81,000
			1,231,638	86,000
Prepaid Legal Services, Inc.	Consumer Services	Second Lien Term Loan , 9.7500% Cash, 07/01/2020	10,000,000	9,877,526
				10,100,000
Summit Research Labs, Inc.	Specialty Chemicals	Second Lien Loan 10.0000% Cash, 4.0000% PIK , 10/01/2018 (b)	25,147,976	25,147,976
				25,400,785
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares)		5,488,000
			5,488,000	5,488,000
		Secured Loan 12.0000% Cash, 5/02/2019	1,500,000	1,500,000
			6,988,000	6,988,000
<b>Sub Total Non-control/Non-affiliated investments</b>			<b>150,682,873</b>	<b>126,303,048</b>
<b>Affiliate investments - 50.50% (a), (c), (f), (g)</b>				
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d), (e)	7,500,000	7,721,000
Centile Holdings B.V.	Software	Common Equity Interest (d), (e)	3,274,376	4,994,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d), (e)	4,500	4,200
		Preferred Stock (9,159,085 shares) (d), (e)	11,810,188	6,157,906
			11,814,688	6,162,106
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d), (e)	52,846,140	50,600,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d), (e)	28,544,800	9,996,664
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 13.0000% Cash, 07/1/2019	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK , 07/1/2018 (b)	3,041,550	3,041,550
		Convertible Series I Preferred Stock (32,200 shares) (d), (k)	500,000	83,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d)		
			11,041,550	94,209,157
<b>Sub Total Affiliate investments</b>			<b>115,021,554</b>	<b>173,682,927</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, 2014**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Control Investments -</b>					
<b>42.93% (c), (f), (g)</b>					
Equus Total Return, Inc.	Regulated Investment Company	Common Stock (4,444,644 shares) (d)	\$	10,030,272	\$ 9,778,217
Harmony Health & Beauty, Inc.	Health & Beauty - Distributor	Common Stock (147,621 shares) (a), (d)		6,700,000	
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a), (d), (e)		45,662,438	21,548,000
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a), (d), (j)		14,217,283	19,969,408
		General Partnership Interest (a), (d), (j)		362,686	503,924
				14,579,969	20,473,332
Ohio Medical Corporation	Medical Device Manufacturer	Common Stock (8,512 shares) (a), (d)		15,763,637	
		Series A Convertible Preferred Stock 16.0000% PIK (28,981 shares) (a), (b)		30,000,000	23,800,000
		Series C Convertible Preferred Stock 16.0000% PIK (9,178 shares) (a), (b)		22,618,466	27,763,434
				68,382,103	51,563,434
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a), (d)		924,475	924,475
		Series B-1 Preferred Stock (4,999,076 shares) (a), (d)		999,815	1,090,000
		Series C Preferred Stock (23,896,634 shares) (a), (d)		3,410,694	4,285,525
				5,334,984	6,300,000
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (a), (d), (e)		2,300,000	1,225,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/1/2018 (a), (b)	\$ 3,895,262	3,895,262	3,864,272
	Irrigation Equipment	Limited Liability Company Interest (a), (d)		3,535,694	3,991,794
		Guarantee (a)	1		(66,860)
		Warrants (a), (d)	150	7,430,956	7,789,206
Velocitus B.V.	Renewable Energy	Common Equity Interest (a), (d), (e)		11,395,315	11,467,000

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Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 04/29/2015 (a)	600,000	600,000	600,000
		Common Stock (81,000 shares) (a), (d)		1,850,000	16,900,000
				2,450,000	17,500,000
<b>Sub Total Control Investments</b>				<b>174,266,037</b>	<b>147,644,189</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 130.16% (f)</b>					
			\$	<b>439,970,464</b>	\$ <b>447,630,164</b>
<b>Short-Term investments - 29.05% (f), (g)</b>					
U.S. Treasury Bill	U.S. Government Securities	1.5000%, 10/31/19 (l)	\$	99,999,629	\$ 99,897,404
<b>Sub Total Short-Term investments</b>				<b>99,999,629</b>	<b>99,897,404</b>
<b>Cash Equivalents and Restricted Cash Equivalents - 4.26% (f), (g)</b>					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (7,156,858 shares)		7,156,858	7,156,858
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (7,499,731 shares)		7,499,731	7,499,731
<b>Total Cash Equivalents and Restricted Cash Equivalents</b>				<b>14,656,589</b>	<b>14,656,589</b>
<b>TOTAL INVESTMENTS - 163.47%</b>					
			\$	<b>554,626,682</b>	\$ <b>562,184,157</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.

(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., SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Velocitus 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 and Cayman Islands which represents approximately 33% of the net assets. The remaining portfolio companies are located in North America which represents approximately 97% of the net assets.

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(f) Percentages are based on net assets of \$343,902,958 as of October 31, 2014.

(g) See Note 4 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 five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors.

(k) Upon a liquidity event, the Company may receive additional ownership in U.S. Gas & Electric, Inc.

(l) All or a portion of these securities may serve as collateral for the BB&T Credit Facility.

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, 2015

(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 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. 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, 2014, as filed with the U.S. Securities and Exchange Commission (the SEC) on October 15, 2015.

**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 and all inter-company accounts have been eliminated in consolidation.

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 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.

MVC GP II, LLC (MVC GP II), an indirect wholly-owned subsidiary of the Company, serves as the general partner to the MVC Private Equity Fund, L.P. (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, LLC ( MVC Turf ) was consolidated with the Company as MVC Turf is a 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. Of the \$5.8 million in cash on the Company's Consolidated Balance Sheets as of April 30, 2015, approximately \$362,000 was held by MVC Turf, a wholly owned holding company.

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### 3. Investment Classification

As required by the Investment Company Act of 1940, as amended (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. As of April 30, 2015, the Company had approximately \$9.1 million in cash equivalents and restricted cash equivalents and approximately \$6.1 million in cash totaling approximately \$15.2 million. Of the \$9.4 million in cash equivalents, approximately \$362,000 was held by MVC Turf, a wholly owned holding company.

#### *Restricted Cash and Cash Equivalents*

Cash and cash equivalent accounts that are not available to the Company for day-to-day use are classified as restricted cash. Restricted cash and cash equivalents are carried at cost, which approximates fair value. On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A., which is related to a project guarantee by AB DnB NORD bankas to Security Holdings B.V., a portfolio company investment, and is classified as restricted cash equivalents on the Company's Consolidated Balance Sheets (equivalent to approximately \$5.6 million at April 30, 2015 and approximately \$6.3 million at October 31, 2014). On March 20, 2015, the Company entered into a forward currency contract. Approximately \$465,000 is classified as restricted cash equivalents on the Company's Consolidated Balance Sheets related to this contract as of April 30, 2015.

### 5. Recent Accounting Pronouncements

In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-08, *Financial Services—Investment Companies*. ASU 2013-08 provides clarifying guidance to determine if an entity qualifies as an investment company. ASU 2013-08 also requires an investment company to measure non-controlling interests in other investment companies at fair value. The following disclosures will also be required upon adoption of ASU 2013-08: (i) whether an entity is an investment company and is applying the accounting and reporting guidance for investment companies; (ii) information about changes, if any, in an entity's status as an investment company; and (iii) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The requirements of ASU 2013-08 became effective for the Company beginning in fiscal year 2015. These updates have had no impact on the Company's financial condition or results of operations.

**6. Investment Valuation Policy**

Our investments are carried at fair value in accordance with the 1940 Act and 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 valued at the closing market quote on the valuation date and majority-owned publicly traded securities and other



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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 on the closing market quote on the valuation date minus a discount for the restriction. At April 30, 2015, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest.

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 company 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 TTG Advisers. 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 fiscal year end are not reflected in the valuations reported in this Annual Report. See Item 3 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, 2015 and October 31, 2014, approximately 77.12% and 75.79%, respectively, of total assets represented investments in portfolio companies recorded at fair value ( Fair Value Investments ).

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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 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, 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 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



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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 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



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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 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.

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 recorded as income at the time the investment is made. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as a realized gain. Prepayment premiums are recorded on loans when received. 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.



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**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 78.68% and 77.48% of the Company's total assets at April 30, 2015 and October 31, 2014, 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. 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, 2015 and October 31, 2014.

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	April 30, 2015	October 31, 2014
Energy Services	29.81%	27.39%
Electrical Engineering	15.39%	14.71%
Medical Device Manufacturer	13.71%	15.02%
Manufacturer of Pipe Fittings	8.31%	8.58%
Renewable Energy	7.87%	7.49%
Environmental Services	6.61%	7.29%
Private Equity	6.43%	5.95%
Business Services	5.60%	0.00%
Iron Foundries	5.53%	5.09%
Automotive Dealerships	5.03%	6.27%
Food Services	4.92%	4.53%
Software	4.64%	1.45%
Transportation	3.72%	0.00%
Consumer Services	3.16%	2.94%
Regulated Investment Company	2.73%	2.84%
Consumer Products	2.53%	1.83%
Distributor - Landscaping and Irrigation Equipment	2.46%	2.26%
Insurance	2.44%	2.25%
Specialty Chemicals	2.33%	9.42%
Technology Investment - Financial Services	1.87%	1.71%
Real Estate Management	1.76%	1.79%
Port Facilities	0.33%	0.36%
Manufacturer of Laminate Material and Composites	0.17%	0.99%
Health & Beauty - Distributor	0.00%	0.00%
Retail Store Fixtures	0.00%	0.00%
	137.35%	130.16%

**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 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.

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:

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- **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 one of our investments using Level 1 inputs as of April 30, 2015.
- **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. We did not value any of our investments using Level 2 inputs as of April 30, 2015.
- **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 substantially all of our investments. See Note 6 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 portfolio by level as of April 30, 2015 and October 31, 2014 (in thousands):

	April 30, 2015			
	Level 1	Level 2	Level 3	Total
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 135,504	\$ 135,504
Common Stock	8,623		25,274	33,897
Preferred Stock			153,302	153,302
Warrants			1,122	1,122
Common Equity Interest			86,247	86,247
LP Interest			19,824	19,824
GP Interest			500	500
LLC Interest			3,992	3,992
Guarantee			(67)	(67)
<b>Total Investments, net</b>	\$ 8,623	\$	\$ 425,698	\$ 434,321

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	October 31, 2014				
	Level 1	Level 2	Level 3	Total	
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 129,129	\$	129,129
Common Stock	9,778		24,547		34,325
Preferred Stock			160,459		160,459
Warrants			713		713
Common Equity Interest			98,606		98,606
LP Interest			19,969		19,969
GP Interest			504		504
LLC Interest			3,992		3,992
Guarantee			(67)		(67)
Escrow receivables					
Short-term investments		99,897			99,897
<b>Total Investments, net</b>	\$ 9,778	\$ 99,897	\$ 437,852	\$	547,527

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, 2015 and the year ended October 31, 2014, 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 assets and liabilities measured using Level 3 inputs for the six month period ended April 30, 2015, and April 30, 2014 (in thousands):

	Balances, November 1, 2014	Realized Gains (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, April 30, 2015
Senior/Subordinated Loans and credit facilities	\$ 129,129	\$ (2,165)	\$ 2,165	\$ (5,513)	\$ 40,789	\$ (28,901)	\$	\$ 135,504
Common Stock	24,547			193	534			25,274
Preferred Stock	160,459			(9,422)	2,265			153,302
Warrants	713			409				1,122
Common Equity Interest	98,606			(12,359)				86,247
LP Interest	19,969			(145)				19,824
GP Interest	504			(4)				500
LLC Interest	3,992							3,992
Guarantees	(67)							(67)
<b>Total</b>	\$ 437,852	\$ (2,165)	\$ 2,165	\$ (26,841)	\$ 43,588	\$ (28,901)	\$	\$ 425,698

	Balances, November 1, 2013	Realized Gains (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3) (restated)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, April 30, 2014
Senior/Subordinated Loans and credit facilities	\$ 113,153	\$	\$	\$ (6,468)	\$ 36,851	\$ (8,610)	\$	\$ 134,926
Common Stock	19,593			2,993	764			23,350

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Preferred Stock	180,357			(7,340)	2,080			175,097
Warrants	220			904	716	(722)		1,118
Other Equity Investments	104,597	(180)	180	(5,371)	13,798			113,024
Guarantees				(92)				(92)
Escrow receivables	6,237	492				(792)		5,937
<b>Total</b>	\$ 424,157	\$ 312	\$ 180	\$ (15,374)	\$ 54,209	\$ (10,124)	\$	\$ 453,360

(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, 2015 and April 30, 2014, respectively.

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- (3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities held at April 30, 2015 and April 30, 2014, respectively.
- (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.
- (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, 2015 and April 30, 2014 (in thousands):

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

Common Stock (c) (d)	\$	25,274	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	100.0% N/A	0.0% N/A
			Income Approach	Discount Rate	15.0%	30.0%	29.9%
			Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
				EBITDA Multiple	7.8x	7.8x	9.0x
				Forward EBITDA Multiple	7.0x	7.0x	7.0x
				Discount to Letter of Intent	4.0%	4.0%	4.0%
Senior/Subordinated loans and credit facilities (b) (d)	\$	135,504	Market Approach	EBITDA Multiple	5.0x	6.0x	5.1x
				Forward EBITDA Multiple	7.0x	7.0x	7.0x
				Market Quotes	100.5%	100.5%	100.5%
				Discount to Forward EBITDA	15.0%	15.0%	15.0%
				Discount to Letter of Intent	0.0%	4.0%	0.2%
			Income Approach	Required Rate of Return	9.3%	16.0%	11.8%
LP Interest	\$	19,824	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
GP Interest	\$	500	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
LLC Interest	\$	3,992	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
Common Equity Interest	\$	86,247	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
				Forward EBITDA Multiple	7.0x	7.0x	7.0x
				EBITDA Multiple	5.5x	6.5x	6.1x
				Discount to Letter of Intent	5.0%	5.0%	5.0%
				Multiple of Book Value	1.0x	1.0x	1.0x
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Income Approach	Discount Rate	12.4%	16.6%	14.7%
				Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	\$	153,302	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	0.0% N/A	0.0% N/A
			Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
				EBITDA Multiple	5.0x	7.8x	5.9x
				% of AUM	1.04%	1.04%	1.04%
				Illiquidity Discount	30.0%	30.0%	30.0%
				Multiple of Book Value	1.0x	1.0x	1.0x
				EBT Multiple	16.6x	16.6x	16.6x
				Discount to Forward EBITDA	15.0%	15.0%	15.0%

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		Income Approach	Discount Rate	15.0%	15.6%	15.6%
			Perpetual Growth Rate of			
			Free Cash Flow	2.5%	2.5%	2.5%
<b>Warrants</b>	\$	1,122	Market Approach	Forward EBITDA Multiple	7.7x	7.7x
<b>Guarantees</b>	\$	(67)	Income Approach	Discount Rate	7.3%	7.3%
<b>Total</b>	\$	<b>425,698</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.

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

NM - Not Meaningful



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

Common Stock (c) (d)	\$	23,350	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	100.0% N/A	0.0% N/A
			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow	14.2% 3.0%	15.0% 3.0%	14.2% 3.0%
			Market Approach	Revenue Multiple EBITDA Multiple Forward EBITDA Multiple	2.0x 5.0x 5.5x	2.0x 9.0x 5.5x	2.0x 5.0x 5.5x
Senior/Subordinated loans and credit facilities (b) (d)	\$	134,926	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	0.0% N/A	0.0% N/A
			Market Approach	EBITDA Multiple Forward EBITDA Multiple Market Quotes Discount to Forward EBITDA Revenue Multiple	5.0x 5.0x 100.0% 10.0% 2.0x	11.0x 7.0x 100.0% 40.0% 2.0x	7.6x 5.6x 100.0% 18.3% 2.0x
			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow Required Rate of Return	14.2% 2.0% 12.0%	19.3% 3.0% 16.0%	18.1% 2.3% 14.2%
Other Equity Investments (d)	\$	113,024	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	0.0% N/A	0.0% N/A
			Market Approach	EBIT Multiple Discount to notional value of CLO equity Revenue Multiple Forward EBITDA Multiple EBITDA Multiple Euros per TTM MWhr Discount to Forward EBITDA Multiple of Book Value	6.0x 0.0% 2.0x 7.0x 5.0x 0.70 40.0% 1.0x	6.0x 0.0% 2.0x 7.0x 7.1x 0.70 40.0% 1.0x	6.0x 0.0% 2.0x 7.0x 6.6x 0.70 40.0% 1.0x
			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow	6.0% 2.0%	18.4% 3.0%	14.5% 2.1%
Preferred Stock (c)	\$	175,097	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Market Approach	Revenue Multiple EBITDA Multiple % of AUM Illiquidity Discount Multiple of Book Value	2.0x 6.6x 1.01% 30.0% 1.0x	2.0x 9.0x 1.01% 30.0% 1.0x	2.0x 8.4x 1.01% 30.0% 1.0x

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				EBT Multiple	18.8x	18.8x	18.8x
				Forward EBITDA Multiple	5.0x	5.0x	5.0x
				Discount to Forward EBITDA	10.0%	10.0%	10.0%
Income Approach				Discount Rate	15.0%	17.9%	17.8%
				Perpetual Growth Rate of Free Cash Flow	7.5%	7.5%	7.3%
<b>Warrants</b>	\$	1,118	Market Approach	EBITDA Multiple	8.0x	8.0x	8.0x
Income Approach				Discount Rate	19.3%	22.6%	22.3%
				Perpetual Growth Rate of Free Cash Flow	3.0%	12.0%	11.1%
				Illiquidity Discount	25.0%	25.0%	25.0%
Adjusted Net Asset Approach				Discount to Net Asset Value	0.0%	0.0%	0.0%
<b>Guarantees</b>	\$	(92)	Income Approach	Discount Rate	7.3%	7.3%	7.3%
<b>Escrow Receivables</b>	\$	5,937	Adjusted Net Asset Approach	Discount to Net Asset Value	6.0%	6.0%	6.0%
<b>Total</b>	\$	<b>453,360</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.

\* 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

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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.

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, 2015**

During the six month period ended April 30, 2015, the Company made four new investments, committing capital totaling approximately \$39.8 million. The investments were made in RXInnovations, Inc. ( RX ) (\$10.3 million), Agri-Carriers Group, Inc. ( Agri-Carriers ) (\$11.8 million), Legal Solutions Holdings, Inc. ( Legal Solutions ) (\$8.7 million) and The Results Companies, LLC ( Results Companies ) (\$9.0 million).

On November 26, 2014, Summit Research Labs, Inc. repaid its second lien loan in full including all accrued interest totaling approximately \$25.7 million.

On December 31, 2014, the Company received distributions totaling \$388,000 from the PE Fund which was treated as a return of capital.

On April 20, 2015, Biovation Acquisition Company ( BAC ) credit purchased the assets of Biovation. The Company received 90 shares of class B non-voting common stock in BAC as part of the transaction and realized a loss on Biovation of approximately \$2.2 million.

During the six month period ended April 30, 2015, Custom Alloy Corporation ( Custom Alloy ) made principal payments totaling \$3.5 million on its unsecured subordinated loan. The balance of the loan at April 30, 2015 was \$3.0 million.

During the quarter ended January 31, 2015, the Valuation Committee increased the fair value of the Company's investments in Foliofn, Inc. ( Foliofn ) preferred stock by \$109,000, Turf Products, LLC ( Turf ) loan by approximately \$2,000, RuMe Inc. ( RuMe ) series C preferred stock by \$800,000 and series B preferred stock by \$200,000, Advantage Insurance Holdings LTD ( Advantage ) preferred stock by \$20,000, Biogenic Reagents ( Biogenic ) warrant and senior convertible note by a net total of approximately \$28,000 and U.S. Spray Drying Holding Company ( SCSD ) common stock by \$387,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's

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Seafood International, LLC ( Morey s ), and U.S. Gas & Electric, Inc. ( U.S. Gas ) were due to the capitalization of PIK interest totaling \$436,878. The Valuation Committee also increased the fair value of

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the Ohio Medical Corporation ( Ohio Medical ) series C convertible preferred stock by approximately \$1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$759,000, Custom Alloy second lien loan by approximately \$84,000, NPWT Corporation ( NPWT ) common stock by \$2,000 and preferred stock by \$36,000, SIA Tekers Invest ( Tekers ) common stock by \$170,000, PrePaid Legal Services, Inc. ( Prepaid Legal ) loan by \$100,000, Centile Holdings B.V. ( Centile ) equity interest by \$538,000, Biovation Holdings Inc. ( Bioventions ) loan by approximately \$716,000, Velocitus B.V. ( Velocitus ) equity interest by approximately \$1.1 million, Security Holdings B.V. ( Security Holdings ) equity interest by \$1.1 million, JSC Tekers Holdings ( JSC Tekers ) preferred stock by approximately \$599,000, MVC Automotive Group B.V. ( MVC Automotive ) equity interest by approximately \$5.9 million, SGDA Europe B.V. ( SGDA Europe ) equity interest by approximately \$749,000 and Inland Environmental & Remediation LP ( Inland ) warrant by approximately \$700,000.

During the quarter ended April 30, 2015, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$610,000, Turf loan by approximately \$2,000, JSC Tekers preferred stock by \$5,000, Biogenic warrant and senior convertible note by a total of approximately \$852,000, MVC Automotive equity interest by \$246,000 and RuMe series C preferred stock by approximately \$558,000 and series B preferred stock by \$142,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's, and U.S. Gas were due to the capitalization of PIK interest totaling \$501,906. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Custom Alloy second lien loan by approximately \$11,000, Foliofn, Inc. preferred stock by \$82,000, NPWT common stock by \$1,000 and preferred stock by \$12,000, Tekers common stock by \$21,000, Centile equity interest by \$98,000, Morey's second lien loan by approximately \$253,000, Advantage preferred stock by approximately \$28,000, Velocitus equity interest by \$899,000, Bioventions loan by approximately \$2.7 million, SGDA Europe equity interest by approximately \$1.3 million, Security Holdings equity interest by \$850,000, Ohio Medical series A preferred stock by \$10.5 million and the Inland loan by approximately \$1.4 million.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the Company's investments in Foliofn, Inc. preferred stock by \$27,000, Turf loan by approximately \$4,000, Biogenic warrant and senior convertible note by a total of approximately \$880,000, SCSD common stock by \$387,000, and RuMe series C preferred stock by approximately \$1.4 million and series B preferred stock by approximately \$342,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's, and U.S. Gas were due to the capitalization of PIK interest totaling \$938,784. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$149,000, Custom Alloy second lien loan by approximately \$95,000, NPWT common stock by \$3,000 and preferred stock by \$48,000, Tekers common stock by \$191,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$636,000, Bioventions loan by approximately \$3.4 million, Advantage preferred stock by approximately \$8,000, Morey's second lien loan by approximately \$253,000, Velocitus equity interest by \$2.0 million, JSC Tekers preferred stock by \$594,000, Security Holdings equity interest by \$2.0 million, SGDA Europe equity interest by approximately \$2.1 million, Ohio Medical series A preferred stock by \$10.5 million, MVC Automotive equity interest by \$5.6 million and Inland warrant by approximately \$700,000 and loan by approximately \$1.4 million.

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At April 30, 2015, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$434.3 million with a cost basis of \$449.6 million. At April 30, 2015, the fair value and cost basis of portfolio investments of the 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 \$428.4 million and \$425.8 million, respectively. At October 31, 2014, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$447.6 million with a cost basis of \$440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the 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 \$441.7 million and \$416.2 million, respectively.

**For the Fiscal Year Ended October 31, 2014**

During the year ended October 31, 2014, the Company made four new investments, committing capital totaling approximately \$48.4 million. The investments were made in G3K Displays, Inc. ( "G3K" ) (\$6.0 million), Inland (\$15.0 million), Equus Total Return, Inc. ( "Equus" ) (\$4.4 million) and Custom Alloy (\$23.0 million).

During the year ended October 31, 2014, the Company made 20 follow-on investments into 13 existing portfolio companies totaling approximately \$57.4 million. On November 13, 2013, the Company loaned \$4.0 million to Security Holdings B.V. ( "Security Holdings" ) in the form of a 5% cash bridge loan with a maturity date of February 15, 2014. On November 19, 2013, the Company increased its common equity interest in Centile by \$100,000. Also on November 19, 2013, the Company invested \$5.0 million into MVC Automotive Group B.V. ( "MVC Automotive" ) in the form of common equity interest and converted its bridge loan of approximately \$1.8 million, including accrued interest, to common equity interest. On December 23, 2013, the Company made a senior secured loan of \$3.3 million to RuMe with a cash interest rate of 12% and a maturity date of April 4, 2014. The Company also purchased warrants for shares of common stock in RuMe for a nominal amount and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On January 2, 2014, the Company loaned \$7.0 million to Morey's, increasing its second lien loan amount to \$15.0 million. The interest rate on the total loan was increased to 10% cash and 3% PIK. On March 5, 2014, the Company invested an additional \$4.0 million into MVC Automotive in the form of common equity interest. On March 10, 2014, the Company exercised its warrant in RuMe at a cost of approximately \$43,000 and received 4,297,549 shares of common stock. On March 5, 2014 and April 1, 2014, the Company contributed a total of approximately \$2.8 million to the PE Fund related to expenses, an additional investment in Plymouth Rock Energy, LLC and an investment in Advanced Oilfield Services, LLC. On April 1, 2014, the Company loaned \$1.5 million to Marine Exhibition Corporation ( "Marine" ) in the form of a second lien loan with an interest rate of 11%. The loan matured on June 30, 2014. On May 2, 2014, the Company loaned \$1.5 million to SCSD in the form of a secured loan. The loan has an interest rate of 12% and a maturity date of May 2, 2019. On May 7, 2014, the Company converted RuMe's \$3.3 million senior secured loan and accrued interest of approximately \$161,000 into 23,896,634 shares of series C preferred stock. On May 9, 2014, the Company loaned an additional \$500,000 to Biovation increasing the total amount outstanding on the bridge loan to \$3.8 million and extended the maturity date of the loan to October 31, 2014. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by the Equus Board of Directors. Under the terms of the reorganization, Equus will pursue a merger or consolidation with the Company, a subsidiary of the Company, or one or more of the Company's portfolio companies. Absent Equus merging or consolidating with/into the Company itself (whereby the Company would own a majority of Equus shares), the current

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intention is for Equus to (i) be restructured into a publicly-traded operating company focused on the energy and/or financial services sectors and (ii) seek to terminate its election as a business development company. Pursuant to the share exchange agreement, the Company has received 2,112,000 shares of Equus in exchange for 395,839 shares of the Company. The exchange was calculated based upon each company's respective net asset value per share published at that time. As part of the reorganization, the Company may acquire additional Equus shares from time to time, either through Equus' direct sale of newly issued shares to the Company or through the purchase of outstanding Equus shares. The Company continues to discuss reorganization options with Equus. As a result of the restatement for the quarter ending July 31, 2014, the Company has a liability to Equus of \$221,424 for additional shares and dividends due to Equus. TTG Advisers has voluntarily agreed to waive any management fees on the Company's assets invested in Equus common stock. Also, as part of the Equus plan of reorganization, on May 21, 2014, June 3, 2014 and June 12, 2014, the Company purchased 512,557, 850,000 and 970,087 additional outstanding common shares of Equus, respectively, at a cost of approximately \$1.2 million, \$2.1 million and \$2.4 million, respectively. On May 27, 2014, the Company purchased 2,893 common shares of Ohio Medical from Champlain Capital Partners at a nominal cost. On May 30, 2014, the Company loaned \$3.0 million to U.S. Gas. The loan has an interest rate of 14% and a maturity date of July 1, 2018. On August 26, 2014, the Company invested \$12.7 million in Security Holdings for additional common equity interest. On September 30, 2014, the Company loaned \$4.0 million to Biogenics in the form of a secured loan. The loan has a 16% interest rate and matures on September 30, 2015. On October 7, 2014, the Company contributed a total of approximately \$2.4 million to the PE Fund related to an investment in AccuMed Corp. As of October 31, 2014, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

On November 1, 2013, Turf repaid its \$1.0 million junior revolving note in full, including all accrued interest. The junior revolving note is no longer a commitment of the Company. Turf also made a \$4.5 million principal payment on its senior subordinated loan, resulting in an outstanding balance of approximately \$3.9 million as of October 31, 2014. The Company also guaranteed \$1.0 million of Turf's indebtedness to Berkshire Bank. The guarantee was valued at -\$67,000 or negative \$67,000 at October 31, 2014.

On November 11, 2013, MVC Automotive Group B.V. completed a tax free reorganization into MVC Automotive Group GmbH (MVC Automotive), an Austrian holding company, to increase operating efficiencies.

On December 16, 2013, the Company announced the termination of its agreement to sell U.S. Gas to United States Gas & Electric Holdings, Inc. (US Holdings), a company organized to acquire U.S. Gas. US Holdings was unable to satisfy the closing conditions of the original agreement (October 4, 2013) and subsequently submitted a transaction termination notice to the Company on December 10, 2013.

On January 30, 2014, BPC II, LLC completed the dissolution of its operations. The Company realized a loss of \$180,000 as a result of this dissolution.

On April 14, 2014, the Company agreed to provide G3K a \$10.0 million loan in three installments and made its first loan of \$6.0 million. The closing of the Company's G3K investment and first loan occurred following extensive due diligence, including receipt of an unqualified audit report on G3K's financial statements and a separate quality of earnings review by an accounting firm. The Company has initiated legal action in the Superior Court of New Jersey, Chancery Division, against G3K, its three shareholders and certain corporate officers for fraudulently misrepresenting G3K's financial records in order to secure financing from the Company. The Company is working diligently to uncover the full extent of what it believes to be a highly sophisticated fraud and is seeking to recover loan proceeds. All

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legal options available are being examined. The Company did recover \$375,000 in principal prior to October 31, 2014. The loan had an outstanding balance of approximately \$5.6 million and had a fair value of \$0 as of October 31, 2014.

On May 1, 2014, the Company converted the JSC Tekers Holdings ( JSC Tekers ) \$12.0 million secured loan and accrued interest to preferred equity. The cost and fair value assigned to the preferred equity was approximately \$11.8 million. As a result of the loan conversion, the Company realized a loss of approximately \$190,000.

On May 19, 2014, the Company loaned an additional \$2.0 million to Inland. The total amount outstanding of the senior secured loan as of October 31, 2014 was \$15.0 million.

On May 30, 2014, the Company received an approximately \$2.9 million principal payment from U.S. Gas on its second lien loan. The second lien loan interest rate was adjusted to 13% and the maturity date was extended to July 1, 2019.

On June 30, 2014, the Company converted its Sanierungsgesellschaft fur Deponien und Altastten GmbH ( SGDA ) \$6.5 million term loan and accrued interest of approximately \$1.9 million to additional common equity interest in SGDA Europe.

On July 1, 2014, Marine repaid its \$11.7 million senior subordinated and \$1.5 million second lien loans in full including all accrued interest. The 20,000 shares of Marine's preferred stock was also sold for approximately \$3.8 million, which resulted in no gain or loss from the sale. During the fiscal year ended October 31, 2014, the Company received dividends totaling approximately \$760,000 from Marine.

On July 29, 2014, the Company sold its limited liability company interest in Octagon Credit Investors, LLC ( Octagon ) for approximately \$6.3 million resulting in a realized gain of approximately \$3.2 million.

On September 2, 2014, Security Holdings repaid its \$4.0 million bridge loan in full, including all accrued interest.

On October 3, 2014, Freshii USA, Inc. ( Freshii ) repaid its \$1.1 million senior secured loan in full, including all accrued interest. With this repayment and the removal of the warrant associated with Freshii, the Company recorded a net realized loss of approximately \$14,000.

On October 8, 2014, the Company received approximately \$6.3 million in proceeds related to the Summit escrow which was fair valued at approximately \$5.9 million, resulting in a realized gain of approximately \$377,000.



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On October 31, 2014, the Company redeemed its convertible series A and series B preferred shares of Custom Alloy for \$23.0 million, which resulted in a realized gain of \$13.0 million. The Company then reinvested \$23.0 million in Custom Alloy in the form of a second lien loan with an interest rate of 11% and a maturity date of April 30, 2020.

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During the fiscal year ended October 31, 2014, Custom Alloy made \$1.0 million of principal payments on its loan.

During the fiscal year ended October 31, 2014, the Company received a dividend of approximately \$67,000 from NPWT.

During the quarter ended January 31, 2014, the Valuation Committee increased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$18,000 and series B preferred stock by approximately \$4.0 million, NPWT common stock by \$1,000 and preferred stock by \$34,000, SGDA Europe equity interest by approximately \$649,000, Vestal Manufacturing Enterprises, Inc. ( Vestal ) common stock by \$3.0 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$2.2 million, Biovation warrants by \$162,000, and Freshii warrant by approximately \$15,000. In addition, increases in the cost basis and fair value of the loans to Marine Exhibition Corporation ( Marine ), Summit, Freshii, Biogenic and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,008,665. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$949,000 due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Centile equity interest by \$29,000, Security Holdings equity interest by \$304,000, Octagon equity interest by approximately \$1.2 million, MVC Automotive equity interest by approximately \$3.2 million, Velocitus equity interest by approximately \$1.9 million, Biovation bridge loan by approximately \$102,000, Foliofn, Inc. preferred stock by approximately \$1.1 million, Turf guarantee by \$92,000 and Tekers common stock by \$12,000. Also, during the quarter ended January 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased the cost basis and fair value of this investment by approximately \$101,000.

During the quarter ended April 30, 2014, the Valuation Committee increased the fair value of the Company's investments in Foliofn, Inc. preferred stock by \$127,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$900,000, Octagon equity interest by approximately \$1.1 million, Security Holdings equity interest by \$422,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$57,000, Freshii warrant by approximately \$8,000 and Tekers common stock by \$7,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,118,793. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$987,000 due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$6,000 and series B preferred stock by approximately \$1.3 million, SGDA Europe equity interest by approximately \$111,000, MVC Automotive equity interest by approximately \$3.4 million, G3K loan by approximately \$5.6 million, NPWT common stock by approximately \$4,000 and preferred stock by approximately \$70,000, U.S. Gas preferred stock by \$9.0 million, Velocitus equity interest by approximately \$606,000 and the Biovation bridge loan by approximately \$20,000. Also, during the quarter ended April 30, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased only the cost basis of this investment by approximately \$181,000.

During the quarter ended July 31, 2014, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$359,000, Vestal common stock by approximately \$1.5 million, RuMe series C preferred stock by approximately \$75,000, Biogenic senior convertible note by \$275,000, MVC Automotive equity interest by approximately \$4.4 million, Biovation

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bridge loan by approximately \$103,000 and Advantage preferred stock by \$96,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,094,938. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$109,000, Velocitus equity interest by approximately \$198,000, Octagon equity interest by approximately \$730,000, Ohio Medical series A preferred stock by \$800,000, NPWT common stock by \$5,000 and preferred stock by \$104,000, Tekers common stock by \$111,000, SGDA Europe equity interest by approximately \$2.6 million, Security Holdings equity interest by \$564,000, Centile equity interest by \$76,000, JSC Tekers common and preferred stock by approximately \$499,000 and the Biovation warrants by approximately \$232,000. Also, during the quarter ended July 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased the cost basis of this investment by approximately \$204,000.

During the quarter ended October 31, 2014, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$76,000, Centile equity interest by \$165,000, Security Holdings equity interest by \$2.1 million, RuMe series C preferred stock by approximately \$800,000, Biogenic senior convertible note by \$30,000, Advantage preferred stock by \$125,000, Summit loan by approximately \$253,000, Turf equity interest by \$525,000, Turf guarantee by approximately \$25,000, and Morey's loan by approximately \$253,000. In addition, increases in the cost basis and fair value of the loans to Summit, Freshii, Biogenic, Morey's, Inland and U.S. Gas were due to the capitalization of PIK interest totaling \$706,601. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$16,000, MVC Automotive equity interest by approximately \$4.5 million, NPWT common stock by approximately \$1,000 and preferred stock by approximately \$20,000, Velocitus equity interest by approximately \$5.7 million, Biovation warrants by \$240,000, SGDA Europe equity interest by approximately \$584,000, Biovation bridge loan by approximately \$420,000, Tekers common stock by \$136,000, JSC Tekers common and preferred stock by approximately \$5.1 million and the Turf loan by approximately \$31,000.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$12,000 and series B preferred stock by approximately \$2.7 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$3.6 million, Centile equity interest by \$117,000, PrePaid Legal loan by \$100,000, Freshii warrant by approximately \$23,000, Security Holdings equity interest by \$1.7 million, RuMe series C preferred stock by approximately \$875,000, Biogenic senior convertible note by \$305,000, Advantage preferred stock by \$221,000, Summit loan by approximately \$253,000, Turf equity interest by \$525,000, Morey's loan by approximately \$253,000 and Vestal common stock by approximately \$4.5 million. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's, Inland and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$3,928,997. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$4.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$1.1 million, MVC Automotive equity interest by approximately \$6.7 million, G3K loan by approximately \$5.6 million, NPWT common stock by approximately \$9,000 and preferred stock by approximately \$160,000, U.S. Gas preferred stock by \$9.0 million, Velocitus equity interest by approximately \$8.4 million, Ohio Medical series A preferred stock

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by \$800,000, Biovation warrants by \$311,000, SGDA Europe equity interest by approximately \$2.6 million, Biovation bridge loan by approximately \$439,000, Octagon equity interest by approximately \$750,000, Tekers common stock by \$252,000, JSC Tekers common and preferred stock by approximately \$5.6 million, Turf loan by approximately \$31,000 and the Turf guarantee by approximately \$67,000. Also, during the fiscal year ended October 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon totaled approximately \$486,000. The \$486,000 increased the cost basis and \$101,000 increased the fair value of this investment.

At October 31, 2014, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$447.6 million with a cost basis of \$440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the 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 \$441.7 million and \$416.2 million, respectively. At October 31, 2013, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$417.9 million with a cost basis of \$372.0 million. At October 31, 2013, the fair value and cost basis of the Legacy Investments was \$7.0 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 \$410.9 million and \$348.2 million, respectively.

## 9. Commitments and Contingencies

### Commitments of the Company:

At April 30, 2015 and October 31, 2014, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company	Amount Committed	Amount Funded at April 30, 2015
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, 2014
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, 2015 and October 31, 2014, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded at April 30, 2015
MVC Automotive	\$ 4.5 million	
Tekers		
Turf	\$ 1.0 million	
<b>Total</b>	<b>\$ 5.5 million</b>	

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Guarantee	Amount Committed	Amount Funded at October 31, 2014
MVC Automotive	\$ 5.0 million	
Tekers		
Turf	\$ 1.0 million	
<b>Total</b>	<b>\$ 6.0 million</b>	

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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, 2015, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be -\$67,000 or negative \$67,000.

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

On July 19, 2007, the Company agreed to guarantee a 1.4 million Euro mortgage for Tekers. The guarantee did not have an outstanding balance as of April 30, 2015.

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 (equivalent to approximately \$4.5 million at April 30, 2015) through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. The Company has consistently reported the amount of the guarantee as 4.0 million Euro. The Company and MVC Automotive continue to view this amount as the full amount of our commitment. Erste Bank, the bank extending the mortgage to MVC Automotive, believes, based on a different methodology, that the balance of the guarantee as of April 30, 2015 is approximately 6.2 million Euro (equivalent to approximately \$7.0 million).

The Company guaranteed \$1.0 million of Turf's indebtedness to Berkshire Bank, which had a fair value of -\$67,000 or negative \$67,000 as of April 30, 2015.

On March 31, 2010, the Company pledged its Series I and Series J preferred stock of U.S. Gas to Macquarie Energy, LLC (Macquarie Energy) as collateral for Macquarie Energy's trade supply credit facility to U.S. Gas.

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. As of April 30, 2015, \$14.6 million of the Company's commitment has been contributed.

On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A. (equivalent to approximately \$5.6 million at April 30, 2015), which is classified as restricted cash on the Company's consolidated balance sheet. This letter of credit is being used as collateral for a project guarantee by AB DnB NORD bankas to Security Holdings.

On November 30, 2011, the Company pledged its common stock and series A convertible preferred stock of Ohio Medical to collateralize a loan made to Ohio Medical by another financial institution. On June 27, 2013, the Company pledged its series C convertible preferred stock of Ohio Medical to further collateralize the same third party loan made to Ohio Medical in 2011.

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On April 17, 2014, the Company loaned \$13.0 million of its \$15.0 million commitment to Inland in the form of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019. The Company also received warrants for shares of common stock in Inland and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On May 19, 2014, the Company loaned the remaining \$2.0 million to Inland. The total amount outstanding as of April 30, 2015 is \$15.0 million.

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*Commitments of the Company*

Effective November 1, 2006, under the terms of the Investment Advisory and Management Agreement with TTG Advisers, which has since been amended and restated (the *Advisory Agreement*), and described in Note 4 of the consolidated financial statements, *Management*, TTG Advisers is responsible for providing office space to the Company and for the costs associated with providing such office space. The Company's offices continue to be located on the second floor of 287 Bowman Avenue, Purchase, New York 10577.

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 bear interest at a 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 intends to use 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 will also bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. As of April 30, 2015, the total outstanding amount of the Senior Notes was approximately \$114.4 million with a market value of approximately \$115.6 million. The market value of the Senior Notes is based on the closing price of the security as of April 30, 2015 on the New York Stock Exchange (NYSE:MVCB).

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility (*Credit Facility II*) with Branch Banking and Trust Company (*BB&T*). At October 31, 2013, the balance of Credit Facility II was \$50.0 million. On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. Credit Facility II was renewed and will now expire on October 31, 2015, at which time all outstanding amounts under it will be due and payable. During the six month period ended April 30, 2015, the Company's net repayments on Credit Facility II were \$5.0 million, resulting in an outstanding balance of \$95.0 million at April 30, 2015. Credit Facility II will be 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 100 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



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secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

On December 30, 2014, the Company entered into a 6 month, \$25.0 million bridge loan ( Bridge Loan ) with Firsttrust Bank, initially borrowing approximately \$15.9 million. Prior to maturity, the Bridge Loan was extended to October 31, 2015. During the six month period ended April 30, 2015, the Company made principal payments totaling \$3.5 million, resulting in an outstanding balance of approximately of \$12.5 million. Borrowings under the Bridge Loan will bear interest at 5%. The Company paid closing fees, legal and other costs associated with the transaction. These costs will be amortized over the life of the Bridge Loan. See Note 16 Subsequent Events for additional information.

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.

**Derivative Instruments**

The Company may enter into forward currency contracts from time to time to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. Certain information related to the Company's derivative financial instrument is presented below as of April 30, 2015.

Description	Notional Amount	Maturity Date	Gross Amount of Recognized Asset	Gross Amount Offset in the Balance Sheet	Net Amount of Assets in the Balance Sheet	Balance Sheet Location
Foreign currency forward contract	EUR 8,600,000	5/29/2015	\$ 9,305,200	\$ (9,652,640)	\$ (347,440)	Liabilities

**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 Mr. Tokarz's 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 directors who are not interested persons, as defined under the 1940 Act, of the Company (the Independent Directors), last approved a renewal of the Advisory Agreement at their in-person meeting held on October 23, 2014.

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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

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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 have agreed to continue the expense cap into fiscal year 2015, though they have 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.) 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 was excluded from the calculation of the Company's expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2015, 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. See Note 16 Subsequent Events for additional information.

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. 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

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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 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.

At October 31, 2014, the provision for estimated incentive compensation was approximately \$14.7 million. During the six month period ended April 30, 2015, this provision for incentive compensation was decreased by a net amount of approximately \$5.5 million to approximately \$9.2 million. The net decrease in the provision for incentive compensation during the six month period ended April 30, 2015 primarily reflects the Valuation Committee's determination to decrease the fair values of sixteen of the Company's portfolio investments (NPWT, Custom Alloy, Tekers, PrePaid Legal, Centile, Biovation, Inland, MVC Automotive, Ohio Medical, SGDA Europe, Security Holdings, JSC Tekers, Advantage, Morey's, Velocitus and Equus) by a total of approximately \$30.8 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of four of the Company's portfolio investments (Turf, RuMe, Biogenic, and SCSD) by a total of approximately \$3.0 million and the reversal of the unrealized depreciation on the Biovation loan which resulted in a realized loss of approximately \$2.2 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital. For the six month period ended April 30, 2015, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate.

At October 31, 2013, the provision for estimated incentive compensation was approximately \$19.5 million. During the fiscal year ended October 31, 2014, this provision for incentive compensation was decreased by a net amount of approximately \$4.7 million to approximately \$14.7 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2014 primarily reflects the Valuation Committee's determination to decrease the fair values of eleven of the Company's portfolio investments (MVC Automotive, G3K, Ohio Medical, NPWT, U.S. Gas, Velocitus, Octagon, Tekers, JSC Tekers, SGDA Europe and Biovation) by a total of approximately \$40.7 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the



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fair values of twelve of the Company's portfolio investments (Custom Alloy, Advantage, Biogenic, PrePaid Legal, RuMe, Freshii, Centile, Security Holdings, Summit, Moreys, Turf and Vestal) by a total of approximately \$11.5 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$4.0 million due to a PIK distribution, which was treated as a return of capital. For the fiscal year ended October 31, 2014, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate.

## 12. Tax Matters

On October 31, 2014, the Company did not have a net capital loss carryforward. The Company had approximately \$17.9 million in unrealized losses associated with Legacy Investments as of April 30, 2015.

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 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, 2015, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2011 through 2015 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, 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.

## 13. Dividends and Distributions to Shareholders and Share Repurchase Program

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

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Company to avoid imposition of federal income tax on any remaining undistributed net investment income and capital gains.

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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.

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.

**For the Quarter Ended January 31, 2015**

On December 19, 2014, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on January 7, 2015 to shareholders of record on December 31, 2014. The total distribution amounted to \$3,064,881.

During the quarter ended January 31, 2015, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,647 shares of our common stock at an average price of \$10.14, 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, 2015**

On April 17, 2015, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on April 30, 2015 to shareholders of record on April 27, 2015. The total distribution amounted to \$3,064,881.

During the quarter ended April 30, 2015, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,855 shares of our common stock at an average price of \$9.92, 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

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discontinued at any time. The following table represents purchases made under our stock repurchase program for the fiscal year ended October 31, 2014. There were no repurchases made during the six month period ended April 30, 2015.

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
As of October 31, 2013	1,299,294	\$ 12.83	1,299,294	\$ 16,673,207
For the Year Ended October 31, 2014	310,706	\$ 13.24	1,610,000	\$ 4,114,967
Total	1,610,000	\$ 12.91	1,610,000	\$ 20,788,174

## 14. Segment Data

The Company's reportable segments are its investing operations as a business development company, MVC Capital, Inc. and the wholly-owned subsidiaries MVC Financial Services, Inc. and MVC Cayman.

The following table presents book basis segment data for the six month period ended April 30, 2015:

	MVC	MVCFS	Consolidated
Interest and dividend income	\$ 9,075,324	\$ 45	\$ 9,075,369
Fee income		524,167	524,167
Fee income - asset management		529,784	529,784
Total operating income	9,075,324	1,053,996	10,129,320
Total operating expenses	2,799,565	3,609,060	6,408,625
Less: Waivers by Adviser	(75,000)		(75,000)
Total net operating expenses	2,724,565	3,609,060	6,333,625
Net operating income (loss) before taxes	6,350,759	(2,555,064)	3,795,695
Tax expense		878	878
Net operating income (loss)	6,350,759	(2,555,942)	3,794,817
Net realized loss on investments	(2,120,945)		(2,120,945)
Net unrealized depreciation on investments	(23,235,736)	5,745	(23,229,991)
Net decrease in net assets resulting from operations	\$ (19,005,922)	\$ (2,550,197)	\$ (21,556,119)

## 15. Significant Subsidiaries

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We have determined that for the six month period ended April 30, 2015, MVC Automotive and Ohio Medical, unconsolidated portfolio companies, have met the conditions of significant subsidiaries. The financial information presented below includes summarized balance sheets as of March 31, 2015 (the last fiscal quarter-end prior to April 30, 2015 for each of these companies) and income statements for the period October 1, 2014 to March 31, 2015. The comparative financial information for the corresponding prior periods for MVC Automotive is not presented because historical financial information prepared in accordance with US GAAP is not readily available for the foreign portfolio company. The financial information below is based on unaudited financial statements and has been prepared and furnished by MVC Automotive / Ohio Medical and not the Company.

Balance Sheet All numbers in thousands	Ohio Medical As of March 31, 2015		MVC Automotive As of March 31, 2015		Ohio Medical As of March 31, 2014	
<b>Assets:</b>						
Total current assets	\$	20,554	\$	49,716	\$	20,477
Total non-current assets		100,272		30,240		105,550
Total Assets	\$	120,826	\$	79,956	\$	126,027
<b>Liabilities and Shareholders Equity:</b>						
Current Liabilities	\$	9,069	\$	58,559	\$	9,925
Long-term liabilities		47,681		18,922		52,932
Shareholders Equity		64,076		2,475		63,170
Total Liabilities and Shareholders Equity	\$	120,826	\$	79,956	\$	126,027
Income Statement All numbers in thousands	Ohio Medical For the Period from October 1, 2014 to March 31, 2015		MVC Automotive For the Period from October 1, 2014 to March 31, 2015		Ohio Medical For the Period from October 1, 2013 to March 31, 2014	
Net Sales & Revenue	\$	26,700	\$	84,299	\$	24,057
Cost of Sales		13,717		79,892		13,356
Gross Margin		12,983		4,407		10,701
Operating Expenses		9,006		9,256		7,809
Operating Income		3,977		(4,849)		2,892
Income Tax (Benefit)		566		(229)		307
Interest Expense		2,272		879		2,691
Other Expenses (Income), Net		300		(324)		606
Net Income (Loss)	\$	839	\$	(5,175)	\$	(712)

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**16. Subsequent Events**

On May 1, 2015, the Company sold 2,893 shares of common stock in Ohio Medical for a nominal amount resulting in no realized gain or loss.

On May 27, 2015, the Company invested approximately \$1.1 million in MVC Automotive for additional common equity interest.

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately \$17.9 million which includes a \$1.0 million dividend and assumes receipt of the escrow proceeds. The \$600,000 loan was also repaid in full including all accrued interest. As part of the transaction, the Company reinvested approximately \$6.3 million in the form of a subordinated loan, \$250,000 for 5,610 shares of common stock and a warrant with no cost. The loan has an interest rate of 15% and matures on November 28, 2021.

On June 3, 2015, the Company invested \$250,000 in Centile for additional common equity interest.

On June 11, 2015, the Company loaned \$2.0 million to Thunderdome Restaurants LLC in the form of a second lien loan. The loan has an interest rate of 12% and matures on June 10, 2020.

On June 19, 2015, the Company monetized a majority of its investment in Velocitus, receiving approximately \$9.2 million in proceeds, which included a dividend and closing fees and was net of a minimal currency loss. On October 16, 2015, the Company sold its remaining common equity interest in Velocitus and received zero proceeds resulting in a realized loss of approximately \$2.7 million.

On June 23, 2015, the Company loaned approximately \$4.8 million to Initials, Inc. in the form of a senior subordinated loan. The loan has an interest rate of 15% and matures on June 22, 2020.

On June 29, 2015, Ernst & Young LLP ( E&Y ) informed the Company of its determination not to stand for reappointment as the independent registered public accounting firm of the Fund for the fiscal year ending October 31, 2015. The Fund's Audit Committee accepted that determination at a meeting held the following day.

During the month ended June 30, 2015, Prepaid Legal repaid its \$10.0 million loan in full, including all accrued interest.

On July 7, 2015, the Company loaned \$1.0 million to Biogenics in the form of a senior secured bridge loan and a warrant. The loan has an interest rate of 16% and matures on September 15, 2015.

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On July 17, 2015, the Company loaned \$5.0 million to United States Technologies, Inc. in the form of a senior term loan. The loan has an interest rate of 10.5% and matures on July 17, 2020.

On July 17, 2015, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on July 31, 2015 to shareholders of record on July 27, 2015. The total distribution amounted to \$3,064,881.

On July 31, 2015, the Company renewed Credit Facility II with a new maturity date of September 30, 2015. On September 30, 2015, the maturity date of Credit Facility II was extended to November 30, 2015.

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On October 16, 2015, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on October 30, 2015 to shareholders of record on October 26, 2015. The total distribution amounted to \$3,064,880.84.

On October 19, 2015, the Company invested an additional \$1.7 million in MVC Automotive.

On October 29, 2015, the Board approved the renewal of the Advisory Agreement for the 2016 fiscal year. Further, the Adviser agreed to waive the base management fee so that it is reduced to 1.50% for fiscal year 2016. In addition, the Adviser agreed to waive \$1 million of any incentive fee on capital gains if and when payable to the Adviser under the Advisory Agreement. Furthermore, the Company and the Adviser agreed to reduce the expense cap for fiscal 2016 to 3.25% under the Modified Methodology.

On October 30, 2015, the Bridge Loan's maturity date was extended to December 31, 2015.

On October 30, 2015, the Company realized a loss of \$6.7 million with the dissolution of Harmony.

On November 3, 2015, Results Companies repaid its loan in full including all accrued interest totaling approximately \$10.0 million.

On November 20, 2015, the Company invested an additional \$538,000 in MVC Automotive.

On November 24, 2015, the Company and certain shareholders of Ohio Medical signed an asset purchase agreement with a wholly owned subsidiary formed by Tenex Capital Management. The sale of the assets of Ohio Medical is subject to anti-trust review as required by the Hart-Scott-Rodino Act and other closing conditions. The transaction is expected to close in December 2015. The estimated proceeds to be received upon closing including fees and funds held in escrow is approximately \$38.5 million.

**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

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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 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, 2014.

### **SELECTED CONSOLIDATED FINANCIAL DATA:**

Financial information for the fiscal year ended October 31, 2014 is derived from the consolidated financial statements included in the Company's annual report on Form 10-K, which have been audited by

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Ernst & Young 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, 2015	For the Six Month Period Ended April 30, 2014 (In thousands, except per share data)	Year Ended October 31, 2014
<b>Operating Data:</b>			
Interest and related portfolio income:			
Interest and dividend income	\$ 9,075	\$ 7,786	\$ 15,311
Fee income	524	922	1,562
Fee income - asset management	530	1,213	1,910
Other income		554	1,033
Total operating income	10,129	10,475	19,816
Expenses:			
Management fee	4,046	4,417	8,681
Portfolio fees - asset management	391	447	986
Management fee - asset management	(2)	463	354
Administrative	2,484	1,634	3,672
Interest and other borrowing costs	5,071	4,661	9,442
Net Incentive compensation (Note 11)	(5,582)	(2,979)	(4,750)
Total operating expenses	6,408	8,643	18,385
Voluntary Expense Waiver by Adviser	(75)	(75)	(150)
Total waiver by adviser	(75)	(75)	(150)
Total net operating expenses	6,333	8,568	18,235
Net operating income before taxes	3,796	1,907	1,581
Tax expense, net	1	1	2
Net operating income	3,795	1,906	1,579
Net realized and unrealized (loss) gain:			
Net realized (loss) gain on investments	(2,121)	485	16,520
Net change in unrealized (depreciation) appreciation on investments	(23,230)	(13,357)	(37,941)
Net realized and unrealized loss on investments	(25,351)	(12,872)	(21,421)
Net decrease in net assets resulting from operations	\$ (21,556)	\$ (10,966)	\$ (19,842)
<b>Per Share:</b>			



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Net (decrease) increase in net assets per share resulting from operations	\$	(0.95)	\$	(0.49)	\$	(0.88)
Dividends per share	\$	0.270	\$	0.270	\$	0.540
<b>Balance Sheet Data:</b>						
Portfolio at value	\$	434,322	\$	447,423	\$	447,630
Portfolio at cost		449,629		414,901		439,970
Total assets		551,986		592,923		577,713
Shareholders' equity		316,213		356,925		343,903
Shareholders' equity per share (net asset value) \$		13.93	\$	15.89	\$	15.15
Common shares outstanding at period end		22,703		22,464		22,703
<b>Other Data:</b>						
Number of Investments funded in period		4		6		24
Investments funded (\$) in period	\$	40,137	\$	36,466	\$	103,671
Repayment/sales in period		29,019		85,974		62,508
Net investment activity in period		11,118		(49,508)		41,163

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	2015			2014				2013		
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
(In thousands, except per share data)										
<b>Quarterly Data (Unaudited):</b>										
Total operating income	5,273	4,856	4,325	5,016	5,862	4,613	4,469	7,245	6,663	6,386
Management fee	2,066	1,980	2,121	2,144	2,227	2,189	2,109	1,986	1,758	1,979
Portfolio fees - asset management	187	204	386	153	341	106	105	103	103	106
Management fee - asset management	(18)	16	(126)	17	231	232	233	232	232	232
Administrative	1,325	1,159	942	1,095	727	908	1,024	897	902	890
Interest, fees and other borrowing costs	2,616	2,455	2,355	2,426	2,406	2,255	2,254	2,115	1,418	937
Net Incentive compensation	(3,462)	(2,120)	(2,339)	568	(3,414)	435	2,248	3,674	794	(2,888)
Total waiver by adviser	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)
Tax expense	1			1		1	1	1	1	1
Net operating (loss) income before net realized and unrealized gains	2,595	1,200	1,023	(1,350)	3,381	(1,475)	(3,468)	(1,725)	1,492	5,167
Net increase (decrease) in net assets resulting from operations	(11,813)	(9,743)	(10,614)	1,738	(12,651)	1,685	4,319	17,081	7,143	(9,273)
Net increase (decrease) in net assets resulting from operations per share	(0.52)	(0.43)	(0.46)	0.07	(0.57)	0.08	0.16	0.74	0.30	(0.38)
Net asset value per share	13.93	14.58	15.15	15.75	15.89	16.57	16.63	16.57	15.84	15.62

## 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, 2014, the Company made four new investments and made 20 follow-on investments in 13 existing portfolio companies committing a total of \$105.8 million of capital to these investments. During the six month period ended April 30, 2015, the Company made four new investments committing capital totaling \$39.8 million.

The Company's prior investment objective was to achieve long-term capital appreciation from venture capital investments in information technology companies. The Company's investments had thus previously focused on investments in equity and debt securities of information technology companies. As of April 30, 2015, approximately 1.1% 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 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 income and/or capital appreciation. Under our investment approach, we are permitted to invest, without limit, in any one portfolio company, subject to any diversification limits required in order for us to continue to qualify as a RIC under Subchapter M of the Code. Due to the asset growth and composition of the portfolio, compliance with the RIC requirements limits our ability to make additional investments that represent more than 5% of our total assets or more than 10% of the outstanding voting securities of an issuer ( Non-Diversified Investments ).

We participate in the private equity business generally by providing privately negotiated long-term equity and/or debt investment capital to 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.

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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 funds. 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 limited 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, 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. Also, during fiscal year ended October 31, 2014, MVC Turf, LLC ( MVC Turf ) was consolidated with the Company as MVC Turf is a wholly owned holding company. The consolidation of MVC Turf has not had any material effect on the financial position or net results of operations of 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 will receive 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.

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.

**OPERATING INCOME**

*For the Six Month Period Ended April 30, 2015 and 2014.* Total operating income was \$10.1 million and \$10.5 million for the six month period ended April 30, 2015 and 2014, respectively, a decrease of approximately \$400,000.

*For the Six Month Period Ended April 30, 2015*

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Total operating income was \$10.1 million for the six month period ended April 30, 2015. The decrease in operating income over the same period last year was primarily due to a decrease in fee income from asset management of the PE Fund and its portfolio companies and fee income from the Company's portfolio companies. The main component of operating income for the six month period ended April 30, 2015 was interest earned on loans. The Company earned approximately \$9.1 million in interest and

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dividend income from investments in portfolio companies. Of the \$9.1 million recorded in interest/dividend income, approximately \$2.1 million was payment in kind /deferred interest. The payment in kind /deferred interest are 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 9.75% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$530,000 and fee income from the Company's portfolio companies of approximately \$524,000, totaling approximately \$1.1 million. Of the \$530,000 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, 2014***

Total operating income was \$10.5 million for the six month period ended April 30, 2014. The decrease in operating income over the same period last year was primarily due to a decrease in dividend income from portfolio companies, specifically U.S. Gas, which was partially offset by an increase in interest income from portfolio companies. The main components of operating income for the six month period ended April 30, 2014 was fee income from portfolio companies and asset management and the interest earned on loans. The Company earned approximately \$7.8 million in interest and dividend income from investments in portfolio companies. Of the \$7.8 million recorded in interest/dividend income, approximately \$2.4 million was payment in kind interest/dividends. The payment in kind interest/dividends are computed at the contractual rate specified in each investment agreement and added to the principal balance of each investment. The Company's debt investments yielded rates from 5% to 16%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$1.2 million and fee income from the Company's portfolio companies of approximately \$922,000, totaling approximately \$2.1 million. Of the \$1.2 million 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, 2015 and 2014.* Operating expenses, net of Voluntary Waivers, were approximately \$6.3 million and \$8.6 million for the six month period ended April 30, 2015 and 2014, respectively, a decrease of approximately \$2.3 million.

***For the Six Month Period Ended April 30, 2015***

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$6.3 million or 3.87% of the Company's average net assets, when annualized, for the six month period ended April 30, 2015. Significant components of operating expenses for the six month period ended April 30, 2015 were management fee expense paid by the Company of approximately \$4.0 million and interest and other borrowing costs of approximately \$5.1 million.

The approximately \$2.3 million decrease in the Company's net operating expenses for the six month period ended April 30, 2015 compared to the six month period ended April 30, 2014, was primarily due to the approximately \$2.6 million decrease in the estimated provision for incentive

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compensation expense, which was partially offset by an increase in interest and other borrowing costs of approximately \$409,000. 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

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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. For the 2015 fiscal year, 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 voluntarily agreed that any assets of the Company that were 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. TTG Advisers has voluntarily agreed to waive any management fees on the Company's assets invested in Equus common stock. The Company and the Adviser have agreed to continue the expense cap of 3.5% (on 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, 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 and extraordinary expenses taken as a percentage of the Company's average net assets) into fiscal year 2015, though they have 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.) Under the Modified Methodology, for the six month period ended April 30, 2015, the Company's expense ratio was 3.07%, (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, 2015, the provision for incentive compensation was decreased by a net amount of approximately \$5.5 million to approximately \$9.2 million. The net decrease in the provision for incentive compensation during the six month period ended April 30, 2015 primarily reflects the Valuation Committee's determination to decrease the fair values of sixteen of the Company's portfolio investments (NPWT, Custom Alloy, Tekers, PrePaid Legal, Centile, Biovation, Inland, MVC Automotive, Ohio Medical, Security Holdings, SGDA Europe, JSC Tekers, Advantage, Morey's, Velocitus and Equus) by a total of approximately \$30.8 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of four of the Company's portfolio investments (Turf, RuMe, Security Holdings, Biogenic, and SCSD) by a total of approximately \$3.0 million and the reversal of the unrealized depreciation on the Biovation loan which resulted in a realized loss of approximately \$2.2 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital. For the six month period ended April 30, 2015, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate. Please see Note 11 of our consolidated financial statements "Incentive Compensation" for more information.

***For the Six Month Period Ended April 30, 2014***

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$8.6 million or 4.68% of the Company's average net assets, when annualized, for the six month period ended April 30, 2014. Significant components of operating expenses for the six month period ended April 30, 2014 were management fee expense paid by the Company of approximately \$4.4 million and interest and other borrowing costs of approximately \$4.7 million.

The approximately \$2.3 million decrease in the Company's net operating expenses for the six month period ended April 30, 2014 compared to the six month period ended April 30, 2013, was primarily due to the approximately \$5.2 million decrease in the estimated provision for incentive compensation expense, which was partially offset by an increase in interest and other borrowing costs of approximately \$2.3 million and an increase in the Company's management fee expense of approximately \$471,000. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees



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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. For the 2014 fiscal year, 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 voluntarily agreed that any assets of the Company that were 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. The Company and the Adviser have agreed to continue the expense cap into fiscal year 2014, though they may determine to revise the present calculation methodology later in the year. For fiscal year 2013 and the six month period ended April 30, 2014, the Company's expense ratio was 3.03% and 3.26%, respectively, (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, 2014, the provision for incentive compensation was decreased by a net amount of approximately \$3.0 million to approximately \$16.5 million. The net decrease in the provision for incentive compensation during the six month period ended April 30, 2014 reflects the Valuation Committee's determination to decrease the fair values of eight of the Company's portfolio investments (MVC Automotive, G3K, NPWT, U.S. Gas, Velocitus, Octagon, Tekers and Turf) by a total of approximately \$26.9 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of eight of the Company's portfolio investments (Custom Alloy, Security Holdings, SGDA Europe, PrePaid Legal, Centile, Freshii, Biovation and Vestal) by a total of approximately \$9.6 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.9 million due to a PIK distribution, which was treated as a return of capital. For the six month period ended April 30, 2014, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income 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, 2015 and 2014.* Net realized losses for the six month period ended April 30, 2015 were approximately \$2.1 million and net realized gains for the six month period ended April 30, 2014 were approximately \$485,000, respectively, a decrease of approximately \$2.6 million.

***For the Six Month Period Ended April 30, 2015***

Net realized losses for the six month period ended April 30, 2015 were approximately \$2.1 million. The main component of the Company's net realized losses for the six month period ended April 30, 2015 was primarily due to the net realized loss of \$2.2 million on the sale of the Biovation loans when BAC credit purchased the assets of Biovation.

During the six month period ended April 30, 2015, the Company also recorded net realized gains of approximately \$44,000 with the sale of its short-term investments.

***For the Six Month Period Ended April 30, 2014***

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Net realized gains for the six month period ended April 30, 2014 were approximately \$485,000. The main components of the Company's net realized gains for the six month period ended April 30, 2014 were primarily due to the \$446,000 realized gain from a prior year tax refund received by Summit, which was distributed to the Company, and the Company's realized gains on short-term investments.

On November 7, 2013, the Company recorded a realized gain of approximately \$25,000 associated with the SHL Group Limited escrow.

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On November 11, 2013, the Company recorded a realized gain of approximately \$19,000 associated with the Vendio escrow.

On January 30, 2014, BPC II, LLC completed the dissolution of its operations. The Company realized a loss of \$180,000 as a result of this dissolution.

During the six month period ended April 30, 2014, the Company recorded realized gains of approximately \$177,000 with the sale of its short-term investments and approximately \$446,000 related to a Summit distribution.

**UNREALIZED APPRECIATION AND DEPRECIATION OF PORTFOLIO SECURITIES**

*For the Six Month Period Ended April 30, 2015 and 2014.* The Company had a net change in unrealized depreciation on portfolio investments of approximately \$23.2 million and \$13.4 million for the six month period ended April 30, 2015 and 2014, respectively, a net increase of approximately \$9.8 million.

***For the Six Month Period Ended April 30, 2015***

The Company had a net change in unrealized depreciation on portfolio investments of approximately \$23.2 million for the six month period ended April 30, 2015. The change in unrealized depreciation for the six month period ended April 30, 2015 primarily resulted from the Valuation Committee's decision to decrease the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$149,000, Custom Alloy second lien loan of approximately \$95,000, NPWT common stock by \$3,000 and preferred stock by \$48,000, Tekers common stock by \$191,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$636,000, Bioventions loan by approximately \$3.4 million, Advantage preferred stock by approximately \$8,000, Morey's second lien loan by approximately \$253,000, Velocitus equity interest by \$2.0 million, JSC Tekers preferred stock by \$594,000, SGDA Europe equity interest by approximately \$2.1 million, Security Holdings equity interest by \$2.0 million, Ohio Medical series A preferred stock by \$10.5 million, MVC Automotive equity interest by \$5.6 million and Inland warrant by approximately \$700,000 and loan by approximately \$1.4 million. These changes in unrealized depreciation were partially off-set by the Valuation Committee determination to increase the fair value of the Company's investments in Foliofn, Inc. preferred stock by \$27,000, Turf loan by approximately \$4,000, Biogenic warrant and senior convertible note by a total of approximately \$880,000, SCSD common stock by \$387,000, and RuMe series C preferred stock by approximately \$1.4 million and series B preferred stock by approximately \$342,000 and the reversal of the unrealized depreciation on the Biovention loan which resulted in a realized loss of approximately \$2.2 million. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's, Inland and U.S. Gas were due to the capitalization of PIK interest totaling \$938,784. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital.

*For the Six Month Period Ended April 30, 2014*

The Company had a net change in unrealized depreciation on portfolio investments of approximately \$13.4 million for the six month period ended April 30, 2014. The change in unrealized depreciation for the six month period ended April 30, 2014 primarily resulted from the Valuation Committee's decision to decrease the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$964,000, MVC Automotive equity interest by approximately \$6.7 million, G3K loan by approximately \$5.6 million, NPWT common stock by approximately \$3,000 and preferred stock by approximately \$36,000, U.S. Gas preferred stock by \$9.0 million, Velocitus equity interest by approximately \$2.5 million, Biovation bridge loan by approximately \$122,000, Octagon equity interest by approximately

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\$20,000, Tekers common stock by \$5,000 and the Turf guarantee by \$92,000. These changes in unrealized depreciation were partially off-set by the Valuation Committee determinations to increase the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$12,000 and series B preferred stock by approximately \$2.7 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$3.1 million, Security Holdings equity interest by \$118,000, SGDA Europe equity interest by approximately \$538,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$28,000, Freshii warrant by approximately \$23,000, Biovation warrants by \$162,000 and Vestal common stock by \$3.0 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.9 million due to a PIK distribution, which was treated as a return of capital. The reclassification from unrealized depreciation to a realized loss of \$180,000 caused by the dissolution of BPC II, LLC was also a component in the change in unrealized depreciation.

**PORTFOLIO INVESTMENTS**

*For the Six Month Period Ended April 30, 2015 and the Year Ended October 31, 2014.* The cost of the portfolio investments held by the Company at April 30, 2015 and at October 31, 2014 was \$449.6 million and \$440.0 million, respectively, an increase of \$9.6 million. The aggregate fair value of portfolio investments at April 30, 2015 and at October 31, 2014 was \$434.3 million and \$447.6 million, respectively, a decrease of \$13.3 million. The Company held unrestricted cash, cash equivalents and restricted cash equivalents at April 30, 2015 and at October 31, 2014 of \$15.2 million and \$23.4 million, respectively, a decrease of approximately \$8.2 million. The Company held no short-term investments at April 30, 2015 and at October 31, 2014 held short-term investments with a cost and fair value of approximately \$100.0 million and approximately \$99.9 million, respectively.

*For the Six Month Period Ended April 30, 2015*

During the six month period ended April 30, 2015, the Company made four new investments, committing capital totaling approximately \$39.8 million. The investments were made in RX (\$10.3 million), Agri-Carriers (\$11.8 million), Legal Solutions (\$8.7 million) and Results Companies (\$9.0 million).

On November 26, 2014, Summit Research Labs, Inc. repaid its second lien loan in full including all accrued interest totaling approximately \$25.7 million.

On December 31, 2014, the Company received distributions totaling \$388,000 from the PE Fund which was treated as a return of capital.

On April 20, 2015, BAC credit purchased the assets of Biovation. The Company received 90 shares of class B non-voting common stock in BAC as part of the transaction and realized a loss on Biovation of approximately \$2.2 million.

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During the six month period ended April 30, 2015, Custom Alloy made principal payments totaling \$3.5 million on its unsecured subordinated loan. The balance of the loan at April 30, 2015 was \$3.0 million.

During the quarter ended January 31, 2015, the Valuation Committee increased the fair value of the Company's investments in Foliofn, preferred stock by \$109,000, Turf loan by approximately \$2,000, RuMe series C preferred stock by \$800,000 and series B preferred stock by \$200,000, Advantage preferred stock by \$20,000, Biogenic warrant and senior convertible note by a net total of approximately \$28,000 and SCSD common stock by \$387,000. In addition, increases in the cost basis and fair value of

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the loans to Biogenic, Custom Alloy, Morey's, and U.S. Gas were due to the capitalization of PIK interest totaling \$436,878. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$759,000, Custom Alloy second lien loan by approximately \$84,000, NPWT common stock by \$2,000 and preferred stock by \$36,000, Tekers common stock by \$170,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$538,000, Biovation loan by approximately \$716,000, Velocitus equity interest by approximately \$1.1 million, Security Holdings equity interest by \$1.1 million, JSC Tekers preferred stock by approximately \$599,000, MVC Automotive equity interest by approximately \$5.9 million, SGDA Europe equity interest by approximately \$749,000 and Inland warrant by approximately \$700,000.

During the quarter ended April 30, 2015, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$610,000, Turf loan by approximately \$2,000, JSC Tekers preferred stock by \$5,000, Biogenic warrant and senior convertible note by a total of approximately \$852,000, MVC Automotive equity interest by \$246,000 and RuMe series C preferred stock by approximately \$558,000 and series B preferred stock by \$142,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's, and U.S. Gas were due to the capitalization of PIK interest totaling \$501,906. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Custom Alloy second lien loan by approximately \$11,000, Foliofn, Inc. preferred stock by \$82,000, NPWT common stock by \$1,000 and preferred stock by \$12,000, Tekers common stock by \$21,000, Centile equity interest by \$98,000, Morey's second lien loan by approximately \$253,000, Advantage preferred stock by approximately \$28,000, Velocitus equity interest by \$899,000, Bioventions loan by approximately \$2.7 million, SGDA Europe equity interest by \$1.3 million, Security Holdings equity interest by \$850,000, Ohio Medical series A preferred stock by \$10.5 million and the Inland loan by approximately \$1.4 million.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the Company's investments in Foliofn, Inc. preferred stock by \$27,000, Turf loan by approximately \$4,000, Biogenic warrant and senior convertible note by a total of approximately \$880,000, SCSD common stock by \$387,000, and RuMe series C preferred stock by approximately \$1.4 million and series B preferred stock by approximately \$342,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey's, and U.S. Gas were due to the capitalization of PIK interest totaling \$938,784. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$149,000, Custom Alloy second lien loan by approximately \$95,000, NPWT common stock by \$3,000 and preferred stock by \$48,000, Tekers common stock by \$191,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$636,000, Bioventions loan by approximately \$3.4 million, Advantage preferred stock by approximately \$8,000, Morey's second lien loan by approximately \$253,000, Velocitus equity interest by \$2.0 million, JSC Tekers preferred stock by \$594,000, SGDA Europe equity interest by approximately \$2.1 million, Security Holdings equity interest by \$2.0 million, Ohio Medical series A preferred stock by \$10.5 million, MVC Automotive equity interest by \$5.6 million and Inland warrant by approximately \$700,000 and loan by approximately \$1.4 million.

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At April 30, 2015, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$434.3 million with a cost basis of \$449.6 million. At April 30, 2015, the fair value and cost basis of portfolio investments of the 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 \$428.4 million and \$425.8 million, respectively. At October 31, 2014, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$447.6 million with a cost basis of \$440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the 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 \$441.7 million and \$416.2 million, respectively.

***For the Fiscal Year Ended October 31, 2014***

During the year ended October 31, 2014, the Company made four new investments, committing capital totaling approximately \$48.4 million. The investments were made in G3K Displays, Inc. ( "G3K" ) (\$6.0 million), Inland (\$15.0 million), Equus Total Return, Inc. ( "Equus" ) (\$4.4 million) and Custom Alloy (\$23.0 million).

During the year ended October 31, 2014, the Company made 20 follow-on investments into 13 existing portfolio companies totaling approximately \$57.4 million. On November 13, 2013, the Company loaned \$4.0 million to Security Holdings B.V. ( "Security Holdings" ) in the form of a 5% cash bridge loan with a maturity date of February 15, 2014. On November 19, 2013, the Company increased its common equity interest in Centile by \$100,000. Also on November 19, 2013, the Company invested \$5.0 million into MVC Automotive Group B.V. ( "MVC Automotive" ) in the form of common equity interest and converted its bridge loan of approximately \$1.8 million, including accrued interest, to common equity interest. On December 23, 2013, the Company made a senior secured loan of \$3.3 million to RuMe with a cash interest rate of 12% and a maturity date of April 4, 2014. The Company also purchased warrants for shares of common stock in RuMe for a nominal amount and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On January 2, 2014, the Company loaned \$7.0 million to Morey's, increasing its second lien loan amount to \$15.0 million. The interest rate on the total loan was increased to 10% cash and 3% PIK. On March 5, 2014, the Company invested an additional \$4.0 million into MVC Automotive in the form of common equity interest. On March 10, 2014, the Company exercised its warrant in RuMe at a cost of approximately \$43,000 and received 4,297,549 shares of common stock. On March 5, 2014 and April 1, 2014, the Company contributed a total of approximately \$2.8 million to the PE Fund related to expenses, an additional investment in Plymouth Rock Energy, LLC and an investment in Advanced Oilfield Services, LLC. On April 1, 2014, the Company loaned \$1.5 million to Marine Exhibition Corporation ( "Marine" ) in the form of a second lien loan with an interest rate of 11%. The loan matured on June 30, 2014. On May 2, 2014, the Company loaned \$1.5 million to SCSD in the form of a secured loan. The loan has an interest rate of 12% and a maturity date of May 2, 2019. On May 7, 2014, the Company converted RuMe's \$3.3 million senior secured loan and accrued interest of approximately \$161,000 into 23,896,634 shares of series C preferred stock. On May 9, 2014, the Company loaned an additional \$500,000 to Biovation increasing the total amount outstanding on the bridge loan to \$3.8 million and extended the maturity date of the loan to October 31, 2014. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by the Equus Board of Directors. Under the terms of the reorganization, Equus will pursue a merger or consolidation with the Company, a subsidiary of the Company, or one or more of the Company's portfolio companies. Absent Equus merging or consolidating with/into the Company itself (whereby the Company would own a majority of Equus shares), the current intention is for Equus to (i) be restructured into a publicly-traded operating company focused on the



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energy and/or financial services sectors and (ii) seek to terminate its election as a business development company. Pursuant to the share exchange agreement, the Company has received 2,112,000 shares of Equus in exchange for 395,839 shares of the Company. The exchange was calculated based upon each company's respective net asset value per share published at that time. As part of the reorganization, the Company may acquire additional Equus shares from time to time, either through Equus' direct sale of newly issued shares to the Company or through the purchase of outstanding Equus shares. The Company continues to discuss reorganization options with Equus. As a result of the restatement for the quarter ending July 31, 2014, the Company has a liability to Equus of \$221,424 for additional shares and dividends due to Equus. TTG Advisers has voluntarily agreed to waive any management fees on the Company's assets invested in Equus common stock. Also, as part of the Equus plan of reorganization, on May 21, 2014, June 3, 2014 and June 12, 2014, the Company purchased 512,557, 850,000 and 970,087 additional outstanding common shares of Equus, respectively, at a cost of approximately \$1.2 million, \$2.1 million and \$2.4 million, respectively. On May 27, 2014, the Company purchased 2,893 common shares of Ohio Medical from Champlain Capital Partners at a nominal cost. On May 30, 2014, the Company loaned \$3.0 million to U.S. Gas. The loan has an interest rate of 14% and a maturity date of July 1, 2018. On August 26, 2014, the Company invested \$12.7 million in Security Holdings for additional common equity interest. On September 30, 2014, the Company loaned \$4.0 million to Biogenics in the form of a secured loan. The loan has a 16% interest rate and matures on September 30, 2015. On October 7, 2014, the Company contributed a total of approximately \$2.4 million to the PE Fund related to an investment in AccuMed Corp. As of October 31, 2014, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

On November 1, 2013, Turf repaid its \$1.0 million junior revolving note in full, including all accrued interest. The junior revolving note is no longer a commitment of the Company. Turf also made a \$4.5 million principal payment on its senior subordinated loan, resulting in an outstanding balance of approximately \$3.9 million as of October 31, 2014. The Company also guaranteed \$1.0 million of Turf's indebtedness to Berkshire Bank. The guarantee was valued at -\$67,000 or negative \$67,000 at October 31, 2014.

On November 11, 2013, MVC Automotive Group B.V. completed a tax free reorganization into MVC Automotive Group GmbH (MVC Automotive), an Austrian holding company, to increase operating efficiencies.

On December 16, 2013, the Company announced the termination of its agreement to sell U.S. Gas to United States Gas & Electric Holdings, Inc. (US Holdings), a company organized to acquire U.S. Gas. US Holdings was unable to satisfy the closing conditions of the original agreement (October 4, 2013) and subsequently submitted a transaction termination notice to the Company on December 10, 2013.

On January 30, 2014, BPC II, LLC completed the dissolution of its operations. The Company realized a loss of \$180,000 as a result of this dissolution.

On April 14, 2014, the Company agreed to provide G3K a \$10.0 million loan in three installments and made its first loan of \$6.0 million. The closing of the Company's G3K investment and first loan occurred following extensive due diligence, including receipt of an unqualified audit report on G3K's financial statements and a separate quality of earnings review by an accounting firm. The Company has initiated legal action in the Superior Court of New Jersey, Chancery Division, against G3K, its three shareholders and certain corporate officers for fraudulently misrepresenting G3K's financial records in order to secure financing from the Company. The Company is working diligently to uncover the full extent of what it believes to be a highly sophisticated fraud and is seeking to recover loan proceeds. All legal options available are being examined. The Company did recover \$375,000 in principal prior to



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October 31, 2014. The loan had an outstanding balance of approximately \$5.6 million and had a fair value of \$0 as of October 31, 2014.

On May 1, 2014, the Company converted the JSC Tekers Holdings ( JSC Tekers ) \$12.0 million secured loan and accrued interest to preferred equity. The cost and fair value assigned to the preferred equity was approximately \$11.8 million. As a result of the loan conversion, the Company realized a loss of approximately \$190,000.

On May 19, 2014, the Company loaned an additional \$2.0 million to Inland. The total amount outstanding of the senior secured loan as of October 31, 2014 was \$15.0 million.

On May 30, 2014, the Company received an approximately \$2.9 million principal payment from U.S. Gas on its second lien loan. The second lien loan interest rate was adjusted to 13% and the maturity date was extended to July 1, 2019.

On June 30, 2014, the Company converted its Sanierungsgesellschaft fur Deponien und Altasten GmbH ( SGDA ) \$6.5 million term loan and accrued interest of approximately \$1.9 million to additional common equity interest in SGDA Europe.

On July 1, 2014, Marine repaid its \$11.7 million senior subordinated and \$1.5 million second lien loans in full including all accrued interest. The 20,000 shares of Marine's preferred stock was also sold for approximately \$3.8 million, which resulted in no gain or loss from the sale. During the fiscal year ended October 31, 2014, the Company received dividends totaling approximately \$760,000 from Marine.

On July 29, 2014, the Company sold its limited liability company interest in Octagon Credit Investors, LLC ( Octagon ) for approximately \$6.3 million resulting in a realized gain of approximately \$3.2 million.

On September 2, 2014, Security Holdings repaid its \$4.0 million bridge loan in full, including all accrued interest.

On October 3, 2014, Freshii USA, Inc. ( Freshii ) repaid its \$1.1 million senior secured loan in full, including all accrued interest. With this repayment and the removal of the warrant associated with Freshii, the Company recorded a net realized loss of approximately \$14,000.

On October 8, 2014, the Company received approximately \$6.3 million in proceeds related to the Summit escrow which was fair valued at approximately \$5.9 million, resulting in a realized gain of approximately \$377,000.

On October 31, 2014, the Company redeemed its convertible series A and series B preferred shares of Custom Alloy for \$23.0 million, which resulted in a realized gain of \$13.0 million. The Company then reinvested \$23.0 million in Custom Alloy in the form of a second lien loan with

an interest rate of 11% and a maturity date of April 30, 2020.

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During the fiscal year ended October 31, 2014, Custom Alloy made \$1.0 million of principal payments on its loan.

During the fiscal year ended October 31, 2014, the Company received a dividend of approximately \$67,000 from NPWT.

During the quarter ended January 31, 2014, the Valuation Committee increased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$18,000 and series B preferred stock by approximately \$4.0 million, NPWT common stock by \$1,000 and preferred stock by \$34,000, SGDA Europe equity interest by approximately \$649,000, Vestal Manufacturing Enterprises, Inc. ( Vestal ) common stock by \$3.0 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$2.2 million, Biovation warrants by \$162,000, and Freshii warrant by approximately \$15,000. In addition, increases in the cost basis and fair value of the loans to Marine Exhibition Corporation ( Marine ), Summit, Freshii, Biogenic and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,008,665. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$949,000 due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Centile equity interest by \$29,000, Security Holdings equity interest by \$304,000, Octagon equity interest by approximately \$1.2 million, MVC Automotive equity interest by approximately \$3.2 million, Velocitus equity interest by approximately \$1.9 million, Biovation bridge loan by approximately \$102,000, Foliofn, Inc. preferred stock by approximately \$1.1 million, Turf guarantee by \$92,000 and Tekers common stock by \$12,000. Also, during the quarter ended January 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased the cost basis and fair value of this investment by approximately \$101,000.

During the quarter ended April 30, 2014, the Valuation Committee increased the fair value of the Company's investments in Foliofn, Inc. preferred stock by \$127,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$900,000, Octagon equity interest by approximately \$1.1 million, Security Holdings equity interest by \$422,000, PrePaid Legal loan by \$100,000, Centile equity interest by \$57,000, Freshii warrant by approximately \$8,000 and Tekers common stock by \$7,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,118,793. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$987,000 due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$6,000 and series B preferred stock by approximately \$1.3 million, SGDA Europe equity interest by approximately \$111,000, MVC Automotive equity interest by approximately \$3.4 million, G3K loan by approximately \$5.6 million, NPWT common stock by approximately \$4,000 and preferred stock by approximately \$70,000, U.S. Gas preferred stock by \$9.0 million, Velocitus equity interest by approximately \$606,000 and the Biovation bridge loan by approximately \$20,000. Also, during the quarter ended April 30, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased only the cost basis of this investment by approximately \$181,000.

During the quarter ended July 31, 2014, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$359,000, Vestal common stock by approximately \$1.5 million, RuMe series C preferred stock by approximately \$75,000, Biogenic senior convertible note by \$275,000, MVC Automotive equity interest by approximately \$4.4 million, Biovation

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bridge loan by approximately \$103,000 and Advantage preferred stock by \$96,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$1,094,938. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$109,000, Velocitus equity interest by approximately \$198,000, Octagon equity interest by approximately \$730,000, Ohio Medical series A preferred stock by \$800,000, NPWT common stock by \$5,000 and preferred stock by \$104,000, Tekers common stock by \$111,000, SGDA Europe equity interest by approximately \$2.6 million, Security Holdings equity interest by \$564,000, Centile equity interest by \$76,000, JSC Tekers common and preferred stock by approximately \$499,000 and the Biovation warrants by approximately \$232,000. Also, during the quarter ended July 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon increased the cost basis of this investment by approximately \$204,000.

During the quarter ended October 31, 2014, the Valuation Committee increased the fair value of the Company's investments in MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$76,000, Centile equity interest by \$165,000, Security Holdings equity interest by \$2.1 million, RuMe series C preferred stock by approximately \$800,000, Biogenic senior convertible note by \$30,000, Advantage preferred stock by \$125,000, Summit loan by approximately \$253,000, Turf equity interest by \$525,000, Turf guarantee by approximately \$25,000, and Morey's loan by approximately \$253,000. In addition, increases in the cost basis and fair value of the loans to Summit, Freshii, Biogenic, Morey's, Inland and U.S. Gas were due to the capitalization of PIK interest totaling \$706,601. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$16,000, MVC Automotive equity interest by approximately \$4.5 million, NPWT common stock by approximately \$1,000 and preferred stock by approximately \$20,000, Velocitus equity interest by approximately \$5.7 million, Biovation warrants by \$240,000, SGDA Europe equity interest by approximately \$584,000, Biovation bridge loan by approximately \$420,000, Tekers common stock by \$136,000, JSC Tekers common and preferred stock by approximately \$5.1 million and the Turf loan by approximately \$31,000.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the Company's investments in Custom Alloy series A preferred stock by approximately \$12,000 and series B preferred stock by approximately \$2.7 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$3.6 million, Centile equity interest by \$117,000, PrePaid Legal loan by \$100,000, Freshii warrant by approximately \$23,000, Security Holdings equity interest by \$1.7 million, RuMe series C preferred stock by approximately \$875,000, Biogenic senior convertible note by \$305,000, Advantage preferred stock by \$221,000, Summit loan by approximately \$253,000, Turf equity interest by \$525,000, Morey's loan by approximately \$253,000 and Vestal common stock by approximately \$4.5 million. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey's, Inland and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling \$3,928,997. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately \$4.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company's investments in Foliofn, Inc. preferred stock by approximately \$1.1 million, MVC Automotive equity interest by approximately \$6.7 million, G3K loan by approximately \$5.6 million, NPWT common stock by approximately \$9,000 and preferred stock by approximately \$160,000, U.S. Gas preferred stock by \$9.0 million, Velocitus equity interest by approximately \$8.4 million, Ohio Medical series A preferred stock

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by \$800,000, Biovation warrants by \$311,000, SGDA Europe equity interest by approximately \$2.6 million, Biovation bridge loan by approximately \$439,000, Octagon equity interest by approximately \$750,000, Tekers common stock by \$252,000, JSC Tekers common and preferred stock by approximately \$5.6 million, Turf loan by approximately \$31,000 and the Turf guarantee by approximately \$67,000. Also, during the fiscal year ended October 31, 2014, the undistributed allocation of flow through income from the Company's equity investment in Octagon totaled approximately \$486,000. The \$486,000 increased the cost basis and \$101,000 increased the fair value of this investment.

At October 31, 2014, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$447.6 million with a cost basis of \$440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the 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 \$441.7 million and \$416.2 million, respectively. At October 31, 2013, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was \$417.9 million with a cost basis of \$372.0 million. At October 31, 2013, the fair value and cost basis of the Legacy Investments was \$7.0 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 \$410.9 million and \$348.2 million, respectively.

***Portfolio Companies***

During the six month period ended April 30, 2015, the Company had investments in the following portfolio companies:

***Actelis Networks, Inc.***

Actelis Networks, Inc. ( Actelis ), Fremont, California, a Legacy Investment, provides authentication and access control solutions designed to secure the integrity of e-business in Internet-scale and wireless environments.

At October 31, 2014 and April 30, 2015, the Company's investment in Actelis consisted of 150,602 shares of Series C preferred stock at a cost of \$5.0 million. The investment has been fair valued at \$0.

***Advantage Insurance Holdings***

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

At October 31, 2014, the Company's investment in Advantage consisted of 750,000 shares of preferred stock with a cost basis of \$7.5 million and a fair value of approximately \$7.7 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the preferred stock by \$8,000.

At April 30, 2015, the 750,000 shares of preferred stock had a cost basis of \$7.5 million and a fair value of approximately \$7.7 million.

Bruce Shewmaker, an officer of the Company, serves as a director of Advantage.

*Agri-Carriers Group Inc.*

Agri-Carriers Group, Inc. ( Agri-Carriers ), Covina, CA, is a transportation company focused on over-the-road, full-truckload transportation of agriculture products to be used in consumer food manufacturing.



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On December 30, 2014, the Company invested approximately \$11.8 million in Agri-Carriers in the form of a senior subordinated loan. The loan bears annual interest at 15% and has a maturity date of July 20, 2017.

At April 30, 2015, the Company's investment in Agri-Carriers consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately \$11.8 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

***Biogenic Reagents***

Biogenic, Minneapolis, Minnesota, is a producer of high-performance activated carbon products made from renewable biomass.

At October 31, 2014, the Company's investment in Biogenic consisted of two senior notes with maturity dates of July 21, 2018 and September 30, 2015, and a senior convertible note with a maturity date of July 21, 2018. The notes have an interest rate of 16%. The loans had a combined outstanding balance and cost basis of approximately \$14.0 million and a combined fair value of approximately \$14.3 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the senior convertible note by approximately \$242,000 and increased the fair value of the warrant by approximately \$1.1 million.

At April 30, 2015, the Company's loans had a combined outstanding balance and cost basis of approximately \$14.3 million and a combined fair value of approximately \$14.3 million. The warrant has a fair value of approximately \$1.1 million. The increase in cost and fair value of the loans is due to the capitalization of payment in kind interest. These increases were approved by the Company's Valuation Committee.

***Biovation Acquisition Co.***

BAC, Montgomery, Minnesota, is a manufacturer and marketer of environmentally friendly, organic and sustainable laminate materials and composites.

On April 20, 2015, BAC credit purchased the assets of Biovation. The Company received 90 shares of class B non-voting common stock in BAC as part of the transaction.

At April 30, 2015, the Company's investment consisted of 90 shares of class B non-voting common stock with cost basis and fair value of approximately \$535,000.

***Biovation Holdings Inc.***

Biovation, Montgomery, Minnesota, was a manufacturer and marketer of environmentally friendly, organic and sustainable laminate materials and composites.

At October 31, 2014, the Company's investment in Biovation consisted of a bridge loan with an annual interest of 12% and had a maturity date of October 31, 2014. The loan had an outstanding balance and cost basis of approximately \$3.8 million and a fair value of approximately \$3.4 million. The warrants had a cost of \$398,000 and a fair value of \$0.

On April 20, 2015, BAC credit purchased the assets of Biovation. The Company received 90 shares of class B non-voting common stock in BAC as part of the transaction and realized a loss of approximately \$2.2 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the loan by approximately \$3.4 million.

At April 30, 2015, the Company's investment consisted of a bridge loan with an outstanding balance and cost basis of approximately \$1.1 million and a fair value of \$0. The warrants had a cost of \$398,000 and a fair value of \$0. The Company reserved in full against all of the accrued interest starting August 1, 2014.

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Peter Seidenberg and Jim Lynch, representatives of the Company, serve as directors of Biovation.

***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, 2014, the Company's investment in Centile consisted of common equity interest at a cost of \$3.3 million and a fair value of approximately \$5.0 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately \$636,000.

At April 30, 2015, the Company's investment in Centile consisted of common equity interest at a cost of \$3.3 million and a fair value of approximately \$4.4 million.

Christopher Sullivan, a representative of the Company, serves as a director of Centile.

***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, 2014, the Company's investment in Custom Alloy consisted of an unsecured subordinated loan with a cost basis, outstanding balance and fair value of approximately \$6.5 million and a second lien loan with a cost basis, outstanding balance and fair value of approximately \$23.0 million. The second lien loan had an interest rate of 11% and a maturity date of April 30, 2020 and the unsecured subordinated loan had an interest rate of 12% and a maturity date of September 4, 2016.

During the six month period ended April 30, 2015, Custom Alloy made principal payments totaling \$3.5 million on its unsecured subordinated loan.

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During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the second lien loan by approximately \$95,000.

At April 30, 2015, the Company's investment in Custom Alloy consisted of an unsecured subordinated loan with a cost basis, outstanding balance and fair value of approximately \$3.0 million and a second lien loan with a cost basis and outstanding balance of approximately \$23.4 million and a fair value of approximately \$23.3 million. The increase in cost and fair value of the loans is due to the capitalization of payment in kind interest. These increases were approved by the Company's Valuation Committee.

### *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, 2014, 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 \$9.8 million.

At April 30, 2015, 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 \$8.6 million.

### *Foliofn, Inc.*

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

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At October 31, 2014, 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 \$5.9 million.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the preferred stock by approximately \$27,000.

At April 30, 2015, 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 \$5.9 million.

Bruce Shewmaker, an officer of the Company, serves as a director of Foliofn.

***G3K Displays, Inc.***

G3K, Hoboken, New Jersey, was a custom designer, manufacturer and installer of in-store environments, signage, displays and fixtures for major retailers such as Foot Locker, adidas and Luxottica.

On April 14, 2014, the Company agreed to provide G3K a \$10.0 million loan in three installments and made its first loan of \$6.0 million. The closing of the Company's G3K investment and first loan occurred following extensive due diligence, including receipt of an unqualified audit report on G3K's financial statements by an accounting firm and a separate quality of earnings review by another accounting firm. The Company has initiated legal action in the Superior Court of New Jersey, Chancery Division, against G3K, its three shareholders and certain corporate officers for fraudulently misrepresenting G3K's financial records in order to secure financing from the Company. The Company is working diligently to uncover the full extent of what it believes to be a highly sophisticated fraud and is seeking to recover loan proceeds. All legal options available are being examined. The Company did recover \$375,000 in principal prior to October 31, 2014.

At October 31, 2014, and April 30, 2015, the Company's investment in G3K consisted of a senior loan with an outstanding balance and cost basis of \$5.6 million and a fair value of \$0. The senior loan has an interest rate of 13% and a maturity date of April 11, 2019. The Company has reserved in full against all of the accrued interest starting April 14, 2014.

***Harmony Health & Beauty, Inc.***

HH&B, Purchase, New York, purchased the assets of Harmony Pharmacy on November 30, 2010, during a public UCC sale for approximately \$6.4 million. HH&B was a distributor of health and beauty products. The Company's initial investment consisted of 100,010 shares of common stock.

At October 31, 2014 and April 30, 2015, the Company's investment in HH&B consisted of 147,621 shares of common stock with a cost of \$6.7 million and fair value of \$0.

Michael Tokarz, Chairman of the Company, serves as a director of HH&B.

***Inland Environmental & Remediation LP***

Inland, Columbus, Texas, has developed a patented, environmentally-friendly recycling process to transform waste produced from oil field drilling sites into a road base product used in road construction.

At October 31, 2014, the Company's investment in Inland consisted of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019 and warrants for shares of common stock. The loan had an outstanding balance of \$15.0 million and a cost basis and fair value of approximately \$14.4 million. The warrants had a cost basis and fair value of \$713,000.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the warrant by \$713,000 and the senior secured loan by approximately \$1.4 million.

At April 30, 2015, the Company's investment in Inland consisted of a senior secured loan with an outstanding balance of \$15.0 million, a cost basis of \$14.4 million and a fair value of approximately \$13.0 million. The warrants had a cost basis of \$713,000 and a fair value of \$0.

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***JSC Tekers Holdings***

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

At October 31, 2014, the Company's investment in JSC Tekers consisted of preferred equity with a cost basis of \$11.8 million and a fair value of \$6.2 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$4,200.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the preferred stock by approximately \$594,000.

At April 30, 2015, the Company's investment in JSC Tekers consisted of preferred equity with a cost basis of \$11.8 million and a fair value of \$5.6 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$4,200.

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

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

On December 30, 2014, the Company invested \$8.7 million in Legal Solutions in the form of a senior subordinated loan. The loan bears annual interest at 14% and has a maturity date of September 12, 2018.

At April 30, 2015, the Company's investment in Legal Solutions consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately \$8.7 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

***Mainstream Data, Inc.***

Mainstream Data, Inc. ( Mainstream ), Salt Lake City, Utah, a Legacy Investment, develops and operates satellite, internet and wireless broadcast networks for information companies. Mainstream networks deliver text news, streaming stock quotations and digital images to subscribers around the world.

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At October 31, 2014 and April 30, 2015, the Company's investment in Mainstream consisted of 5,786 shares of common stock with a cost of \$3.75 million. The investment has been fair valued at \$0.

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

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

At October 31, 2014, the Company's investment in Morey's consisted of a second lien loan that had an outstanding balance and cost basis of \$15.3 million and a fair value of \$15.6 million. The loan had an interest rate of 10% and a maturity date of August 12, 2018.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the loan by approximately \$253,000.

At April 30, 2015, the loan had an outstanding balance and cost basis of \$15.6 million and a fair value of \$15.6 million. The increase in cost and fair value of the loan is due to the capitalization of PIK interest. The increase in the fair value due to the capitalization of PIK interest was approved by the Company's Valuation Committee.

### ***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, Belgium, and the Czech Republic.

At October 31, 2014, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$45.7 million and a fair value of approximately \$21.5 million. The



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mortgage guarantee for MVC Automotive was equivalent to approximately \$5.0 million at October 31, 2014. This guarantee was taken into account in the valuation of MVC Automotive.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the equity interest by approximately \$5.6 million.

At April 30, 2015, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$45.7 million and a fair value of approximately \$15.9 million. The mortgage guarantee for MVC Automotive was equivalent to approximately \$4.5 million at April 30, 2015. This guarantee was taken into account in the valuation of MVC Automotive.

Michael Tokarz, Chairman of the Company, and Christopher Sullivan, a representative of the Company, serve as directors of MVC Automotive.

***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 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.

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, 2014, the limited partnership interest in the PE Fund had a cost of approximately \$14.2 million and a fair value of approximately \$20.0 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$363,000 and a fair value of approximately \$504,000.

On December 31, 2014, the Company received distributions totaling \$388,000 from the PE Fund which was treated as a return of capital.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair values of the limited partnership and general partnership interests totaling approximately \$149,000.

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At April 30, 2015, the limited partnership interest in the PE Fund had a cost of approximately \$13.8 million and a fair value of approximately \$19.8 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$353,000 and a fair value of approximately \$500,000. As of April 30, 2015, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

***NPWT Corporation***

NPWT, Gurnee, Illinois, is a medical device manufacturer and distributor of negative pressure wound therapy products.

At October 31, 2014, the Company's investment in NPWT consisted of 281 shares of common stock with a cost basis of approximately \$1.2 million and a fair value of approximately \$5,000 and 5,000 shares of convertible preferred stock with a cost basis of \$0 and a fair value of \$81,000.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair values of the common stock and preferred stock totaling approximately \$51,000.

At April 30, 2015, the common stock had a cost basis of approximately \$1.2 million and a fair value of \$2,000. The convertible preferred stock had a cost basis of \$0 and a fair value of \$33,000.

Scott Schuenke, an officer of the Company, serves as a director of NPWT.

***Ohio Medical Corporation***

Ohio Medical, Gurnee, Illinois, is a manufacturer and supplier of suction and oxygen therapy products, medical gas equipment, and input devices.

At October 31, 2014, the Company's investment in Ohio Medical consisted of 8,512 shares of common stock with a cost basis of approximately \$15.8 million and a fair value of \$0, 28,981 shares of series A convertible preferred stock with a cost basis of \$30.0 million and a fair value of \$23.8 million and 9,178 shares of series C convertible preferred stock with a cost basis of \$22.6 million and a fair value of \$27.8 million.

During the six month period ended April 30, 2015, the fair value of the series C convertible preferred stock was increased by approximately \$2.3 million due to a PIK distribution, which was treated as a return of capital.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair values of the series A preferred stock by \$10.5 million.

At April 30, 2015, the Company's investment in Ohio Medical consisted of 8,512 shares of common stock with a cost basis of approximately \$15.8 million and a fair value of \$0, 31,346 shares of series A convertible preferred stock with a cost basis of \$30.0 million and a fair value of \$13.3 million and 9,927 shares of series C convertible preferred stock with a cost basis of \$22.6 million and a fair value of \$30.0 million.

Michael Tokarz, Chairman of the Company, and Peter Seidenberg, representative of the Company, serve as directors of Ohio Medical.

***Prepaid Legal Services, Inc.***

Prepaid Legal, Ada, Oklahoma, is the leading marketer of legal counsel and identity theft solutions to families and small businesses in the U.S. and Canada.

At October 31, 2014, the Company's investment in Prepaid Legal consisted of a \$9.9 million second lien loan, which was purchased at a discount. The interest rate on the loan is the greater of LIBOR plus 8.50% with a LIBOR floor of 1.25% or the ABR plus 7.5% with an ABR floor of 2.25% per annum. The loan matures on July 1, 2020. The loan had an outstanding balance of \$10.0 million, a cost basis of approximately \$9.9 million and a fair value of \$10.1 million.

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During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the loan by \$100,000.

At April 30, 2015, the Company's investment in Prepaid Legal consisted of a second lien loan, which was purchased at a discount. The interest rate on the loan is the greater of LIBOR plus 8.50% with a LIBOR floor of 1.25% or the ABR plus 7.5% with an ABR floor of 2.25% per annum. The loan matures on July 1, 2020. The loan had an outstanding balance of \$10.0 million, a cost basis of approximately \$9.9 million and a fair value of \$10.0 million. The increase in the cost of the loan is due to the amortization of the original issue discount.

***The Results Companies, LLC***

The Results Companies, LLC ( Results Companies ), Fort Lauderdale, FL, is a leading business process outsourcing provider of customer management solutions.

On December 30, 2014, the Company invested \$9.0 million in Results Companies in the form of a senior subordinated loan. The loan bears annual interest at 15.5% and has a maturity date of July 1, 2016.

At April 30, 2015, the Company's investment in Results Companies consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately \$9.0 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

***RXInnovation, Inc.***

RXInnovation, Inc. ( RXInnovation ), Fort Worth, TX, provides hardware and software products to pharmacies throughout the United States.

On December 30, 2014, the Company invested \$10.3 million in RXInnovation in the form of a senior subordinated loan. The loan bears annual interest at 16% and has a maturity date of March 1, 2017.

At April 30, 2015, the Company's investment in RXInnovation consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately \$10.3 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

***RuMe, Inc.***

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

At October 31, 2014, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis and fair value of approximately \$924,000, 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 \$1.1 million and 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$4.3 million.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the series C preferred stock by \$1.4 million and the Series B preferred stock by \$342,000.

At April 30, 2015, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis and fair value of approximately \$924,000, 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 \$1.4 million and 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$5.6 million.

Christopher Sullivan, a representative of the Company, serves as a director of RuMe.

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

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

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On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A., which is classified as restricted cash on the Company's consolidated balance sheet. This letter of credit is being used as collateral for a project guarantee by AB DnB NORD bankas to Security Holdings.

At October 31, 2014, the Company's common equity interest in Security Holdings had a cost basis of approximately \$52.9 million and a fair value of approximately \$50.6 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately \$2.0 million.

At April 30, 2015, the Company's common equity interest in Security Holdings had a cost basis of approximately \$52.9 million and a fair value of approximately \$48.6 million.

Christopher Sullivan, 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, 2014, the Company's equity investment had a cost basis of approximately \$28.5 million and a fair value of approximately \$10.0 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately \$2.1 million.

At April 30, 2015, the Company's equity investment had a cost basis of approximately \$28.5 million and a fair value of approximately \$7.9 million.

Christopher Sullivan, a representative of the Company, serves as a director of SGDA Europe.

***SIA Tekers Invest***

Tekers, Riga, Latvia, is a port facility used for the storage and servicing of vehicles.

At October 31, 2014, the Company's investment in Tekers consisted of 68,800 shares of common stock with a cost of \$2.3 million and a fair value of approximately \$1.2 million. There was no balance on the guarantee for Tekers at October 31, 2014.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the common stock by approximately \$191,000.

At April 30, 2015, the Company's investment in Tekers consisted of 68,800 shares of common stock with a cost of \$2.3 million and a fair value of approximately \$1.0 million. There was no balance on the guarantee for Tekers at April 30, 2015. This guarantee was taken into account in the valuation of Tekers.

***Summit Research Labs, Inc.***

Summit, Huguenot, New York, is a specialty chemical company that manufactures antiperspirant actives.

At October 31, 2013, the Company's investment in Summit consisted of a second lien loan that had an outstanding balance and cost basis of approximately \$25.1 million and a fair value of approximately \$25.4 million. The second lien loan bears annual interest at 14% and matures on October 1, 2018.

On November 26, 2014, Summit Research Labs, Inc. repaid its second lien loan in full including all accrued interest totaling approximately \$25.7 million.

At April 30, 2015, the Company no longer held an investment in Summit.

***Turf Products, LLC***

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





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At October 31, 2013, the Company's investment in Turf consisted of a senior subordinated loan, bearing interest at 11% per annum with a maturity date of November 1, 2018, membership interest and warrants. The senior subordinated loan had an outstanding balance, cost basis and a fair value of \$3.9 million. The membership interest had a cost of approximately \$3.5 million and a fair value of approximately \$4.0 million. The warrants had a cost of \$0 and a fair value of \$0. The Company also had a guarantee to Berkshire Bank that was fair valued at -\$67,000 or negative \$67,000.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the loan by approximately \$4,000.

At April 30, 2015, the senior subordinated loan had an outstanding balance, cost basis and a fair value of approximately \$3.9 million. The membership interest had a cost of approximately \$3.5 million and a fair value of approximately \$4.0 million. The warrants had a cost and fair value of \$0 and the guarantee was fair valued at -\$67,000 or negative \$67,000.

Michael Tokarz, Chairman of the Company, and Puneet Sanan and Shivani Khurana, representatives of the Company, serve as directors of Turf.

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

U.S. Gas, North Miami Beach, Florida, 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.

At October 31, 2014, the Company's investment in U.S. Gas consisted of a second lien loan, an unsecured loan, convertible Series I preferred stock and convertible Series J preferred stock. The second lien loan had an outstanding balance, cost and fair value of \$7.5 million and the unsecured loan with an outstanding balance, cost and fair value of approximately \$3.0 million. The second lien loan bears annual interest at 13% and has a maturity date of July 1, 2019. The unsecured loan bears annual interest at 14% and has a maturity date of July 1, 2018. The 32,200 shares of convertible Series I preferred stock had a fair value of \$83.7 million and a cost of \$500,000 and the 8,216 shares of convertible Series J preferred stock had a cost and fair value of \$0.

At April 30, 2015, the loans had a combined outstanding balance, cost basis and a fair value of approximately \$10.6 million. The increases in the outstanding balance, cost and fair value of the loan are due to the capitalization of payment in kind interest. The increase in the fair value was approved by the Company's Valuation Committee. The convertible Series I preferred stock had a fair value of approximately \$83.7 million and a cost basis of \$500,000 and the convertible Series J preferred stock had a cost basis and fair value of \$0.

Puneet Sanan and Peter Seidenberg, representatives of the Company, serve as Chairman and director, respectively, of U.S. Gas and Warren Holtsberg, a director of the Company, also serves as a director of U.S. Gas.

*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, 2014, the Company's investment in SCSD consisted of 784 shares of class B common stock with a cost and fair value of approximately \$5.5 million and a secured loan with 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 May 2, 2019.

During the six month period ended April 30, 2015, the Valuation Committee increased the fair value of the common stock by \$387,000.

At April 30, 2015, 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 \$5.9 million. The secured loan 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.

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***Velocitius B.V.***

Velocitius, a Netherlands based holding company, manages wind farms based in Germany through operating subsidiaries.

At October 31, 2014, the Company's investment in Velocitius consisted of an equity investment with a cost of \$11.4 million and a fair value of approximately \$11.5 million.

During the six month period ended April 30, 2015, the Valuation Committee decreased the fair value of the equity investment by approximately \$2.0 million.

At April 30, 2015, the equity investment in Velocitius had a cost of approximately \$11.4 million and a fair value of approximately \$9.4 million.

Peter Seidenberg, a representative of the Company, serves as a director of Velocitius.

***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, 2014 and April 30, 2015, the Company's investment in Vestal consisted of a senior subordinated promissory note and 81,000 shares of common stock. The senior subordinated note had an annual interest of 12%, a maturity date of April 29, 2015 and an outstanding balance, cost, and fair value of \$600,000. The 81,000 shares of common stock had a cost basis of \$1.9 million and a fair value of approximately \$16.9 million.

Bruce Shewmaker and Scott Schuenke, officers of the Company, serve as directors of Vestal.

**Liquidity and Capital Resources**

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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, 2015, the Company had investments in portfolio companies totaling \$434.3 million. Also, at April 30, 2015, the Company had approximately \$3.8 million in cash equivalents, approximately \$5.8 million in cash and approximately \$6.1 million in restricted cash equivalents, \$5.6 million related to the project guarantee for Security Holdings and approximately \$465,000 related to a forward currency contract.. The Company considers all money market and other cash 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, 2015, the Company made four new investments, committing capital totaling approximately \$39.8 million. The investments were made in RX (\$10.3 million), Agri-Carriers (\$11.8 million), Legal Solutions (\$8.7 million) and Results Companies (\$9.0 million).

Table of Contents**Current commitments include:*****Commitments of the Company:***

At April 30, 2015 and October 31, 2014, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company	Amount Committed		Amount Funded at April 30, 2015	
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, 2014	
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, 2015 and October 31, 2014, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed		Amount Funded at April 30, 2015	
MVC Automotive	\$	4.5 million		
Tekers				
Turf	\$	1.0 million		
<b>Total</b>	<b>\$</b>	<b>5.5 million</b>		

Guarantee	Amount Committed		Amount Funded at October 31, 2014	
MVC Automotive	\$	5.0 million		
Tekers				
Turf	\$	1.0 million		
<b>Total</b>	<b>\$</b>	<b>6.0 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, 2015, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be -\$67,000 or negative \$67,000.

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

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On July 19, 2007, the Company agreed to guarantee a 1.4 million Euro mortgage for Tekers. The guarantee did not have an outstanding balance as of April 30, 2015.

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 (equivalent to approximately \$4.5 million at April 30, 2015) through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. The Company has consistently reported the amount of the guarantee as 4.0 million Euro. The Company and MVC Automotive continue to view this amount as the full amount of our commitment. Erste Bank, the bank extending the mortgage to MVC Automotive, believes, based on a different methodology, that the balance of the guarantee as of April 30, 2015 is approximately 6.2 million Euro (equivalent to approximately \$7.0 million).

The Company guaranteed \$1.0 million of Turf's indebtedness to Berkshire Bank, which had a fair value of -\$67,000 or negative \$67,000 as of April 30, 2015.

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On March 31, 2010, the Company pledged its Series I and Series J preferred stock of U.S. Gas to Macquarie Energy, LLC ( Macquarie Energy ) as collateral for Macquarie Energy's trade supply credit facility to U.S. Gas.

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. As of April 30, 2015, \$14.6 million of the Company's commitment has been contributed.

On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A. (equivalent to approximately \$5.6 million at April 30, 2015), which is classified as restricted cash on the Company's consolidated balance sheet. This letter of credit is being used as collateral for a project guarantee by AB DnB NORD bankas to Security Holdings.

On November 30, 2011, the Company pledged its common stock and series A convertible preferred stock of Ohio Medical to collateralize a loan made to Ohio Medical by another financial institution. On June 27, 2013, the Company pledged its series C convertible preferred stock of Ohio Medical to further collateralize the same third party loan made to Ohio Medical in 2011.

On April 17, 2014, the Company loaned \$13.0 million of its \$15.0 million commitment to Inland in the form of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019. The Company also received warrants for shares of common stock in Inland and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On May 19, 2014, the Company loaned the remaining \$2.0 million to Inland. The total amount outstanding as of April 30, 2015 is \$15.0 million.

***Commitments of the Company***

Effective November 1, 2006, under the terms of the Investment Advisory and Management Agreement with TTG Advisers, which has since been amended and restated (the Advisory Agreement ), and described in Note 4 of the consolidated financial statements, Management, TTG Advisers is responsible for providing office space to the Company and for the costs associated with providing such office space. The Company's offices continue to be located on the second floor of 287 Bowman Avenue, Purchase, New York 10577.

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 bear interest at a 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.



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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

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administrative agent for the lenders in full, including all accrued interest. The Company intends to use 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 will also bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. As of April 30, 2015, the total outstanding amount of the Senior Notes was approximately \$114.4 million with a market value of approximately \$115.6 million. The market value of the Senior Notes is based on the closing price of the security as of April 30, 2015 on the New York Stock Exchange (NYSE:MVCB).

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility (Credit Facility II) with Branch Banking and Trust Company (BB&T). At October 31, 2013, the balance of Credit Facility II was \$50.0 million. On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. Credit Facility II was renewed and will now expire on October 31, 2015, at which time all outstanding amounts under it will be due and payable. During the six month period ended April 30, 2015, the Company's net repayments on Credit Facility II were \$5.0 million, resulting in an outstanding balance of \$95.0 million at April 30, 2015. Credit Facility II will be 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 100 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.

On December 30, 2014, the Company entered into a 6 month, \$25.0 million bridge loan (Bridge Loan) with Firsttrust Bank, initially borrowing approximately \$15.9 million. Prior to maturity, the Bridge Loan was extended to October 31, 2015. During the six month period ended April 30, 2015, the Company made principal payments totaling \$3.5 million, resulting in an outstanding balance of approximately \$12.5 million. Borrowings under the Bridge Loan will bear interest at 5%. The Company paid closing fees, legal and other costs associated with the transaction. These costs will be amortized over the life of the Bridge Loan. See Note 16 Subsequent Events for additional information.

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 1, 2015, the Company sold 2,893 shares of common stock in Ohio Medical for a nominal amount resulting in no realized gain or loss.

On May 27, 2015, the Company invested approximately \$1.1 million in MVC Automotive for additional common equity interest.



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On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately \$17.9 million which includes a \$1.0 million dividend and assumes receipt of the escrow proceeds. The \$600,000 loan was also repaid in full including all accrued interest. As part of the transaction, the Company reinvested approximately \$6.3 million in the form of a subordinated loan, \$250,000 for 5,610 shares of common stock and a warrant with no cost. The loan has an interest rate of 15% and matures on November 28, 2021.

On June 3, 2015, the Company invested \$250,000 in Centile for additional common equity interest.

On June 11, 2015, the Company loaned \$2.0 million to Thunderdome Restaurants LLC in the form of a second lien loan. The loan has an interest rate of 12% and matures on June 10, 2020.

On June 19, 2015, the Company monetized a majority of its investment in Velocitus, receiving approximately \$9.2 million in proceeds, which included a dividend and closing fees and was net of a minimal currency loss. On October 16, 2015, the Company sold its remaining common equity interest in Velocitus and received zero proceeds resulting in a realized loss of approximately \$2.7 million.

On June 23, 2015, the Company loaned approximately \$4.8 million to Initials, Inc. in the form of a senior subordinated loan. The loan has an interest rate of 15% and matures on June 22, 2020.

On June 29, 2015, Ernst & Young LLP ( E&Y ) informed the Company of its determination not to stand for reappointment as the independent registered public accounting firm of the Fund for the fiscal year ending October 31, 2015. The Fund's Audit Committee accepted that determination at a meeting held the following day.

During the month ended June 30, 2015, Prepaid Legal repaid its \$10.0 million loan in full, including all accrued interest.

On July 7, 2015, the Company invested \$1.0 million into Biogenics in the form of a senior secured bridge loan and a warrant. The loan has an interest rate of 16% and matures on September 15, 2015.

On July 17, 2015, the Company loaned \$5.0 million to United States Technologies, Inc. in the form of a senior term loan. The loan has an interest rate of 10.5% and matures on July 17, 2020.

On July 17, 2015, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on July 31, 2015 to shareholders of record on July 27, 2015. The total distribution amounted to \$3,064,881.

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On July 31, 2015, the Company renewed Credit Facility II with a new maturity date of September 30, 2015. On September 30, 2015, the maturity date of Credit Facility II was extended to November 30, 2015.

On October 16, 2015, the Company's Board of Directors declared a dividend of \$0.135 per share. The dividend was paid on October 30, 2015 to shareholders of record on October 26, 2015. The total distribution amounted to \$3,064,880.84.

On October 19, 2015, the Company invested an additional \$1.7 million in MVC Automotive.

On October 29, 2015, the Board approved renewal of the Advisory Agreement for the 2016 fiscal year. Further, the Adviser agreed to waive the base management fee so that it is reduced to 1.50% for the 2016 fiscal year. In addition, the Adviser agreed to waive \$1 million of any incentive fee on capital gains

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if and when payable to the Adviser under the Advisory Agreement. Furthermore, the Company and the Adviser agreed to reduce the expense cap for fiscal 2016 to 3.25% under the Modified Methodology.

On October 30, 2015, the Bridge Loan's maturity date was extended to December 31, 2015.

On October 30, 2015, the Company realized a loss of \$6.7 million with the dissolution of Harmony.

On November 3, 2015, Results Companies repaid its loan in full including all accrued interest totaling approximately \$10.0 million.

On November 20, 2015, the Company invested an additional \$538,000 in MVC Automotive.

On November 24, 2015, the Company and certain shareholders of Ohio Medical signed an asset purchase agreement with a wholly owned subsidiary formed by Tenex Capital Management. The sale of the assets of Ohio Medical is subject to anti-trust review as required by the Hart-Scott-Rodino Act and other closing conditions. The transaction is expected to close in December 2015. The estimated proceeds to be received upon closing including fees and funds held in escrow is approximately \$38.5 million.

**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 78.68% of the Company's total assets at April 30, 2015. 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.

***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, if not 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

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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.

***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, 2015, approximately 77.12% of our total assets represented portfolio investments and escrow receivables 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 currently 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.

***Economic recessions or downturns, including the current economic instability in Europe and the United States, 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 economic slowdowns or recessions. An economic slowdown 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. Through the date of this report, conditions in the public debt and equity markets have been volatile and pricing levels have performed similarly. As a result, 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

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operations. If current market conditions continue, or worsen, it may adversely impact our ability to deploy our investment strategy and achieve our investment objective.

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 generally. 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. In addition, the global financial markets have not fully recovered from the global financial crisis and the economic factors which gave rise to the crisis. The continuation of current global market conditions, uncertainty or further deterioration, including the economic instability in Europe, could result in further declines in the market values of the Company investments. Such declines could also 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 while such adverse market conditions prevail.

***Our borrowers may default on their payments, which could adversely affect 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 make 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 investments. Our debt investments are typically not 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.

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

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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 dispose of such equity interests and 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 resell. Accordingly, we may not be able to realize gains

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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.

***Our investments in small and middle-market privately-held companies are extremely risky and you could lose your 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.
- *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

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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 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.

*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 anticipate making debt and minority equity investments; therefore, we will be 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 your investment to lose value and could become worthless.

*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

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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 we own. 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 securities ranking equally with securities in which we invest, we would have to share on an equal basis any distributions with such investors in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. As a result, we may not obtain the full value of our investment in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***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 in a limited number of industries. As of April 30, 2015, the fair value of our largest investment, U.S. Gas, comprised 29.8% 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.

***As a result of our significant portfolio investment in U.S. Gas, we are particularly subject to the risks of that company and the energy services industry.***

Given the extent of our investment in U.S. Gas, the Company is particularly subject to the risks impacting U.S. Gas and the energy service industry.

U.S. Gas'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 U.S. Gas's results of operations and harm its financial condition. U.S. Gas 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 U.S. Gas can obtain for power sales may not change at the same rate as changes in fuel costs. These factors could reduce U.S. Gas's margins and therefore diminish its revenues and results of operations.

U.S. Gas relies on a firm supply source to meet its energy management obligations for its customers. Should U.S. Gas'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. U.S. Gas depends on natural gas pipelines and other





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storage and transportation facilities owned and operated by third parties to deliver natural gas to wholesale markets and to provide retail energy services to customers. If transportation or storage of natural gas is disrupted, including for reasons of force majeure, the ability of U.S. Gas to sell and deliver its services may be hindered. As a result, it may be responsible for damages incurred by its customers, such as the additional cost of acquiring alternative supply at then-current market rates. Additionally, U.S. Gas depends on transmission facilities owned and operated by unaffiliated power companies to deliver the power it sells at wholesale. If transmission is disrupted, or transmission capacity is inadequate, U.S. Gas may not be able to deliver its wholesale power.

U.S. Gas is subject to substantial regulation by federal, state and local regulatory authorities. It is required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. U.S. Gas 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 U.S. Gas.

***The Recent Polar Vortex***

A confluence of issues in January and February 2014 associated with the 2013-2014 winter season's polar vortex resulted in extraordinarily large spikes in the prices of wholesale electricity and, to some extent, natural gas in markets where U.S. Gas and other retail providers purchase their supply. U.S. Gas responded by taking various actions, including providing rebates to hard hit customers.

A repeat of these or comparable circumstances could similarly harm margins and profitability in the future, and U.S. Gas could find it necessary to take similar or other actions that may have a negative impact on its financial condition and results of operations in order to mitigate the impact of extreme weather and retain customers.

As a result of price increases caused by the polar vortex, customers of U.S. Gas and other industry competitors filed claims or complaints regarding their bills during the 2013-2014 winter season, many of which have been reported to local public utility commissions and other regulatory bodies. In addition to dealing with any private litigation, regulatory bodies may take action to counter actual or perceived violations of regulations that could have a negative impact on retail energy providers such as U.S. Gas, even if such actions are successfully defended. Legislators and regulators may enact or modify laws or regulations to prevent the repetition of the price spikes discussed above, which could negatively impact U.S. Gas financial condition and results of operation.

***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). 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. 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.

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***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.***

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 portfolio company than a private equity fund not subject to the same regulations. Furthermore, some of our competitors have greater resources than we do. Increased 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.

***Complying with the RIC requirements may cause us to forego 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 limits us from making additional 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. Furthermore, as a result of the foregoing restrictions, the Board has approved an amended policy for the allocation of investment opportunities, which requires TTG Advisers to give first priority to the PE Fund for all equity investments that would otherwise be Non-Diversified Investments for the Company.

***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 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.

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*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:

- 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 in derivative securities related to our common stock 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, including the current restriction on our ability to make Non-Diversified Investments;
- 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; 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 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, have traded at a premium to our NAV, currently, our shares are trading at a discount to NAV, which discount may fluctuate over time.

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

To fund new investments, we may need to issue periodically equity securities or borrow from financial institutions. Unfavorable economic conditions 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.

*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

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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. 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. Recent turmoil in the credit markets has greatly reduced the availability of debt financing. 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.

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

On October 31, 2014, the Company did not have a net capital loss carryforward. The Company had approximately \$17.9 million in unrealized losses associated with Legacy Investments as of April 30, 2015.

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. The Regulated Investment Company Modernization Act of 2010, which was enacted on December 22, 2010, changed various technical rules governing the tax treatment of regulated investment companies, including the treatment of capital loss carryforwards. Please see Note 12 of our consolidated financial statements Tax Matters for more information.

***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.***

## Edgar Filing: MVC CAPITAL, INC. - Form 10-Q

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



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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 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.

***During certain periods, our distribution proceeds (dividends) 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 distribution proceeds 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.

***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.

## Edgar Filing: MVC CAPITAL, INC. - Form 10-Q

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.

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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.

As of April 30, 2015, we had \$95 million in borrowings under our short-term credit facility, Credit Facility II (as defined above). Further, we have approximately \$114.4 million in aggregate principal amount of Senior Notes and an approximately \$12.4 million bridge loan outstanding (as defined above).

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 any particular time will depend on our management's and our Board of Directors' assessments of market and other factors at the time of any proposed borrowing. The Senior Notes and Credit Facility II impose 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. 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.

***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 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 the Company 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 the Company.

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), 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 investment opportunities in mezzanine and debt securities as well as non-control equity investments in small and middle market U.S. companies.

***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.



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***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 net capital gains 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 net capital gains 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 original issue discount 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 original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discounts and include such amounts in our taxable income in the current year, instead of upon disposition, as an election not to do so would limit our ability to deduct interest expenses for tax purposes.

Any original issue discount 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 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



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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 Adviser 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 Adviser based on non-cash accruals that ultimately may not be realized, while TTG Adviser will be under no obligation to reimburse the Company for these fees.

***Changes in the law or regulations that govern business development companies and RICs, including changes in tax 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.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### ***Evaluation of Disclosure Controls and Procedures***

Management, with the participation of the individual who performs the functions of the Company's Principal Executive Officer ( CEO ) and the individual who performs the functions of the Principal Financial Officer ( CFO ), has evaluated the effectiveness of the Company's disclosure controls and procedures 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, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended were not effective because of the material weakness in our internal control over financial reporting, as described in Management's Report On Internal Control Over Financial Reporting in Item 9A of our Annual Report on Form 10-K for the year ended October 31, 2014 (the 2014 10-K ), which

continued to exist as of April 30, 2015.

***Remediation of Material Weakness in Internal Control over Financial Reporting***

We are in the process of improving our controls to remediate the material weakness that existed as of October 31, 2014 and April 30, 2015. As discussed in the 2014 10-K, to address the material weakness, in the second half of 2015 the Company has adopted a corrective action plan which will add new and/or



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enhance existing controls surrounding the valuation process and financial reporting oversight of various controlled/affiliated portfolio companies, including additional reviews (by one or more MVC Capital representatives) of the financial reporting of controlled and certain affiliated portfolio companies and additional reviews and testing of valuation data of these controlled/affiliated portfolio companies. The Company has also enhanced its internal audit plan to incorporate risk assessments of controlled and certain affiliated portfolio companies. In addition, the Company has retained a third party consultant to perform external reviews of certain fair valuations. While some of the remediation actions are in process, this will take time to be fully integrated and confirmed to be effective and sustainable. Until the remediation steps are fully implemented and tested, the material weakness described above will continue to exist.

Management does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting (even if fully remediated) will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

***Changes in Internal Control over Financial Reporting***

Other than the changes related to the material weakness and related remediation described in the 2014 10-K, there has been no change in the Company's internal control over financial reporting that occurred during the second quarter of 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**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, 2015.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. (Removed and Reserved)**

**Item 5. Other Information**

None.

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**ITEM 6. EXHIBITS**

(a) Exhibits

<b>Exhibit No.</b>	<b>Exhibit</b>
31	Rule 13a-14(a) Certifications.
32	Section 1350 Certifications.

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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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.

MVC CAPITAL, INC.

Date: 12/1/15

/s/ Michael Tokarz  
Michael Tokarz

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

MVC CAPITAL, INC.

Date: 12/1/15

/s/ Scott Schuenke  
Scott Schuenke

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