

MVC CAPITAL, INC.
Form 10-Q/A
April 24, 2018
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FORM 10-Q/A

(Amendment No. 1)

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 January 31, 2018 or

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

Commission File Number 814-00201

MVC CAPITAL, INC.

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

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

10577
(Zip Code)

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

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

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

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

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

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

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

There were 18,820,528 shares of the registrant's common stock, \$.01 par value, outstanding as of March 12, 2018.

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Explanatory Note

The sole purpose of this Amendment No. 1 on Form 10-Q/A to the Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2018 (the "Original Filing") for MVC Capital Inc. (the "Company"), which was filed with the Securities and Exchange Commission on March 12, 2018, is to amend Note 15 "Significant Subsidiaries" of Item 1 "Consolidated Financial Statements" of the Original Filing to include financial information relating to the fourth quarter of 2017 for Equus Total Return, Inc. ("Equus"), which was a significant subsidiary of the Company for the January 31, 2017 period. As disclosed in the Original Filing, the financial information for Equus was not included in the Original Filing because Equus had not yet filed its Form 10-K for the December 31, 2017 period. (Equus' Form 10-K has now been filed.) In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment No. 1 includes currently dated certifications from the Registrant's Chief Executive Officer and Chief Financial Officer. No other items of the Original Filing and no other disclosures under Item 1 are being amended hereby (except for updating Note 16 for subsequent events since the date of the Original Filing).

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(A Delaware Corporation)

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	January 31, 2018 (Unaudited)	October 31, 2017
ASSETS		
Assets		
Cash	\$ 54,989,062	\$ 100,354,340
Restricted cash (cost \$5,300,405 and \$5,300,329)	5,300,405	5,300,329
Cash equivalents (cost \$1,212,638 and \$1,019,899)	1,212,638	1,019,899
Investments at fair value		
Non-control/Non-affiliated investments (cost \$178,610,265 and \$164,581,094)	159,305,526	149,246,812
Affiliate investments (cost \$114,313,172 and \$114,158,346)	86,316,736	81,908,631
Control investments (cost \$84,503,275 and \$84,478,275)	62,410,794	61,370,030
Total investments at fair value (cost \$377,426,712 and \$363,217,715)	308,033,056	292,525,473
Dividends and interest receivables, net of reserves	1,844,785	1,806,335
Deferred financing fees	461,824	600,379
Fee and other receivables	1,675,373	1,483,793
Prepaid expenses	246,974	318,847
Total assets	\$ 373,764,117	\$ 403,409,395
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Senior notes II	\$ 111,492,375	\$ 112,626,045
Senior notes		
Provision for incentive compensation (Note 11)	2,327,581	2,060,992
Incentive compensation payable	2,502,961	4,387,266
Professional fees payable	164,337	118,403
Management fee payable	1,048,210	1,001,770
Accrued expenses and liabilities	535,014	562,473
Interest payable	319,444	345,612
Management fee payable - Asset Management	88,688	89,192
Consulting fees payable	159,891	347,863
Portfolio fees payable - Asset Management	507,549	458,566
Guarantees/Letters of Credit	665,800	551,349
Transaction fees payable	1,368,742	1,368,742
Taxes payable	2,534	2,054
Total liabilities	121,183,126	123,920,327
Commitments and Contingencies (Note 9)		

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Shareholders equity

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

	283,044	283,044
Additional paid-in-capital	418,173,353	418,208,458
Accumulated earnings	119,965,307	122,455,573
Distributions paid to stockholders	(160,237,684)	(157,414,605)
Accumulated net realized (loss) gain	38,437,380	38,434,807
Net unrealized depreciation	(67,527,475)	(70,965,264)
Treasury stock, at cost, 9,483,920 and 7,190,343 shares held, respectively	(96,512,934)	(71,512,945)

Total shareholders equity	252,580,991	279,489,068
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Total liabilities and shareholders equity	\$ 373,764,117	\$ 403,409,395
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Net asset value per share	\$ 13.42	\$ 13.24
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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 Ended January 31, 2018	For the Quarter Ended January 31, 2017
Operating Income:		
Dividend income		
Non-control/Non-affiliated investments	\$ 538,652	\$
Total dividend income	538,652	
Interest income		
Non-control/Non-affiliated investments	3,524,682	1,507,102
Affiliate investments	10,878	585,319
Control investments	74,234	133,473
Total interest income	3,609,794	2,225,894
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	625,831	302,961
Affiliate investments	54,854	179,704
Control investments	25,212	61,958
Total payment-in-kind/Deferred interest income	705,897	544,623
Fee income		
Non-control/Non-affiliated investments	67,419	72,897
Affiliate investments		180,000
Control investments		37,500
Total fee income	67,419	290,397
Fee income - Asset Management 1		
Portfolio fees	196,102	235,864
Management fees	88,673	83,222
Total fee income - Asset Management	284,775	319,086
Total operating income	5,206,537	3,380,000
Operating Expenses:		
Interest and other borrowing costs	3,117,024	2,538,096
Loss on extinguishment of debt	1,782,705	
Management fee	1,411,008	1,813,915
Net Incentive compensation (Note 11)	266,589	759,774
Audit & tax preparation fees	435,000	455,000
Legal fees	228,020	78,525
Consulting fees	209,000	275,555
Other expenses	181,260	367,446
Portfolio fees - Asset Management 1	147,077	176,898

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Directors' fees	79,000	106,514
Insurance	67,086	72,219
Management fee - Asset Management 1	66,505	62,417
Administration	42,816	50,646
Public relations fees	38,100	47,000
Printing and postage	15,385	21,007
Total operating expenses	8,086,575	6,825,012
Less: Voluntary Expense Waiver by Adviser 2	(37,500)	(37,500)
Less: Voluntary Management Fee Waiver by Adviser 3	(352,752)	(453,479)
Total waivers	(390,252)	(490,979)
Net operating (loss) before taxes	(2,489,786)	(2,954,033)
Tax Expenses:		
Current tax expense	480	480
Total tax expense	480	480
Net operating (loss)	(2,490,266)	(2,954,513)
Net Realized and Unrealized (Loss) Gain on Investments:		
Net realized gain (loss) on investments		
Short term investments		97,184
Control investments		10,923,023
Foreign currency	2,573	4,549
Total net realized gain (loss) on investments	2,573	11,024,756
Net unrealized appreciation (depreciation) on investments	3,437,789	(3,692,821)
Net realized and unrealized gain (loss) on investments	3,440,362	7,331,935
Net increase in net assets resulting from operations	\$ 950,096	\$ 4,377,422
Net increase in net assets per share resulting from operations	\$ 0.05	\$ 0.19
Dividends declared per share 4	\$ 0.150	\$ 0.135
Weighted average number of shares outstanding	20,191,688	22,556,412

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

² Reflects the quarterly portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2018 and 2017 fiscal years, that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement (the "Voluntary Waiver"). Please see Note 10 Management for more information.

³ Reflects the quarterly portion of the TTG Advisers' voluntary waiver of the management fee for the 2018 and 2017 fiscal years. Please see Note 10 Management for more information.

⁴Please see Note 6 Dividends and Distributions to Shareholders and Share Repurchase Program for more information.

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

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MVC Capital, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	For the Quarter Ended January 31, 2018	For the Quarter Ended January 31, 2017
Cash flows from Operating Activities:		
Net decrease in net assets resulting from operations	\$ 950,096	\$ 4,377,422
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gain (loss)	(2,573)	(11,024,756)
Net change in unrealized (appreciation) depreciation	(3,437,789)	3,692,821
Amortization of premiums (discounts) and fees	(38,555)	(63,474)
Increase in accrued payment-in-kind dividends and interest	(715,324)	(511,649)
Amortization of deferred financing fees	272,777	259,286
Loss on extinguishment of debt	1,782,705	
Changes in operating assets and liabilities:		
Restricted cash	(76)	(146)
Dividends, interest and fees receivable	(38,450)	2,910,816
Fee and other receivables	(191,580)	(84,519)
Escrow receivables, net of reserves		4,146,910
Prepaid expenses	71,873	(60,899)
Net incentive compensation (Note 11)	(1,617,716)	(336,306)
Other liabilities	(100,267)	(299,185)
Purchases of equity investments	(400,847)	(59,375)
Purchases of debt instruments	(14,015,335)	(909,743)
Purchases of short-term investments		(24,995,573)
Proceeds from equity investments (1)		13,643,783
Proceeds from debt instruments	3,200,000	30,000
Sales/maturities of short-term investments		35,095,887
Net cash provided by (used in) operating activities	(14,281,061)	25,811,300
Cash flows from Financing Activities:		
Borrowings from senior notes II	115,000,000	
Repayments on senior notes	(114,408,750)	
Borrowings from revolving credit facility		25,000,000
Repayments from revolving credit facility		(35,000,000)
Repurchase of common stock	(25,035,094)	
Financing fees paid	(3,624,555)	
Distributions paid to shareholders	(2,739,906)	(2,979,028)
Repurchases of common stock under dividend reinvestment plan	(83,173)	(66,088)
Net cash used in financing activities	(30,891,478)	(13,045,116)
Net change in cash and cash equivalents for the period	(45,172,539)	12,766,184
Cash and cash equivalents, beginning of period	\$ 101,374,239	\$ 10,214,160
Cash and cash equivalents, end of period	\$ 56,201,700	\$ 22,980,344

(1) For the quarter ended January 31, 2017, proceeds from equity investments includes \$0, in escrow receivables, net of reserves.

During the quarters ended January 31, 2018 and 2017 MVC Capital, Inc. paid \$2,718,599 and \$2,108,571 in interest expense, respectively.

During the quarters ended January 31, 2018 and 2017 MVC Capital, Inc. paid \$0 and \$0 in income taxes, respectively.

Non-cash activity:

During the quarters ended January 31, 2018 and 2017, MVC Capital, Inc. recorded payment in-kind dividend and interest of \$715,324 and \$511,649, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the quarters ended January 31, 2018 and 2017, the Company issued 7,670 and 7,676 shares of common stock to satisfy the dividend reinvestment plan.

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

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

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

	For the Quarter Ended January 31, 2018 (Unaudited)	For the Quarter Ended January 31, 2017 (Unaudited)	For the Year Ended October 31, 2017
Operations:			
Net operating loss	\$ (2,490,266)	\$ (2,954,513)	\$ (5,598,822)
Net realized (loss) gain on investments	2,573	11,024,756	89,895,631
Net change in appreciation (depreciation) unrealized appreciation on investments	3,437,789	(3,692,821)	(56,972,810)
Net increase in net assets from operations	950,096	4,377,422	27,323,999
Shareholder Distributions from:			
Income		(3,045,116)	(9,738,519)
Return of capital	(2,823,079)		(2,563,946)
Net decrease in net assets from shareholder distributions	(2,823,079)	(3,045,116)	(12,302,465)
Capital Share Transactions:			
Issuance of common stock under dividend reinvestment plan	83,173	66,088	283,120
Repurchase of common stock under dividend reinvestment plan	(83,173)	(66,088)	(283,120)
Repurchase expenses	(35,105)		(90,251)
Repurchase of common stock	(24,999,989)		(14,999,993)
Net decrease in net assets from capital share transactions	(25,035,094)		(15,090,244)
Total increase (decrease) in net assets	(26,908,077)	1,332,306	(68,710)
Net assets, beginning of period/year	279,489,068	279,557,778	279,557,778
Net assets, end of period/year	\$ 252,580,991	\$ 280,890,084	\$ 279,489,068
Common shares outstanding, end of period/year	18,820,528	22,556,412	21,114,105

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 Quarter Ended January 31, 2018 (Unaudited)	For the Quarter Ended January 31, 2017 (Unaudited)	For the Year Ended October 31, 2017
Net asset value, beginning of period/year	\$ 13.24	\$ 12.39	\$ 12.39
(Loss) Gain from operations:			
Net operating (loss) gain	(0.12)	(0.13)	(0.25)
Net realized and unrealized loss on investments	0.17	0.32	1.47
Total gain from investment operations	0.05	0.19	1.22
Less distributions from:			
Income		(0.13)	(0.44)
Return of capital	(0.15)		(0.12)
Total distributions	(0.15)	(0.13)	(0.56)
Capital share transactions			
Anti-dilutive effect of share repurchase program	0.28		0.19
Total capital share transactions	0.28		0.19
Net asset value, end of period/year	\$ 13.42	\$ 12.45	\$ 13.24
Market value, end of period/year	\$ 10.50	\$ 8.55	\$ 10.70
Market discount	(21.76)%	(31.33)%	(19.18)%
Total Return - At NAV (a)	2.49%	1.57%	11.54%
Total Return - At Market (a)	(0.47)%	(0.06)%	30.39%
Ratios and Supplemental Data:			
Portfolio turnover ratio	1.07%	0.43%	4.26%
Net assets, end of period/year (in thousands)	\$ 252,581	\$ 280,890	\$ 279,489
Ratios to average net assets:			
Expenses including tax expense	11.48%(c)	8.94%(c)	9.03%
Expenses excluding tax expense	11.48%(c)	8.94%(c)	9.03%
Net operating income before tax expense	(3.71)%(c)	(4.17)%(c)	(1.97)%
Net operating income after tax expense	(3.71)%(c)	(4.17)%(c)	(1.97)%
Ratios to average net assets excluding waivers:			
Expenses including tax expense	12.06%(c)	9.64%(c)	9.63%
Expenses excluding tax expense	12.06%(c)	9.64%(c)	9.63%

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Net operating income before tax expense	(4.30)%(c)	(4.87)%(c)	(2.57)%
Net operating income after tax expense	(4.30)%(c)	(4.87)%(c)	(2.57)%

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

(b) Supplemental Ratio information

Ratios to average net assets: (b)			
Expenses excluding incentive compensation	11.08%(c)	7.87%(c)	7.07%
Expenses excluding incentive compensation, interest and other borrowing costs	3.78%(c)	4.29%(c)	3.45%
Net operating income (loss) before incentive compensation	(3.31)%(c)	(3.10)%(c)	%
Net operating income before incentive compensation, interest and other borrowing costs	3.99%(c)	0.49%(c)	3.62%
Ratios to average net assets excluding waivers: (b)			
Expenses excluding incentive compensation	11.66%(c)	8.57%(c)	7.67%
Expenses excluding incentive compensation, interest and other borrowing costs	4.35%(c)	4.99%(c)	4.05%
Net operating income (loss) before incentive compensation	(3.90)%(c)	(3.80)%(c)	(0.60)%
Net operating income before incentive compensation, interest and other borrowing costs	3.41%(c)	(0.21)%(c)	3.02%

(c) Annualized.

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

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments****January 31, 2018****(Unaudited)**

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments- 63.07% (a, c, f, g)					
Black Diamond Equipment Rentals, LLC	Equipment Rental	Second Lien Loan 12.5000% Cash, 06/27/2022 (k, o)	\$ 7,500,000	\$ 6,960,895	\$ 7,107,697
		Warrants (a, d, o)	1	400,847	400,847
				7,361,742	7,508,544
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 10.0000% Cash, 12/31/2020 (k, o)	3,533,055	3,093,270	3,165,118
		Series A Preferred Stock (3,617 shares) 12.0000% Cash, 04/30/2020 (d, o)		3,000,000	3,118,280
		Series B Preferred Stock (6,500 shares) 10.0000% PIK, 12/31/2020 (b, d, o)		5,683,254	5,549,637
		Covertible Series C Preferred Stock (17,935 shares) (d, o)		17,935,482	10,429,627
				29,712,006	22,262,662
Dukane IAS, LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, o)	4,295,229	4,212,821	4,338,176
Essner Manufacturing, LP	Defense/Aerospace Parts Manufacturing	First Lien Loan 11.5000% Cash, 12/20/2022 (k, o, p)	3,666,700	3,595,061	3,666,700
FDS, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 11/30/2018 (k, o)	2,353,156	2,353,156	2,353,156
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, I, o)		15,000,000	4,864,000
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k, o)	5,020,556	4,926,304	5,020,556
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 2.0000% PIK, 06/21/2018 (b, k, o)	9,928,529	9,912,504	9,687,205
Initials, Inc.	Consumer Products	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 06/23/2020 (b, k, o)	5,345,192	5,345,192	4,882,772
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 09/12/2018 (b, k, o)	11,544,170	11,546,147	11,659,694
Morey's Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 08/12/2018 (b, k, o)	17,573,105	17,573,105	17,980,645
SGDA Europe B.V.	Environmental Services	First Lien Note 5.0000% Cash, PIK, 10/26/2024 (b, e, m)	1,197,244	1,197,244	1,197,244
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, o)	7,717,056	7,717,056	7,462,002
			1,400,000	1,400,000	1,364,253

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		Third Lien Loan 10.0000% Cash, 08/07/2020 (k, o)		9,117,056	8,826,255
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, k, o)	40,526,745	40,526,745	38,852,917
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, o)		5,488,000	5,400,000
		Secured Loan 12.0000% Cash, 04/30/2019 (k, o)	1,500,000	1,500,000	1,500,000
		Senior Secured Loan 12.0000% Cash, 11/07/2020 (k, o)	1,500,000	1,500,000	1,500,000
				8,488,000	8,400,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, o)	5,500,000	5,493,182	5,555,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Second Lien Loan 12.0000% Cash, 08/21/2022 (k, o)	2,250,000	2,250,000	2,250,000
Sub Total Non-control/Non-affiliated investments				\$ 178,610,265	\$ 159,305,526
Affiliate investments - 34.17% (c, f, g)					
Advantage Insurance, Inc.	Insurance	Preferred Stock (750,000 shares) (a, d, e, o)		7,500,000	8,753,502
Centile Holdings B.V.	Software	Common Equity Interest (a, d, e, o)		3,524,376	7,085,000
Crius Energy Trust	Energy Services	Equity Unit (3,282,982 shares) (e)		25,865,227	24,442,205
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (a, d, e, o)		4,500	
		Preferred Stock (9,159,085 shares) (a, d, e, o)		11,810,188	4,566,000
				11,814,688	4,566,000
MVC Environmental, Inc.	Environmental Services	Senior Secured Loan 9.0000% PIK, 12/22/2020 (a, b, h, k, o)	6,869,353	6,869,353	4,380,146
		Common Stock (980 shares) (a, d, o)		3,140,375	
				10,009,728	4,380,146
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (a, d, e, o)		51,204,270	32,695,000
		Bridge Loan 5.0000% PIK, 12/31/2019 (a, b, e, k, o)	4,394,883	4,394,883	4,394,883
				55,599,153	37,089,883
Sub Total Affiliate investments				\$ 114,313,172	\$ 86,316,736

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

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MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

January 31, 2018

(Unaudited)

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control investments - 24.71% (c, f, g)					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d, k)		\$ 10,030,272	\$ 10,844,931
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e, o) Bridge Loan 6.0000% Cash, 06/30/2018 (a, e, k, o)	\$ 4,855,166	51,185,015 4,855,166 56,040,181	19,227,972 4,855,166 24,083,138
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, k, o) General Partnership Interest (a, d, j, k, o)		11,452,452 292,154 11,744,606	18,189,672 457,246 18,646,918
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d, o) Series C Preferred Stock (23,896,634 shares) (a, d, o) Series B-1 Preferred Stock (4,999,076 shares) (a, d, o) Subordinated Debt 10.0000% Cash, 9/22/2019 (a, k, n, o) Warrants (a, d, o)	1,016,839 2	924,475 3,410,694 999,815 1,016,839 336,393 6,688,216	277,359 4,652,622 1,922,243 1,016,839 966,744 8,835,807
Sub Total Control investments				\$ 84,503,275	\$ 62,410,794
TOTAL PORTFOLIO INVESTMENTS - 121.95% (f)				\$ 377,426,712	\$ 308,033,056
Cash equivalents - 0.48% (f, g)					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (1,116,787 shares)		\$ 1,116,787 95,851	\$ 1,116,787 95,851

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Morgan Stanley Institutional Liquidity Government Portfolio
 Money Market Fund
 Beneficial Shares (95,851 shares)

Total Cash equivalents	1,212,638	1,212,638
TOTAL INVESTMENT ASSETS - 122.43%	\$ 378,639,350	\$ 309,245,694

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

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

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

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

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe, Canada, and Puerto Rico which represents approximately 29% of the total assets. The remaining portfolio companies are located in United States which represents approximately 54% of the total assets.

(f) Percentages are based on net assets of \$252,580,991 as of January 31, 2018.

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

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

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds four investments, three located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company's proportional share of Plymouth Rock Energy membership interest and loan, the Gibdock Limited equity interest, Advanced Oil Field Services, LLC common stock, preferred stock, and loan and Focus Pointe preferred stock is \$7,257,919, \$4,208,377, \$2,907,039 and \$3,286,550, respectively. The Company's partnership interests in the MVC Private Equity Fund, LP are

not redeemable.

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

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

(m) PIK toggle at borrower's option

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

(o) These securities are valued using unobservable inputs.

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

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

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

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

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

**Affiliate investments -
29.31% (c, f, g)**

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

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

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments - (Continued)****October 31, 2017**

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

(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.

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(c) All of the Company's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except MVC Automotive Group GmbH, Security Holdings B.V.,

SGDA Europe B.V., JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return Inc., MVC Private Equity Fund L.P. and Advantage Insurance LTD. The Company makes available significant managerial assistance to all of the portfolio companies in which it has invested.

(d) Non-income producing assets.

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

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

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

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

(i) Legacy Investments.

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

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

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

(m) PIK toggle at borrower's option

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

(o) These securities are valued using unobservable inputs.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

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MVC Capital, Inc. (the Company)

Notes to Consolidated Financial Statements

January 31, 2018

(Unaudited)

1. Basis of Presentation

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

2. Consolidation

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

On October 14, 2011, the Company formed a wholly-owned subsidiary, MVC Cayman, an exempted company incorporated in the Cayman Islands, to hold certain of its investments and to make certain future investments. The results of MVCFS and MVC Cayman are consolidated into the Company's financial statements and all inter-company accounts have been eliminated in consolidation. Of the \$56.2 million in cash and cash equivalents on the Company's Consolidated Balance Sheets as of January 31, 2018, approximately \$1.1 million was held by MVC Cayman.

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

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

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

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

3. Investment Classification

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

4. Cash and Cash Equivalents

For the purpose of the Consolidated Balance Sheets and Consolidated Statements of Cash Flows, the Company considers all money market and all highly liquid temporary cash investments purchased with an original maturity of less than three months to be cash equivalents. The Company places its cash and cash equivalents with financial institutions and cash held in bank accounts may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. As of January 31, 2018, the Company had approximately \$1.2 million in cash equivalents, approximately \$5.3 million in restricted cash and approximately \$55.0 million in cash totaling approximately \$61.5 million. Of the \$55.0 million in cash, approximately \$1.1 million was held by MVC Cayman.

Restricted Cash and Cash Equivalents

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

5. Recent Accounting Pronouncements

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

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amendments to Topic 606, going into effect for years beginning after December 15, 2017. The Company is still assessing the disclosures required but does not expect the standard, when adopted, to have a material impact on our financial condition, results of operations or net assets.

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

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and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. This update has had no impact on the Company's financial condition or results of operations.

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

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

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

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

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

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6. Investment Valuation Policy

Our investments are carried at fair value in accordance with the Accounting Standards Codification, *Fair Value Measurement* (ASC 820). In accordance with the 1940 Act, unrestricted minority-owned publicly traded securities for which market quotations are readily available are valued at the closing market quote on the valuation date and majority-owned publicly traded securities and other privately held securities are valued as determined in good faith by the Valuation Committee of our Board of Directors. For legally or contractually restricted securities of companies that are publicly traded, the value is based on the closing market quote on the valuation date minus a discount for the restriction. At January 31, 2018, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest but did own one security in which we have a minority-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 investments generally do not have readily ascertainable market values, we record these investments at fair value in accordance with our Valuation Procedures adopted by the Board of Directors, which are consistent with ASC 820. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors' supervision and pursuant to our Valuation Procedures. Our Board of Directors may also hire independent consultants to review our Valuation Procedures or to conduct an independent valuation of one or more of our portfolio investments.

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

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Currently, our NAV per share is calculated and published on a quarterly basis. The Company calculates our NAV per share by subtracting all liabilities from the total value of our portfolio securities and other assets and dividing the result by the total number of outstanding shares of our common stock on the date of valuation. Fair values of foreign investments reflect exchange rates, as applicable, in effect on the last business day of the quarter end. Exchange rates fluctuate on a daily basis, sometimes significantly. Exchange rate fluctuations following the most recent quarter end are not reflected in the

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valuations reported in this Quarterly Report. See Item 1A Risk Factor, Investments in foreign debt or equity may involve significant risks in addition to the risks inherent in U.S. investments.

At January 31, 2018 and October 31, 2017, approximately 72.97% and 64.61%, respectively, of total assets represented investments in portfolio companies recorded at fair value (Fair Value Investments).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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*. The Valuation Committee typically will look at the pricing of the security in which the guarantee provided support for the security and compare it to the price of a similar or hypothetical security without guarantee support. The difference in pricing will be discounted for time and risk over the period in which the guarantee is expected to remain outstanding.

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

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

7. Concentration of Market Risk

Financial instruments that subjected the Company to concentrations of market risk consisted principally of equity investments, subordinated notes, debt instruments and escrow receivables (other than cash equivalents), which collectively represented approximately 82.41% and 72.51% of the Company's total assets at January 31, 2018 and October 31, 2017, respectively. As discussed in Note 8, these investments consist of securities in companies with no readily determinable market values and as such are valued in accordance with the Company's fair value policies and procedures. The Company's investment strategy represents a high degree of business and financial risk due to the fact that the Company's portfolio investments (other than cash equivalents) are generally illiquid, in small and middle market companies, and include foreign investments (which subject the Company to additional risks such as currency, geographic, demographic and operational risks), entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. Additionally, we are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore may invest a significant portion of our assets in a relatively small number of portfolio companies, which gives rise to a risk of significant loss should the performance or financial condition of one or more portfolio companies deteriorate. As of January 31, 2018, the fair value of our largest investment, Crius Energy Trust (Crius), including its wholly-owned indirect subsidiary U.S. Gas & Electric, Inc. (U.S. Gas), comprised 16.9% of our total assets and 25.1% of our net assets. The Company's investments in short-term securities are generally in U.S. government securities, with a maturity of greater than three months but generally less than one year or other high quality and highly liquid investments. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents.

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

	January 31, 2018	October 31, 2017
Energy Services	25.06%	22.02%
Electrical Engineering	14.68%	12.92%
Automotive Dealerships	9.53%	7.96%
Manufacturer of Pipe Fittings	8.81%	7.69%
Private Equity	7.38%	6.53%
Food Services	7.12%	6.37%
Consumer Products	5.43%	5.13%
Business Services	4.62%	4.14%
Regulated Investment Company	4.29%	3.88%
Electronics Component Manufacturing	3.84%	3.49%
Software	3.74%	3.28%
Distributor - Landscaping and Irrigation Equipment	3.49%	2.71%
Insurance	3.47%	3.19%
Specialty Chemicals	3.33%	2.52%
Equipment Rental	2.97%	0.00%
Environmental Services	2.21%	2.17%
Electronics Manufacturing and Repair	2.20%	1.99%
Government Services	1.99%	1.75%
Technology Investment - Financial Services	1.93%	1.93%
Real Estate Management	1.81%	1.50%
Welding Equipment Manufacturer	1.72%	2.62%
Defense/Aerospace Parts Manufacturing	1.45%	0.00%
Iron Foundries	0.88%	0.88%
	121.95%	104.67%

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

	January 31, 2018	October 31, 2017
Europe	19.80%	17.49%
Southeast	18.21%	15.48%
Northeast	17.04%	14.85%
Midwest	7.32%	7.44%
Canada	6.54%	5.21%
Southwest	5.68%	4.48%
West	5.48%	5.35%
Puerto Rico	2.34%	2.21%
	82.41%	72.51%

8. Portfolio Investments

Pursuant to the requirements of the 1940 Act and ASC 820, we value our portfolio securities at their current market values or, if market quotations are not readily available, at their estimated fair values. Because our portfolio company investments generally do not have readily

ascertainable market values, we record these investments at fair value in accordance with Valuation Procedures adopted by our Board of Directors. As permitted by the SEC, the Board of Directors has delegated the responsibility of making

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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:

- **Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We use Level 1 inputs for investments in publicly traded unrestricted securities for which we do not have a controlling interest. Such investments are valued at the closing price on the measurement date. We valued two of our investments using Level 1 inputs as of January 31, 2018.

- **Level 2:** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or other inputs that are observable or can be corroborated by observable market data. Additionally, the Company's interests in Investment Vehicles that can be withdrawn by the Company at the net asset value reported by such Investment Vehicle as of the measurement date or within six months of the measurement date are generally categorized as Level 2 investments. We did not value any of our investments using Level 2 inputs as of January 31, 2018.

- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. Additionally, included in Level 3 are the Company's interests in Investment Vehicles from which the Company cannot withdraw at the net asset value reported by such Investment Vehicles as of the measurement date or within six months of the measurement date. We use Level 3 inputs for measuring the fair value of the vast majority of our investments. See Note 6 Investment Valuation Policy for the investment valuation policies used to determine the fair value of these investments.

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

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

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January 31, 2018

	Level 1	Level 2	Level 3	Investment measured at NAV	Total
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 144,190	\$	\$ 144,190
Common Stock	35,287		5,677		40,964
Preferred Stock			43,856		43,856
Warrants			1,368		1,368
Common Equity Interest			59,008		59,008
LP Interest of the PE Fund				18,190	18,190
GP Interest of the PE Fund				457	457
Guarantees and letters of credit			(666)		(666)
Total	\$ 35,287	\$	\$ 253,433	\$ 18,647	\$ 307,367

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

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

The following tables set forth a summary of changes in the fair value of investment related assets and liabilities measured using Level 3 inputs for the quarter ended January 31, 2018, and January 31, 2017 (in thousands):

	Balances, November 1, 2017	Realized Gain (Losses)	Reversal of Prior Period (Appreciation) Depreciation (1)	Unrealized Appreciation (Depreciation) (2)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, January 31, 2018	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of January 31, 2018
Senior/Subordinated Loans and credit facilities	\$ 153,271	\$	\$	\$ (2,211)	\$ 14,792	\$ (21,662)	\$	\$ 144,190	\$ (2,211)
Common Stock	5,937			(260)				5,677	(260)
Preferred Stock	25,725			(455)	18,586			43,856	(455)
Warrants	1,403			(436)	401			1,368	(436)
Common Equity Interest	56,068			2,940				59,008	2,940
Guarantees and letters of credit	(551)			8	(123)			(666)	8
Total	\$ 241,853	\$	\$	\$ (414)	\$ 33,656	\$ (21,662)	\$	\$ 253,433	\$ (414)

	Balances, November 1, 2016	Realized Gain (Losses)	Reversal of Prior Period (Appreciation) Depreciation (1)	Unrealized Appreciation (Depreciation) (2)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, January 31, 2017	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of January 31, 2017
Senior/Subordinated Loans and credit facilities	\$ 141,893	\$	\$	\$ 676	\$ 1,520	\$ (30)	\$	\$ 144,059	\$ (8,592)

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Common Stock	9,524		(1,227)	59		8,356	(8,286)
Preferred Stock	115,195		(366)			114,829	70,608
Warrants	1,886		897			2,783	1,434
Common Equity							
Interest	53,811		1,607	(330)		55,088	(78,242)
LLC Interest	3,992					3,992	456
Escrow Receivable	9,152	801		(4,948)		5,005	
Total	\$ 335,453	\$ 801	\$ 1,587	\$ 1,579	\$ (5,308)	\$ 334,112	\$ (22,622)

(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 quarter ended January 31, 2018 and January 31, 2017, respectively.

(3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities held during the quarter ended January 31, 2018 and January 31, 2017, respectively.

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(4) Includes increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, premiums and closing fees and the exchange of one or more existing securities for new securities. For the quarter ended January 31, 2018 and January 31, 2017, a total of approximately \$754,000 and \$575,000, respectively, of PIK interest and dividends and amortization of discounts and fees are included.

(5) Includes decreases in the cost basis of investments resulting from principal repayments or sales.

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

Quantitative Information about Level 3 Fair Value Measurements*

Common Stock (c) (d)	\$	5,677	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A
			Market Approach	Revenue Multiple	1.7x	1.7x
				Forward EBITDA Multiple	7.0x	7.0x
			Income Approach	Discount Rate	14.3%	14.3%
				Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%
Senior/Subordinated loans and credit facilities (b) (d)	\$	144,190	Market Approach	EBITDA Multiple	8.5x	8.5x
				Forward EBITDA Multiple	5.0x	7.0x
				Revenue Multiple	1.7x	1.7x
			Income Approach	Required Rate of Return	9.0%	20.8%
				Discount Rate	14.1%	19.1%
				Perpetual Growth Rate of Free Cash Flow	2.0%	3.0%
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A
Common Equity Interest	\$	59,008	Market Approach	Revenue Multiple	2.0x	2.0x
				Forward EBITDA Multiple	6.0x	7.0x
			Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A

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			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow	14.1% 3.0%	20.8% 3.0%	15.3% 3.0%
Preferred Stock (c)							
	\$	43,856	Adjusted Net Asset Approach	Discount to Net Asset Value Real Estate Appraisals	0.0% N/A	20.0% N/A	6.9% N/A
			Market Approach	Revenue Multiple Forward EBITDA Multiple % of AUM Illiquidity Discount Multiple of Book Value EBT Multiple	1.7x 7.0x 0.78% 40.0% 1.0x 16.5x	1.7x 7.0x 0.78% 40.0% 1.0x 16.5x	1.7x 7.0x 0.78% 40.0% 1.0x 16.5x
			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow Required Rate of Return	14.3% 2.0% 17.7%	15.7% 2.5% 22.7%	14.9% 2.2% 19.5%
Warrants							
	\$	1,368	Market Approach	Revenue Multiple EBITDA Multiple	1.7x 7.0x	1.7x 7.0x	1.7x 7.0x
			Income Approach	Discount Rate Perpetual Growth Rate of Free Cash Flow	14.3% 2.0%	15.8% 2.0%	14.7% 2.0%
Guarantees / Letters of Credit							
	\$	(666)	Income Approach	Discount Rate	19.1%	20.0%	20.0%
Total	\$	253,433					

Notes:

(a) Calculated based on fair values.

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

(c) Certain common and preferred stock investments are fair valued based on liquidation-out preferential rights held by the Company.

(d) Real estate appraisals are performed by independent third parties and the Company does not have reasonable access to the underlying unobservable inputs.

(e) Practical expedient is used utilizing the net asset valuations provided by the GP

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

Table of Contents**Quantitative Information about Level 3 Fair Value Measurements***

	Fair value as of 10/31/2017	Valuation technique	Unobservable input	Low	Range High	Weighted average (a)
Common Stock (c) (d)	\$ 5,937	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
			Forward EBITDA Multiple	5.8x	7.0x	7.0x
Senior/Subordinated loans and credit facilities (b) (d)	\$ 153,271	Market Approach	EBITDA Multiple	5.5x	8.5x	7.3x
			Forward EBITDA Multiple	5.8x	7.0x	6.6x
			Revenue Multiple	1.3x	1.3x	1.3x
		Income Approach	Required Rate of Return	8.5%	22.5%	13.3%
			Discount Rate	15.3%	19.1%	17.3%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
Common Equity Interest	\$ 56,068	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			Forward EBITDA Multiple	6.0x	6.0x	6.0x
			EBITDA Multiple	5.5x	7.0x	6.5x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	13.0%	17.6%	13.8%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	\$ 25,725	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
			% of AUM	0.73%	0.73%	0.73%
			Illiquidity Discount	30.0%	30.0%	30.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	14.0x	14.0x	14.0x
			Discount to Letter of Intent	0.0%	0.0%	0.0%

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			Income Approach	Discount Rate	15.7%	15.7%	15.7%
				Perpetual Growth			
				Rate of Free Cash			
				Flow	2.5%	2.5%	2.5%
Warrants	\$	1,403	Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
Guarantees / Letters of Credit	\$	(551)	Income Approach	Discount Rate	19.1%	20.0%	20.0%
Total	\$	241,853					

Notes:

(a) Calculated based on fair values.

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

(c) Certain common and preferred stock investments are fair valued based on liquidation-out preferential rights held by the Company.

(d) Real estate appraisals are performed by independent third parties and the Company does not have reasonable access to the underlying unobservable inputs.

(e) Practical expedient is used utilizing the net asset valuations provided by the GP

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

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

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

For the Quarter Ended January 31, 2018

During the quarter ended January 31, 2018, the Company made two new investments, committing capital that totaled approximately \$11.2 million. Pursuant to an exemptive order received by the Company from the SEC (the Order), that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and TTGA C-I LP (the Private Fund) co-invested in Essner Manufacturing (Essner) (\$3.7 million investment for the Company) and Black Diamond Equipment Rental (Black Diamond) (\$7.5 million investment for the Company).

During the quarter ended January 31, 2018, the Company made 3 follow-on investments that totaled approximately \$3.4 million. On November 8, 2017, the Company loaned an additional \$1.5 million to U.S. Spray Drying Holding Company (SCSD) in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately \$526,000 to Initials, Inc. (Initials) increasing the senior subordinated loan amount to approximately \$5.3 million. On December 22, 2017, the Company loaned \$1.4 million to Turf Products, LLC (Turf) in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020.

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

On November 29, 2017, the Company received a principal payment of \$3.0 million from Dukane IAS, LLC (Dukane) resulting in a balance outstanding of approximately \$4.3 million as of January 31, 2018.

On December 29, 2017, the Company received a principal payment of \$200,000 from Vestal Manufacturing Enterprises, Inc. (Vestal) resulting in a balance outstanding of approximately \$2.3 million as of January 31, 2018.

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During the quarter ended January 31, 2018, the Valuation Committee increased the fair value of the Company's investments in: Centile Holdings B.V. (Centile) equity interest by \$295,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letter of

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

At January 31, 2018, the fair value of all portfolio investments, exclusive of any U.S. Treasury obligations and escrow receivables, was \$308.0 million with a cost basis of \$377.4 million. At January 31, 2018, the fair value and cost basis of investments made by the Company s former management team pursuant to the prior investment objective (Legacy Investments) was \$4.9 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was \$303.1 million and \$362.4 million, respectively. At October 31, 2017, the fair value of all portfolio investments, exclusive of escrow receivables, was \$292.5 million with a cost basis of \$363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was \$5.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was \$287.1 million and \$348.2 million, respectively.

For the Fiscal Year Ended October 31, 2017

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

During the fiscal year ended October 31, 2017, the Company made 6 follow-on investments in 4 existing portfolio companies that totaled approximately \$7.5 million. On November 9, 2016, the Company invested approximately \$59,000 in MVC Environmental and received an additional 30 shares of common stock. On December 1, 2016, the Company loaned an additional \$500,000 to United States Technologies, Inc. (U.S. Tech) increasing the total amount outstanding to \$5.5 million. On December 13, 2016, the Company loaned an additional \$475,000 to MVC Automotive increasing the amount outstanding on the bridge loan to approximately \$3.8 million. The maturity date was also extended to December 31, 2017. On April 3, 2017, the Company loaned Security Holdings approximately \$4.1 million in the form of a bridge loan with an interest rate of 5% and a maturity date of December 31, 2019. On May 3, 2017, the Company invested approximately \$1.1 million in MVC Automotive for additional common equity and loaned MVC Automotive approximately \$1.1 million, increasing the amount outstanding on the bridge loan to approximately \$4.9 million. The maturity date was also extended to June 30, 2018. On October 2, 2017, the Company loaned Security Holdings an additional \$150,000, increasing the amount outstanding on the loan to approximately \$4.2 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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During the quarter ended January 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$136,000, Centile equity interest by \$340,000, Custom Alloy unsecured loan by approximately \$370,000, Dukane loan by approximately \$71,000, Legal Solutions loan by approximately \$112,000, Morey's loan by approximately \$462,000, Pride loan by approximately \$51,000, Quantum loan by approximately \$323,000 and warrant by approximately \$1.0 million, Security Holdings equity interest by approximately \$1.5 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$99,000, Turf loan by approximately \$7,000 and guarantee by approximately

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

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

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

During the quarter ended October 31, 2017, the Valuation Committee increased the fair value of the Company's investments in: Advantage preferred stock by approximately \$98,000, Custom Alloy unsecured loan by approximately \$189,000 and second lien loan by approximately \$807,000, Centile

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

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

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

9. Commitments and Contingencies

Commitments to Portfolio Companies:

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

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Portfolio Company	Amount Committed	Amount Funded at January 31, 2018
MVC Private Equity Fund		
LP	\$ 20.1 million	\$ 14.6 million
Total	\$ 20.1 million	\$ 14.6 million

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

Guarantees:

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

Guarantee	Amount Committed	Amount Funded at January 31, 2018
MVC Automotive	\$ 5.9 million	
RuMe	\$ 1.0 million	
Total	\$ 6.9 million	

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

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 January 31, 2018, the Valuation Committee estimated the combined fair values of the guarantee obligations noted above to be approximately -\$666,000 or a liability of approximately \$666,000.

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

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of January 31, 2018 is approximately 4.8 million Euro (equivalent to approximately \$5.9 million).

The Company agreed to cash collateralize a \$300,000 third party letter of credit for RuMe, which is still a commitment of the Company as of January 31, 2018. The Company also guaranteed \$1.0 million of RuMe's indebtedness to Colorado Business Bank, which had a fair value of approximately -\$173,000 or a liability of \$173,000 as of January 31, 2018. On September 22, 2017, the Company provided RuMe an additional \$2.0 million letter of credit which had a fair value of approximately -\$312,000 or a liability of \$312,000 as of January 31, 2018. The \$2.0

million letter of credit is collateralized by the Company's Credit Facility III (defined below).

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

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Fund or to pay operating expenses of the PE Fund until the partnership is terminated. During the fiscal year ended October 31, 2017, the Company received proceeds of approximately \$12.6 million from the PE Fund related to the sale of AccuMed Corp., a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's investment in AccuMed Corp. totaled approximately \$2.4 million, resulting in a realized gain of approximately \$10.2 million, including escrow distributions. As of January 31, 2018, \$14.6 million of the Company's commitment has been contributed.

During the fiscal year ended October 31, 2016, the Company agreed to cash collateralize a \$500,000 working capital line of credit for an entity partially owned by MVC Environmental provided by Branch Banking and Trust Company (BB&T). During the fiscal year ended October 31, 2017, the cash collateral securing the MVC Environmental working capital line of credit was released and a new credit facility was entered into secured by a \$1.0 million letter of credit. The \$1.0 million letter of credit is collateralized by the Company's Credit Facility III (defined below) and had a fair value of approximately -\$3,000 or a liability of \$3,000 as of January 31, 2018.

In Q1 2018, the Company provided Custom Alloy a \$2.0 million and a \$1.4 million letter of credit as part of a restructuring. The \$2.0 million letter of credit had a fair value of approximately -\$108,000 or a liability of \$108,000 as of January 31, 2018 and the \$1.4 million letter of credit had a fair value of approximately -\$70,000 or a liability of \$70,000 as of January 31, 2018. Both letters of credit are collateralized by the Company's Credit Facility III (defined below).

Commitments of the Company

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

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

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

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

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility (Credit Facility II) with BB&T. On January 31, 2014, Credit Facility II was increased to a \$100 million

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

On December 9, 2015, the Company entered into a three-year, \$50 million revolving borrowing base credit facility (Credit Facility III) with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. As of October 31, 2017 and January 31, 2018, there was no outstanding balance on Credit Facility III. Credit Facility III can, under certain conditions, be increased up to \$85 million. The new facility bears an interest rate of LIBOR plus 3.75% or the prime rate plus 1% (at the Company's option), and includes a 1% closing fee of the commitment amount and a 0.75% unused fee. The compensating balance for the revolving credit facility is \$5.0 million, which is reflected as restricted cash on the Company's Consolidated Balance Sheets. As of January 31, 2018, the Company was in compliance with all covenants related to Credit Facility III.

On November 15, 2017, the Company completed a public offering of \$100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 (Senior Notes II). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional \$15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the Offering). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately \$111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. As of January 31, 2018, the Senior Notes II had a total outstanding amount of \$115.0 million, net of deferred financing fees the balance was approximately \$111.5 million, with a market value of approximately \$117.4 million.

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

10. Management

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

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

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

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

On various dates, TTG Advisers and the Company entered into annual agreements to extend the expense cap of 3.5% to the 2011, 2012, 2013 and 2014 fiscal years (Expense Limitation Agreement). The Company and the Adviser agreed to continue the expense cap into fiscal year 2015 and fiscal year 2016, though they lowered the expense cap to 3.25% and modified the methodology so that the cap is applied to limit the Company's ratio of expenses to total assets less cash (the Modified Methodology), consistent with the asset level used to calculate the base management fee. (The expenses covered by the cap remain unchanged.) On October 28, 2016, the Board of Directors, including all of the Independent Directors, approved the renewal of the Advisory Agreement for the 2017 fiscal year. Further, the Adviser agreed to continue to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2017. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first \$1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the \$1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. Furthermore, the Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal year 2017 of 3.25% under the Modified Methodology. For fiscal year 2018, the Adviser has agreed to continue the 3.25% expense cap under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund continues to be excluded from the calculation of the Company's expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2017, TTG Advisers voluntarily agreed to waive \$150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement for its allocable portion of the compensation payable to certain officers of the Company, which may not exceed \$200,000 per year in the aggregate (the Voluntary Waiver). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of January 31, 2018, the

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Company did not have an investment in an exchange traded fund. In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount¹ as follows: (A) If the Company's NAV discount is greater than 20%, the management fee for the current quarter is reduced to 1.25%; (B) If the NAV discount is between 10% and 20%, the management fee will be 1.50%; and (C) If the NAV discount is less than 10% or eliminated, the 1.50% management fee would be re-examined, but in no event would it exceed 1.75%. For the quarter ended January 31, 2018, the management fee was 1.50%.

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

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

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

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operating income in each fiscal quarter as follows: no incentive fee in any fiscal quarter in which our pre-incentive fee net operating income does not exceed the lower hurdle rate of 1.75% of net assets, 100% of our pre-incentive fee net operating income with respect to that portion of such pre-incentive fee net operating income, if any, that exceeds the lower hurdle amount but is less than 2.1875% of net assets in any fiscal quarter and 20% of the amount of our pre-incentive fee net operating income, if any, that exceeds 2.1875% of net assets in any fiscal quarter.

In accordance with GAAP, the Company had cumulatively accrued a capital gains incentive compensation provision of \$2.3 million as of January 31, 2018, of which \$2.3 million is not currently due under the Advisory Agreement. Capital gains incentive fee payments are made on an annual basis. GAAP requires that the capital gains incentive compensation provision consider the cumulative aggregate unrealized appreciation in the calculation, as capital gains incentive fee would be payable if such unrealized appreciation were realized, even though such unrealized appreciation is not permitted to be considered in calculating the incentive fee actually payable under the Advisory Agreement. This GAAP provision is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized depreciation included in the calculation of the capital gains incentive fee plus the aggregate cumulative unrealized appreciation. If such amount is positive at the end of a period, then GAAP requires the Company to record a capital gains incentive compensation provision equal to 20% of such cumulative amount, less the aggregate amount of actual capital gains incentive fees paid or capital gains incentive fees accrued under GAAP in all prior periods. The resulting incentive compensation provision for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no provision recorded. There can be no assurance that such unrealized appreciation will be realized in the future.

At October 31, 2017, the provision for estimated incentive compensation was approximately \$2.0 million. During the quarter ended January 31, 2018, this provision for incentive compensation was increased by a net amount of approximately \$267,000 to approximately \$2.3 million, including both the pre-incentive fee net operating income and the capital gain incentive fee. The net increase in the provision for incentive compensation reflects the Valuation Committee's determination to decrease the fair values of eight of the Company's portfolio investments (Advantage, Dukane, HTI, MVC Environmental, RuMe, Turf, U.S. Gas and SCSD) by a total of approximately \$3.9 million. The net decrease in the provision also reflects the Valuation Committee's determination to increase the fair values of nine of the Company's portfolio investments (Centile, Custom Alloy, Highpoint, Initials, JSC Tekers, Legal Solutions, MVC Automotive, Security Holdings and Crius) by a total of approximately \$7.4 million. Also, for the quarter ended January 31, 2018, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate.

At October 31, 2016, the provision for estimated incentive compensation was approximately \$1.9 million. During the fiscal year ended October 31, 2017, this provision for incentive compensation was increased by a net amount of approximately \$4.5 million to approximately \$6.4 million, including both the pre-incentive fee net operating income and the capital gains incentive fee. The net increase in the provision for incentive compensation during the fiscal year ended October 31, 2017, primarily reflects the realized gain from the sale of U.S. Gas above the October 31, 2016 fair value which was partially offset by the realized loss on the sale of SGDA Europe and also reflects the Valuation Committee's determination to increase the fair values of twelve of the Company's portfolio investments (Advantage, Centile, Custom Alloy, Dukane, JSC Tekers, Legal Solutions, Morey's, MVC Automotive, Pride, Quantum, U.S. Tech and Equus) by a total of approximately \$14.1 million. The net increase in the provision also reflects the Valuation Committee's determination to decrease the fair values of eleven of the Company's portfolio investments (BAC, HTI, Initials, MVC Environmental, RuMe, Turf, SCSD, Vestal, Security Holdings, SGDA Europe and Crius) by a total of approximately \$14.5 million. During the fiscal year ended October 31, 2017, the Company paid the Adviser the previously accrued \$1.1 million incentive fee payment related to the net operating income for the quarter ended April 30, 2016. As discussed in Realized Gains and Losses on Portfolio Securities, on July 5, 2017, the Company realized a gain of \$115.9 million from the sale of U.S. Gas (the U.S. Gas Sale). Under the Advisory Agreement, this transaction triggered an incentive compensation payment obligation to TTG Advisers, which payment, under the Advisory Agreement, is not required to be made until soon after the completion of the audit of the fiscal 2017 financials. The fiscal 2017 incentive fee payment obligation to TTG Advisers is approximately \$4.4 million. The Adviser has voluntarily agreed to defer the timing for collection of the portion of this payment obligation attributable to the portion of the proceeds of the U.S. Gas Sale not represented by cash proceeds (the Deferred Portion). The portion of the payment obligation attributable to the cash portion of the realized gain, \$1.9 million, was paid following the audit of the fiscal 2017 financials per the Advisory Agreement. Also, for the quarter ended October 31, 2017, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate.

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12. Tax Matters

On October 31, 2017, the Company had a net capital loss carryforward of approximately \$1.0 million. The Company had approximately \$10.1 million in unrealized losses associated with Legacy Investments as of January 31, 2018.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions 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 quarter ended January 31, 2018, 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 2013 through 2017 for the Company and MVCFS remain subject to examination by the IRS.

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

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

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

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compensation expense. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications and may affect the allocation between net operating income, net realized gain (loss) and paid-in capital. Additionally, the characterization of the distribution is based upon current results, such characterization may change based upon results for the year.

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

For the Quarter Ended January 31, 2018

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

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

SHARE REPURCHASE PROGRAM

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

Period *	Total Number of Shares Purchased	Average Price Paid per Share including commission	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Purchased Under the Program
For the Year Ended 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
For the Year Ended October 31, 2015			1,610,000	
For the Year Ended October 31, 2016	146,409	\$ 8.31	1,756,409	\$ 1,216,746
Total	1,756,409	\$ 12.53	1,756,409	\$ 22,004,920

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

Table of Contents**TENDER OFFER**

On July 21, 2017, the Company commenced a modified Dutch Auction tender offer (the Tender Offer) to purchase up to \$15 million of its common stock at a price per share not less than \$10.00 and not greater than \$11.00 in \$0.20 increments. The Company's Tender Offer expired at 5:00 p.m., New York City time, on August 18, 2017. A total of 3,634,597 shares of the Company's common stock were properly tendered and not properly withdrawn at or below a purchase price of \$10.40 per share. In accordance with the terms and conditions of the Tender Offer, the Company accepted for payment, on a pro rata basis, at a purchase price of \$10.40, 1,442,307 shares properly tendered at or below the purchase price and not properly withdrawn before the expiration date, at an aggregate cost of approximately \$15.0 million, excluding fees and expenses relating to the Tender Offer.

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

14. Segment Data

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

The following table presents book basis segment data for the quarter ended January 31, 2018:

	MVC	MVCFS	Consolidated
Interest and dividend income	\$ 4,853,432	\$ 911	\$ 4,854,343
Fee income	42,300	25,119	67,419
Fee income - asset management		284,775	284,775
Other Income			
Total operating income	4,895,732	310,805	5,206,537
Total operating expenses	7,741,972	344,603	8,086,575
Less: Waivers by Adviser	(356,454)	(33,798)	(390,252)
Total net operating expenses	7,385,518	310,805	7,696,323
Net operating loss before taxes	(2,489,786)	0	(2,489,786)
Tax expense		480	480
Net operating loss	(2,489,786)	(480)	(2,490,266)
Net realized gain on investments	2,573		2,573

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Net unrealized appreciation on investments	3,428,333	9,456	3,437,789
Net increase in net assets resulting from operations	\$ 941,120	\$ 8,976	\$ 950,096

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

Balance Sheet

All numbers in thousands	MVC Automotive As of December 31, 2017	RuMe As of December 31, 2017	MVC Automotive As of December 31, 2016	RuMe As of December 31, 2016
Assets:				
Total current assets	\$ 56,661	\$ 3,604	\$ 49,334	\$ 4,054
Total non-current assets	25,173	543	22,801	614
Total Assets	\$ 81,834	\$ 4,147	\$ 72,135	\$ 4,668
Liabilities and Shareholders Equity:				
Current Liabilities	\$ 62,827	\$ 6,553	\$ 56,352	\$ 5,563
Long-term liabilities	16,473	3,023	14,890	1,697
Shareholders Equity	2,534	(5,429)	893	(2,592)
Total Liabilities and Shareholders Equity	\$ 81,834	\$ 4,147	\$ 72,135	\$ 4,668

Income Statement

All numbers in thousands	MVC Automotive For the Period from October 1, 2017 to December 31, 2017	RuMe For the Period from October 1, 2017 to December 31, 2017	MVC Automotive For the Period from October 1, 2016 to December 31, 2016	RuMe For the Period from October 1, 2016 to December 31, 2016
Net Sales & Revenue	\$ 48,520	\$ 4,083	\$ 38,524	\$ 4,499
Cost of Sales	44,370	2,546	34,519	2,059
Gross Margin	4,150	1,537	4,005	2,440
Operating Expenses	3,684	1,854	4,300	1,829
Operating Income	466	(317)	(295)	611
Income Tax (Benefit)	107	0	90	0
Interest Expense	417	82	273	158
Other Expenses (Income), Net	(513)	(4)	(38)	(2)
Net Income (Loss)	\$ 455	\$ (395)	\$ (619)	\$ 455

Balance Sheet

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(All numbers in thousands)	Equus As of December 31, 2017	Equus As of December 31, 2016
Investments in portfolio securities at fair value	\$ 31,115	\$ 29,661
Cash, cash equivalents, temporary cash investments and restricted cash	28,973	42,255
Other assets	1,116	1,230
Total assets	\$ 61,204	\$ 73,146
Borrowing under margin account	\$ 17,998	\$ 29,994
Other liabilities	199	412
Total Liabilities	18,197	30,406
Net Assets	\$ 43,007	\$ 42,740

Income Statement

(All numbers in thousands)	Equus For the Period from October 1, 2017 to December 31, 2017	Equus For the Period from October 1, 2016 to December 31, 2016
Investment income	\$ 121	\$ 192
Total expenses	881	888
Net investment loss	(760)	(696)
Net realized gain (loss)	0	(4)
Net change in unrealized appreciation of portfolio securities	1,500	1,799
Net change in unrealized appreciation of portfolio securities - related party	268	135
Net increase in net assets resulting from operations	\$ 1,008	\$ 1,234

16. Subsequent Events

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

On February 26, 2018, in connection with the U.S. Gas Sale, Credit Facility III was amended, effective as of July 5, 2017, to exclude from pledged collateral the U.S. Gas second lien loan. All other material terms of Credit Facility III remained unchanged.

On February 28, 2018, the Company committed \$6.0 million in the form of a first lien loan with an interest rate of 10% and a maturity date of August 31, 2018 to Custom Alloy. The funded amount as of April 20, 2018 was approximately \$3.4 million with \$2.6 million unfunded on the commitment.

On March 9, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in a first lien loan to Apex Industrial Technologies, LLC. The Company and the Private Fund invested \$15.0 million and \$5.0 million, respectively, in such notes with an interest rate of 12% and a maturity date of March 9, 2022. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company's investment in the loan.

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

On March 22, 2018, the Company loaned \$350,000 to RuMe, increasing the subordinated loan amount to approximately \$1.4 million and extending the maturity date to March 30, 2020.

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

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

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

On April 6, 2018, the Company loaned an additional \$350,000 to RuMe, increasing the subordinated loan amount to approximately \$1.7 million.

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

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

On April 13, 2018, the Board declared a dividend in the amount of \$0.15 per share to be paid on April 30, 2018 to all shareholders of record of the Company as of the close of business on April 25, 2018.

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EXHIBIT INDEX

Exhibit Number	Description
31.1	<u>Rule 13a-14(a) Certifications.</u>
32.1	<u>Section 1350 Certifications.</u>

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

MVC CAPITAL, INC.

Date: April 24, 2018

/s/ Scott Schuenke
Scott Schuenke

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