

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

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

For the quarterly period ended April 30, 2020

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.)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	MVC	New York Stock Exchange
Senior Notes	MVCD	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging Growth 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 17,725,118 shares of the registrant's common stock, \$.01 par value, outstanding as of June 9, 2020.

MVC Capital, Inc.
(A Delaware Corporation)
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Item 1. Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

MVC Capital, Inc.
Consolidated Balance Sheets

	April 30, 2020 (Unaudited)	October 31, 2019
ASSETS		
Assets		
Cash	\$ 173,615	\$ 1,321,648
Restricted cash (cost \$1,500,090 and \$0)	1,500,090	-
Restricted cash equivalents (cost \$3,544,094 and \$5,009,091)	3,544,094	5,009,091
Cash equivalents (cost \$45,400,266 and \$5,368,190)	45,400,266	5,368,190
Investments at fair value		
Non-control/Non-affiliated investments (cost \$176,083,157 and \$246,228,806)	146,401,278	229,322,498
Affiliate investments (cost \$90,210,748 and \$81,465,911)	44,823,575	61,851,896
Control investments (cost \$79,378,267 and \$87,972,462)	35,099,783	49,070,701
Total investments at fair value (cost \$345,672,172 and \$415,667,180)	226,324,636	340,245,095
Escrow receivables, net of reserves	-	1,135,000
Dividends and interest receivables, net of reserves	4,120,644	4,273,018
Deferred financing fees	457,855	614,586
Fee and other receivables	2,387,895	4,013,714
Prepaid expenses	601,675	182,298
Prepaid taxes	519	-
Total assets	\$ 284,511,289	\$ 362,162,640
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Senior notes II	\$ 93,421,329	\$ 112,703,490
Revolving credit facility IV	-	15,100,000
Incentive compensation payable	1,527,849	1,527,849
Professional fees payable	218,054	241,518
Management fee payable	689,472	1,038,431
Accrued expenses and liabilities	238,794	770,205
Interest payable	263,889	670,163
Management fee payable - Asset Management	69,352	395,435
Consulting fees payable	357,949	360,452
Portfolio fees payable - Asset Management	826,228	668,849
Guarantees/Letters of Credit	882,181	726,649
Taxes payable	-	915
Provision for incentive compensation (Note 11)	-	-
Total liabilities	98,495,097	134,203,956
Commitments and Contingencies (Note 9)		
Shareholders' equity		
Common stock, \$0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued and 17,725,118 and 17,725,118 shares outstanding as of April 30, 2020 and October 31, 2019, respectively	283,044	283,044
Additional paid-in-capital	406,258,172	406,258,172
Accumulated overdistributed earnings	(114,012,155)	(72,069,663)
Treasury stock, at cost, 10,579,330 and 10,579,330 shares held, respectively	(106,512,869)	(106,512,869)
Total shareholders' equity	186,016,192	227,958,684
Total liabilities and shareholders' equity	\$ 284,511,289	\$ 362,162,640
Net asset value per share	\$ 10.49	\$ 12.86

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

MVC Capital, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Six Month Period November 1, 2019 to April 30, 2020	For the Six Month Period November 1, 2018 to April 30, 2019
Operating Income:		
Dividend income		
Non-control/Non-affiliated investments	\$ -	\$ 395,543
Affiliate investments (net of foreign taxes withheld of \$0 and \$154,269, respectively)	-	698,107
Control investments	-	542,693
Total dividend income	-	1,636,343
Payment-in-kind dividend income		
Non-control/Non-affiliated investments	-	1,196,260
Total payment-in-kind dividend income	-	1,196,260
Interest income		
Non-control/Non-affiliated investments	11,577,586	8,423,302
Affiliate investments	-	-
Control investments	260,830	215,666
Total interest income	11,838,416	8,638,968
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	2,573,403	2,407,956
Affiliate investments	260,157	441,225
Control investments	262,029	246,690
Total payment-in-kind/Deferred interest income	3,095,589	3,095,871
Fee income		
Non-control/Non-affiliated investments	26,198	51,198
Total fee income	26,198	51,198
Fee income - Asset Management ¹		
Portfolio fees	319,495	228,666
Management fees	154,234	187,299
Total fee income - Asset Management	473,729	415,965
Other income	4,580	-
Total operating income	15,438,512	15,034,605
Operating Expenses:		
Interest and other borrowing costs ²	4,331,060	4,766,644
Management fee	2,473,582	3,103,262
Audit & tax preparation fees	598,500	828,680
Consulting fees	483,010	486,870
Loss on extinguishment of debt ⁶	345,419	-
Legal fees	323,800	278,400
Portfolio fees - Asset Management ¹	239,621	171,500
Other expenses	210,214	307,833
Directors' fees	190,500	188,448
Insurance	150,290	136,818
Management fee - Asset Management ¹	115,676	140,474
Public relations fees	82,537	79,094
Administration	82,049	81,822
Printing and postage	22,400	36,300
Total operating expenses	9,648,658	10,606,145
Less: Voluntary expense waiver by Adviser ³	(75,000)	(75,000)
Less: Voluntary management fee waiver by Adviser ⁴	(927,593)	(1,163,723)

Total waivers	(1,002,593)	(1,238,723)
Net operating income before taxes	6,792,447	5,667,183
Tax Expenses:		
Current tax expense	970	962
Total tax expense	970	962
Net operating income	6,791,477	5,666,221
Net Realized and Unrealized Gain (Loss) on Investments:		
Net realized gain (loss) on investments		
U.S. Treasury obligations	(85,886)	20,483
Non-control/Non-affiliated investments	(530,611)	3,223,407
Affiliate investments	(43,164)	68,420
Control investments	2,033,217	5,184,544
Foreign currency	-	2,162
Total net realized gain on investments	1,373,556	8,499,016
Net unrealized depreciation on investments	(44,080,983)	(1,254,005)
Net realized and unrealized gain (loss) on investments	(42,707,427)	7,245,011
Net increase (decrease) in net assets resulting from operations	<u>\$ (35,915,950)</u>	<u>\$ 12,911,232</u>
Net increase (decrease) in net assets per share resulting from operations	<u>\$ (2.03)</u>	<u>\$ 0.73</u>
Dividends declared per share ⁵	<u>\$ 0.340</u>	<u>\$ 0.300</u>
Weighted average number of shares outstanding	<u>17,725,118</u>	<u>17,853,330</u>

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

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

² Interest and other borrowing costs includes \$0 and \$176,420 of interest associated with installment sale treatment on the USG&E note. Please see Note 12 "Tax Matters" for more information.

³ Reflects the six month period portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2020 and 2019 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.

⁴ Reflects the six month period portion of the TTG Advisers' voluntary waiver of the management fee for the 2020 and 2019 Please see Note 10 "Management" for more information.

⁵ Please see Note 13 "Dividends and Distributions to Shareholders, Share Repurchase Program and Tender Offer" for more information.

⁶ Reflects \$345,419 in unamortized deferred financing fees related to the Senior Notes II which were expensed at the time \$20.0 million of the Senior Notes II were redeemed.

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

MVC Capital, Inc.
Consolidated Statements of Operations
(Unaudited)

	For the Quarter February 1, 2020 to April 30, 2020	For the Quarter February 1, 2019 to April 30, 2019
Operating Income:		
Dividend income		
Non-control/Non-affiliated investments	\$ -	\$ 395,543
Affiliate investments (net of foreign taxes withheld of \$0 and \$76,866, respectively)	-	435,578
Total dividend income	-	831,121
Payment-in-kind dividend income		
Non-control/Non-affiliated investments	-	1,196,260
Total payment-in-kind dividend income	-	1,196,260
Interest income		
Non-control/Non-affiliated investments	5,732,516	4,151,276
Affiliate investments	-	-
Control investments	107,238	106,045
Total interest income	5,839,754	4,257,321
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	1,395,716	1,756,055
Affiliate investments	130,219	220,412
Control investments	106,155	126,577
Total payment-in-kind/Deferred interest income	1,632,090	2,103,044
Fee income		
Non-control/Non-affiliated investments	13,099	13,099
Total fee income	13,099	13,099
Fee income - Asset Management ¹		
Portfolio fees	93,550	100,843
Management fees	69,460	92,070
Total fee income - Asset Management	163,010	192,913
Other income	4,580	-
Total operating income	7,652,533	8,593,758
Operating Expenses:		
Interest and other borrowing costs ²	2,125,386	2,282,558
Management fee	1,103,156	1,590,744
Loss on extinguishment of debt ⁶	345,419	-
Consulting fees	240,705	236,935
Legal fees	213,800	144,000
Other expenses	111,337	178,453
Directors' fees	96,000	103,200
Audit & tax preparation fees	94,500	160,900
Insurance	80,778	69,513
Portfolio fees - Asset Management ¹	70,162	75,633
Management fee - Asset Management ¹	52,095	69,052
Administration	40,574	40,233
Public relations fees	37,144	40,237
Printing and postage	7,200	16,200
Total operating expenses	4,618,256	5,007,658
Less: Voluntary expense waiver by Adviser ³	(37,500)	(37,500)
Less: Voluntary management fee waiver by Adviser ⁴	(413,683)	(596,528)

Total waivers	(451,183)	(634,028)
Net operating income before taxes	3,485,460	4,220,128
Tax Expenses:		
Current tax expense	485	482
Total tax expense	485	482
Net operating income	3,484,975	4,219,646
Net Realized and Unrealized Gain (Loss) on Investments:		
Net realized gain (loss) on investments		
U.S. Treasury obligations	(85,886)	20,483
Non-control/Non-affiliated investments	(558,478)	3,223,407
Affiliate investments	-	29,000
Control investments	909,845	-
Foreign currency	-	-
Total net realized gain on investments	265,481	3,272,890
Net unrealized appreciation (depreciation) on investments	(44,082,785)	8,471,448
Net realized and unrealized gain (loss) on investments	(43,817,304)	11,744,338
Net increase (decrease) in net assets resulting from operations	<u>\$ (40,332,329)</u>	<u>\$ 15,963,984</u>
Net increase (decrease) in net assets per share resulting from operations	<u>\$ (2.28)</u>	<u>\$ 0.90</u>
Dividends declared per share ⁵	<u>\$ 0.170</u>	<u>\$ 0.150</u>
Weighted average number of shares outstanding	<u>17,725,118</u>	<u>17,725,118</u>

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

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

² Interest and other borrowing costs includes \$0 and \$84,944 of interest associated with installment sale treatment on the USG&E note. Please see Note 12 "Tax Matters" for more information.

³ Reflects the quarterly portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2020 and 2019 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.

⁴ Reflects the quarterly portion of the TTG Advisers' voluntary waiver of the management fee for the 2020 and 2019 Please see Note 10 "Management" for more information.

⁵ Please see Note 13 "Dividends and Distributions to Shareholders, Share Repurchase Program and Tender Offer" for more information.

⁶ Reflects \$345,419 in unamortized deferred financing fees related to the Senior Notes II which were expensed at the time \$20.0 million of the Senior Notes II were redeemed.

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

MVC Capital, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Month Period November 1, 2019 to April 30, 2020	For the Six Month Period November 1, 2018 to April 30, 2019
Cash flows from Operating Activities:		
Net increase (decrease) in net assets resulting from operations	\$ (35,915,950)	\$ 12,911,232
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gain	(1,373,556)	(8,499,016)
Net change in unrealized depreciation (appreciation)	44,080,983	1,254,005
Amortization of discounts and fees	(2,385,801)	(133,670)
Increase in accrued payment-in-kind dividends and interest	(2,417,660)	(4,368,587)
Amortization of deferred financing fees	554,155	699,326
Loss on extinguishment of debt	345,419	-
Changes in operating assets and liabilities:		
Dividends, interest and fees receivable	152,374	(57,500)
Fee and other receivables	1,625,819	39,449
Escrow receivables, net of reserves	1,135,000	(78,000)
Prepaid expenses	(419,377)	(67,484)
Prepaid taxes	(519)	-
Other liabilities	(1,482,230)	158,084
Purchases of equity investments	(1,870,978)	(3,343,663)
Purchases of debt instruments	(9,747,434)	(5,120,513)
Purchases of short-term investments	(24,999,379)	(49,991,147)
Proceeds from equity investments ⁽¹⁾	6,933,174	7,663,787
Proceeds from debt instruments	80,918,860	3,033,913
Sales/maturities of short-term investments	24,912,778	25,016,819
Net cash provided by (used in) operating activities	80,045,678	(20,882,965)
Cash flows from Financing Activities:		
Repayments from senior notes	(20,000,000)	-
Borrowings from revolving credit facility II	25,000,000	50,000,000
Repayments from revolving credit facility II	(25,000,000)	(25,000,000)
Borrowings from revolving credit facility IV	-	17,000,000
Repayments from revolving credit facility IV	(15,100,000)	(4,000,000)
Repurchase of common stock	-	(4,069,924)
Financing fees paid	-	(893,587)
Distributions paid to shareholders	(5,877,362)	(5,160,533)
Repurchases of common stock under dividend reinvestment plan	(149,180)	(178,472)
Net cash provided by financing activities	(41,126,542)	27,697,484
Net change in cash, cash equivalents, and restricted cash for the period	38,919,136	6,814,519
Cash, cash equivalents, and restricted cash, beginning of period	\$ 11,698,929	\$ 15,887,700
Cash, cash equivalents, and restricted cash, end of period	\$ 50,618,065	\$ 22,702,219

⁽¹⁾ For the six month period ended April 30, 2019, proceeds from equity investments includes \$1,018,000 from escrow receivables, net of reserves.

During the six month periods ended April 30, 2020 and 2019 MVC Capital, Inc. paid \$3,928,281 and \$4,013,173 in interest expense, respectively.

During the six month periods ended April 30, 2020 and 2019 MVC Capital, Inc. paid \$2,404 and \$1,616 in income taxes, respectively.

Non-cash activity:

During the six month periods ended April 30, 2020 and 2019, MVC Capital, Inc. recorded payment in-kind dividend and interest of \$2,417,660 and \$4,368,587, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the six month periods ended April 30, 2020 and 2019, the Plan Agent purchased 17,626 and 19,782 shares of common stock in the open market in order to satisfy the reinvestment portion of our dividends.

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

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

For the Six Month Period November 1, 2018 to April 30, 2019 (Unaudited)	Additional	Accumulated	Total		
Balances at October 31, 2018	Common Stock	Paid-In-Capital	Overdistributed Earnings	Treasury Stock	Shareholders' Equity
	\$ 283,044	\$ 408,583,787	\$ (79,700,440)	\$ (102,442,945)	\$ 226,723,446
Net operating income	-	-	5,666,221	-	5,666,221
Accumulated net realized loss	-	-	(1,254,005)	-	(1,254,005)
Net unrealized appreciation	-	-	8,499,016	-	8,499,016
Dividends paid to stockholders	-	-	(5,339,005)	-	(5,339,005)
Issuance of common stock under dividend reinvestment plan	178,472	-	-	-	178,472
Repurchase of common stock under dividend reinvestment plan	(178,472)	-	-	-	(178,472)
Repurchase of common stock	-	-	-	(4,069,924)	(4,069,924)
Balances at April 30, 2019	\$ 283,044	\$ 408,583,787	\$ (72,128,213)	\$ (106,512,869)	\$ 230,225,749
For the Six Month Period November 1, 2019 to April 30, 2020 (Unaudited)					
Balances at October 31, 2019	\$ 283,044	\$ 406,258,172	\$ (72,069,663)	\$ (106,512,869)	\$ 227,958,684
Net operating income	-	-	6,791,477	-	6,791,477
Accumulated net realized gain	-	-	1,373,556	-	1,373,556
Net unrealized depreciation	-	-	(44,080,983)	-	(44,080,983)
Dividends paid to stockholders	-	-	(6,026,542)	-	(6,026,542)
Issuance of common stock under dividend reinvestment plan	149,180	-	-	-	149,180
Repurchase of common stock under dividend reinvestment plan	(149,180)	-	-	-	(149,180)
Balances at April 30, 2020	\$ 283,044	\$ 406,258,172	\$ (114,012,155)	\$ (106,512,869)	\$ 186,016,192

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

MVC Capital, Inc.
Consolidated Selected Per Share Data and Ratios

	For the Six Month Period November 1, 2019 to April 30, 2020 (Unaudited)	For the Six Month Period November 1, 2018 to April 30, 2019 (Unaudited)	For the Year Ended October 31, 2019
Net asset value, beginning of period/year	\$ 12.86	\$ 12.46	\$ 12.46
Income from operations:			
Net operating income	0.38	0.32	0.65
Net realized and unrealized gain (loss) on investments	(2.41)	0.41	0.27
Total gain (loss) from investment operations	(2.03)	0.73	0.92
Less distributions from:			
Income	(0.34)	(0.30)	(0.62)
Total distributions	(0.34)	(0.30)	(0.62)
Capital share transactions			
Anti-dilutive effect of share repurchase program	-	0.10	0.10
Total capital share transactions	-	0.10	0.10
Net asset value, end of period/year	\$ 10.49	\$ 12.99	\$ 12.86
Market value, end of period/year	\$ 6.67	\$ 9.18	\$ 8.77
Market discount	(36.42)%	(29.33)%	(31.80)%
Total Return - At NAV (a)	(16.32)%	6.75%	8.33%
Total Return - At Market (a)	(20.62)%	4.78%	3.64%
Ratios and Supplemental Data:			
Portfolio turnover ratio	4.80%	3.30%	11.48%
Net assets, end of period/year (in thousands)	\$ 186,016	\$ 230,226	\$ 227,959
Ratios to average net assets:			
Expenses including tax expense	8.11% (c)	8.41% (c)	8.39%
Expenses excluding tax expense	8.11% (c)	8.41% (c)	8.39%
Net operating income before tax expense	6.37% (c)	5.09% (c)	5.13%
Net operating income after tax expense	6.37% (c)	5.09% (c)	5.13%
Ratios to average net assets excluding waivers:			
Expenses including tax expense	9.05% (c)	9.52% (c)	9.52%
Expenses excluding tax expense	9.05% (c)	9.52% (c)	9.52%
Net operating income before tax expense	5.43% (c)	3.98% (c)	4.00%
Net operating income after tax expense	5.43% (c)	3.98% (c)	4.00%

(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	8.11% (c)	8.41% (c)	8.39%
Expenses excluding incentive compensation, interest and other borrowing costs	4.05% (c)	4.13% (c)	4.12%
Net operating income before incentive compensation	6.37% (c)	5.09% (c)	5.13%
Net operating income before incentive compensation, interest and other borrowing costs	10.43% (c)	9.37% (c)	9.40%

Ratios to average net assets excluding waivers: (b)

Expenses excluding incentive compensation	9.05% (c)	9.52% (c)	9.52%
Expenses excluding incentive compensation, interest and other borrowing costs	4.99% (c)	5.24% (c)	5.25%
Net operating income before incentive compensation	5.43% (c)	3.98% (c)	4.00%
Net operating income before incentive compensation, interest and other borrowing costs	9.49% (c)	8.26% (c)	8.27%

(c) Annualized.

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

MVC Capital, Inc.
Consolidated Schedule of Investments
April 30, 2020
(Unaudited)

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments- 78.70% (a, c, f, g)					
Black Diamond Equipment Rentals, LLC	Equipment Rental	Second Lien Loan 12.5000% Cash, 06/27/2022 (k, n) Warrants (d, n)	\$ 7,500,000 1	\$ 7,235,981 400,847	\$ 7,310,231 897,000
				<u>7,636,828</u>	<u>8,207,231</u>
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 12.0000% Cash, 3.0000% PIK, 04/30/2022 (b, k, n) Second Lien Loan 12.0000% Cash, 3.0000% PIK, 04/30/2022 (b, k, n) Revolver 12.0000% Cash, 3.0000% PIK, 04/30/2021 (b, k, n)	33,137,486 6,253,813 3,745,808	33,137,486 6,253,813 3,745,808	26,634,011 5,026,456 3,413,974
				<u>43,137,107</u>	<u>35,074,441</u>
Dukane IAS, LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, n)	4,546,413	4,530,321	4,546,413
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i, n)		15,000,000	11,387,000
Global Prairie PBC, Inc.	Marketing	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 04/16/2025 (b, k, n)	3,056,260	3,002,144	2,973,360
GTM Intermediate Holdings, Inc.	Medical Equipment/Manufacturer	Second Lien Loan 11.0000% Cash, 1.0000% PIK, 12/7/2024 (b, j, k, n) Common Stock (2 shares) (d, n, q)	5,089,845	5,008,077 766,122	4,890,759 1,352,173
				<u>5,774,199</u>	<u>6,242,932</u>
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k, n)	5,254,246	5,205,435	5,000,516
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 15.7500% PIK, 9/15/2024 (b, k, n)	11,638,573	11,621,315	10,484,352
Initials, Inc.	Consumer Products	Senior Subordinated Debt 8.0000% Cash, 7.0000% PIK, 06/23/2020 (b, h, k, n)	5,642,913	5,642,913	650,079
International Precision Components Corporation	Plastic Injection Molding	Second Lien Loan 12.0000% Cash, 2.0000% PIK, 10/3/2024 (b, k, n, r)	8,000,000	7,868,952	7,839,802
Jedson Engineering, Inc.	Engineering and Construction Management	First Lien Loan 12.0000% Cash, 3.0000% PIK, 06/21/2024 (b, h, k, n)	9,416,278	9,228,783	6,883,121
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 03/31/2022 (b, k, n)	9,889,336	9,889,336	9,503,125
Powers Equipment Acquisition Company, LLC	Equipment Manufacturer	First Lien Note 13.5000% PIK, 04/30/2024 (b, h, k, n, s)	6,500,000	6,396,058	4,955,752
SMA Holdings, Inc.	Consulting	First Lien Loan 11.0000% Cash, 06/26/2024 (k, n) Warrants (d, n)	7,000,000 2	6,488,058 504,555	6,552,785 504,555
				<u>6,992,613</u>	<u>7,057,340</u>
Trientis GmbH	Environmental Services	First Lien Note 5.0000% PIK, 10/26/2024 (b, e, h, m, n, o) Warrants (d, e, n, o)	1,248,632 1	1,248,632 67,715	194,918 -
				<u>1,316,347</u>	<u>194,918</u>
Tuf-Tug Inc.	Safety Equipment Manufacturer	Second Lien Loan 11.0000% Cash, 2.0000% PIK, 02/24/2024 (b, k, n) Common Stock (24.6 shares) (d, n, p)	5,036,183	5,002,380 750,000	5,036,183 605,050
				<u>5,752,380</u>	<u>5,641,233</u>
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 10/07/2023 (k, n)	8,697,056	8,697,056	7,470,902
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, n) Second Lien Loan, 9.5000% Cash, 07/05/2025 (h, l, n)	3,185,428 1,585,291	3,185,428 1,585,291	3,185,428 -
				<u>4,770,719</u>	<u>3,185,428</u>
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, n) Secured Loan 12.0000% Cash, 04/30/2021 (k, n) Senior Secured Loan 12.0000% Cash, 04/30/2021 (k, n)	1,500,000 1,500,000	5,488,000 1,500,000	970,000 1,500,000
				<u>1,500,000</u>	<u>1,500,000</u>
				<u>8,488,000</u>	<u>3,970,000</u>
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2021 (k, n)	5,133,333	5,132,651	5,133,333
Sub Total Non-control/Non-affiliated investments				\$ 176,083,157	\$ 146,401,278
Affiliate investments - 24.10% (c, f, g)					
Advantage Insurance, Inc.	Insurance	Preferred Stock (587,001 shares) (a, d, e, n)		5,870,010	4,917,163
Equus Total Return, Inc.	Registered Investment Company	Common Stock (3,228,024 shares) (d, k)		7,524,035	3,647,667
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (a, d, e, n) Preferred Stock (9,159,085 shares) (a, d, e, n)		4,500 11,810,188	- 4,527,000
				<u>11,814,688</u>	<u>4,527,000</u>
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (a, d, e, n) Bridge Loan 5.0000% PIK, 05/31/2022 (a, b, e, k, n) Senior Subordinated Loan 3.1000% PIK, 05/31/2022 (a, b, e, k, n)	5,187,508 8,610,237	51,204,270 5,187,508	17,934,000 5,187,508
				<u>65,002,015</u>	<u>31,731,745</u>
Sub Total Affiliate investments				\$ 90,210,748	\$ 44,823,575

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

Consolidated Schedule of Investments - (Continued)
April 30, 2020
(Unaudited)

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control investments - 18.87% (a, c, f, g)					
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (d, e, n) Bridge Loan 6.0000% Cash, 12/31/2021 (e, k, n)	\$ 7,149,166	\$ 52,185,015 7,149,166 59,334,181	\$ 14,209,000 7,149,166 21,358,166
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (d, j, k, n) General Partnership Interest (d, j, k, n)		7,179,036 183,138 7,362,174	8,514,179 218,014 8,732,193
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (d, n) Series C Preferred Stock (23,896,634 shares) (d, n) Series B-1 Preferred Stock (4,999,076 shares) (d, n) Subordinated Debt 10.0000% PIK, 3/31/2021 (b, k, n) Revolver 10.0000% PIK, 3/31/2021 (b, h, k, n) Revolver 10.0000% PIK, 3/31/2021 (b, h, k, n) Warrants (d, n)	3,793,732 2,231,948 726,704 3	924,475 3,410,694 999,815 3,793,732 2,231,948 726,704 594,544 12,681,912	- - - 2,814,474 1,655,826 539,124 - 5,009,424
Sub Total Control investments				\$ 79,378,267	\$ 35,099,783
TOTAL PORTFOLIO INVESTMENTS - 121.67% (f)				\$ 345,672,172	\$ 226,324,636
Cash equivalents - 26.31% (f, g)					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (48,844,487 shares)		\$ 48,844,487	\$ 48,844,487
Morgan Stanley Institutional Liquidity Government Portfoli	Money Market Fund	Beneficial Shares (99,873 shares)		99,873	99,873
Total Cash equivalents				48,944,360	48,944,360
TOTAL INVESTMENT ASSETS - 147.98%				\$ 394,616,532	\$ 275,268,996

(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., Trientis GmbH, JSC Tekers Holdings, 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 and Puerto Rico which represents approximately 22% of the total assets. The remaining portfolio companies are located in United States which represents approximately 58% of the total assets.

(f) Percentages are based on net assets of \$186,016,192 as of April 30, 2020.

(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 two investments, one located in the United States and one in Gibraltar, the investments are in the energy services and industrial sectors. The Company owns 18.9% of the fund through its limited partnership interest and owns .5% of the fund through its general partnership interest. The Company's proportional share of Gibdock Limited equity interest and loan, Advanced Oil Field Services, LLC common stock, preferred stock, and loan is \$6,750,325 and \$1,727,046, 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 People's United credit facility.

(l) U.S. Gas & Electric, Inc. is an indirect subsidiary of Vistra Energy (NYSE: VST). On October 18, 2019, Vistra Energy notified the Company that it was asserting an offset of Company's loan assets of approximately \$1.6 million relating to an indemnification claim obligation attributable to U.S. Gas. The offset is reflected in the fair value of the loan asset as the Company is considering its response to the claim.

(m) Cash/PIK toggle at borrower's option

(n) These securities are valued using unobservable inputs.

(o) During the fiscal year ended October 31, 2018, all assets and liabilities of SGDA Europe were transferred to a new Austrian holding company, Trientis GmbH, to achieve operating efficiencies.

(p) Shares of Tuf-Tug, Inc. are held via Alitus T-T, LP.

(q) Shares of GTM Intermediate Holdings, Inc. are held via GTM Ultimate Holdings, LLC.

(r) Variable PIK rate between 2.0000% and 3.5000%.

(s) Variable cash rate between 10.5000% and 13.5000%.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

MVC Capital, Inc.
Consolidated Schedule of Investments
October 31, 2019

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments - 100.60% (a, c, f, g)					
Apex Industrial Technologies, LLC	Supply Chain Equipment Manufacturer	First Lien Loan 12.0000% Cash, 12/31/2019 (k, n)	\$ 15,000,000	\$ 14,899,274	\$ 15,000,000
Array Information Technology, Inc.	Information Technology Products and Services	Second Lien Loan 12.0000% Cash, 4.0000% PIK, 10/03/2023 (b, k, n, p) Warrants (d, n)	6,259,648 1	6,175,991 -	6,322,216 -
Black Diamond Equipment Rentals, LLC	Equipment Rental	Second Lien Loan 12.5000% Cash, 06/27/2022 (k, n) Warrants (d, n)	7,500,000 1	7,174,926 400,847	7,575,000 960,000
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 12.0000% Cash, 3.0000% PIK, 04/30/2022 (b, k, n) Second Lien Loan 12.0000% Cash, 3.0000% PIK, 04/30/2023 (b, k, n) Revolver 12.0000% Cash, 3.0000% PIK, 04/30/2020 (b, k, n)	32,471,814 6,128,186 2,050,000	32,471,814 6,128,186 2,050,000	32,061,135 6,050,681 2,050,000
Dukane IAS, LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, n)	4,489,182	4,458,353	4,534,074
Essner Manufacturing, LP	Defense/Aerospace Parts Manufacturing	First Lien Loan 11.5000% Cash, 12/20/2022 (k, n, o)	3,588,606	3,543,739	3,588,606
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i, n)		15,000,000	6,352,000
Global Prairie PBC, Inc.	Marketing	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 04/16/2025 (b, k, n)	3,000,000	2,940,448	3,000,000
GTM Intermediate Holdings, Inc.	Medical Equipment/Manufacturer	Second Lien Loan 11.0000% Cash, 1.0000% PIK, 12/7/2024 (b, k, n) Common Stock (2 shares) (d, n, t)	5,064,069	4,973,443 766,122	5,064,069 766,122
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k, n)	5,201,232	5,142,323	5,201,232
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 3.7500% PIK, 9/15/2024 (b, k, n)	11,419,845	11,400,660	11,419,845
Initials, Inc.	Consumer Products	Senior Subordinated Debt 8.0000% Cash, 7.0000% PIK, 06/23/2020 (b, h, k, n)	5,642,913	5,642,913	1,272,188
International Precision Components Corporation	Plastic Injection Molding	Second Lien Loan 12.0000% Cash, 3.5000% PIK, 10/3/2024 (b, k, n, u)	8,000,000	7,854,192	8,000,000
Jedson Engineering, Inc.	Engineering and Construction Management	First Lien Loan 12.0000% Cash, 3.0000% PIK, 06/21/2024 (b, k, n)	6,041,262	5,928,722	6,041,262
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 03/18/2020 (b, k, n)	12,182,950	12,182,950	12,182,950
Morey's Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 3.0000% PIK, 08/12/2022 (b, k, n, q)	16,485,324	16,485,324	16,485,324
Powers Equipment Acquisition Company, LLC	Equipment Manufacturer	First Lien Note 13.5000% Cash, 04/30/2024 (k, n, v)	6,500,000	6,383,100	6,500,000
SMA Holdings, Inc.	Consulting	First Lien Loan 11.0000% Cash, 06/26/2024 (k, n) Warrants (d, n)	7,000,000 2	6,426,640 504,555	6,530,794 504,555
Trientis GmbH	Environmental Services	First Lien Note 5.0000% PIK, 10/26/2024 (b, e, h, m, n, r) Warrants (d, e, r, n)	1,248,632 1	1,248,632 67,715	176,906 -
Tuf-Tug Inc.	Safety Equipment Manufacturer	Second Lien Loan 11.0000% Cash, 2.0000% PIK, 02/24/2024 (b, k, n) Common Stock (24.6 shares) (d, n, s)	4,985,284	4,947,047 750,000	5,035,136 778,210
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, n) Third Lien Loan 10.0000% Cash, 08/07/2020 (k, n)	7,717,056 1,050,000	7,717,056 1,050,000	7,563,104 1,032,473
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, n)	37,527,881	37,527,881	36,974,616
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, n) Secured Loan 12.0000% Cash, 04/30/2021 (k, n) Senior Secured Loan 12.0000% Cash, 04/30/2021 (k, n)	1,500,000 1,500,000	5,488,000 1,500,000	1,800,000 1,500,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, n)	5,500,000	5,497,954	5,500,000
Sub Total Non-control/Non-affiliated investments				\$ 246,228,807	\$ 229,322,498
Affiliate investments - 27.13% (a, c, f, g)					
Advantage Insurance, Inc.	Insurance	Preferred Stock (750,000 shares) (d, e, n)		7,500,000	7,513,627
Equus Total Return, Inc.	Registered Investment Company	Common Stock (3,228,024 shares) (d, k)		7,524,035	4,874,316
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d, e, n) Preferred Stock (9,159,085 shares) (d, e, n)		4,500 11,810,188	- 4,910,000
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d, e, n) Bridge Loan 5.0000% PIK, 12/31/2019 (b, e, k, n) Senior Subordinated Loan 3.1000% PIK, 05/31/2020 (b, e, k, n)	4,937,218 6,009,735	51,204,270 4,937,218	33,607,000 4,937,218
Sub Total Affiliate investments				\$ 88,989,946	\$ 61,851,896

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

MVC Capital, Inc.
Consolidated Schedule of Investments - (Continued)
October 31, 2019

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control investments - 21.53% (c, f, g)					
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e, n) Bridge Loan 6.0000% Cash, 12/31/2020 (a, e, k, n)	\$ 7,149,166	\$ 52,185,015 7,149,166 59,334,181	\$ 20,602,000 7,149,166 27,751,166
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, k, n) General Partnership Interest (a, d, j, k, n)		9,034,881 230,481 9,265,362	12,252,382 312,561 12,564,943
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d, n) Series C Preferred Stock (23,896,634 shares) (a, d, n) Series B-1 Preferred Stock (4,999,076 shares) (a, d, n) Subordinated Debt 10.0000% PIK, 3/31/2020 (a, b, k, n) Revolver 10.0000% PIK, 3/31/2021 (a, b, k, n) Revolver 10.0000% PIK, 2/28/2020 (a, b, k, n) Warrants (a, d, n)	3,610,446 2,075,613 403,507 3	924,475 3,410,694 999,815 3,610,446 2,075,613 233,297 594,544 11,848,884	- 1,462,857 - 3,610,446 2,075,613 233,297 1,372,379 8,754,592
Sub Total Control investments				\$ 80,448,427	\$ 49,070,701
TOTAL PORTFOLIO INVESTMENTS - 149.26% (f)				\$ 415,667,180	\$ 340,245,095
Cash equivalents and restricted cash equivalents - 4.55% (f, g)					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (10,278,123 shares)		\$ 10,278,123	\$ 10,278,123
Morgan Stanley Institutional Liquidity Government Portfolio	Money Market Fund	Beneficial Shares (99,158 shares)		99,158	99,158
Total Cash equivalents				10,377,281	10,377,281
TOTAL INVESTMENT ASSETS - 153.81%				\$ 426,044,461	\$ 350,622,376

(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., Trientis GmbH, JSC Tekers Holdings, 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 and Puerto Rico which represents approximately 23% of the total assets. The remaining portfolio companies are located in United States which represents approximately 71% of the total assets.

(f) Percentages are based on net assets of \$227,958,684 as of October 31, 2019.

(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 two investments, one located in the United States and one in Gibraltar, the investments are in the energy services and industrial sectors. The Company owns 18.9% of the fund through its limited partnership interest and owns .5% of the fund through its general partnership interest. The Company's proportional share of Gibdock Limited equity interest and loan, Advanced Oil Field Services, LLC common stock, preferred stock, and loan is \$5,230,958 and \$3,433,612, 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 People's United credit facility.
- (l) U.S. Gas & Electric, Inc. is an indirect subsidiary of Vistra Energy (NYSE: VST)
- (m) Cash/PIK toggle at borrower's option
- (n) These securities are valued using unobservable inputs.
- (o) Variable rate between 10.5000% and 11.5000% cash.
- (p) 12% Cash and 0-4% PIK based on Funded Debt to EBITDA. 4% PIK initially.
- (q) 10% Cash and 3% PIK beginning July 1, 2019.
- (r) During the fiscal year ended October 31, 2018, all assets and liabilities of SGDA Europe were transferred to a new Austrian holding company, Trientis GmbH, to achieve operating efficiencies.
- (s) Shares of Tuf-Tug, Inc. are held via Alitus T-T, LP.
- (t) Shares of GTM Intermediate Holdings, Inc. are held via GTM Ultimate Holdings, LLC.
- (u) Variable PIK rate between 2.0000% and 3.5000%.
- (v) Variable cash rate between 10.5000% and 13.5000%.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

MVC Capital, Inc. (the “Company”)
Notes to Consolidated Financial Statements
April 30, 2020
(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, 2019, 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 \$50.6 million in cash and cash equivalents on the Company’s Consolidated Balance Sheets as of April 30, 2020, 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.

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.

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.

Investment Transactions and Related Operating Income – Investment transactions and related revenues and expenses are accounted for on the trade date. The cost of securities sold is determined on a first-in, first-out basis, unless otherwise specified. Dividend income and distributions on investment securities is recorded on the ex-dividend date. The tax characteristics of such distributions received from our Portfolio Companies will be determined by whether or not the distribution was made from the investment's current taxable earnings and profits or accumulated taxable earnings and profits from prior years. Interest income, which includes accretion of discount and amortization of premium, if applicable, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Fee income includes fees for guarantees and services rendered by the Company or its wholly-owned subsidiary to Portfolio Companies and other third parties such as due diligence, structuring, transaction services, monitoring services, and investment advisory services. Guaranty fees are recognized as income over the related period of the guaranty. Due diligence, structuring, and transaction services fees are generally recognized as income when services are rendered or when the related transactions are completed. Monitoring and investment advisory services fees are generally recognized as income as the services are rendered. Any fee income determined to be loan origination fees is accreted into income over the respective terms of the applicable loans and any original issue discount and market discount are capitalized and then amortized into income using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as interest income. For investments with PIK interest and dividends, we base income and dividend accrual on the valuation of the PIK notes or securities received from the borrower. If the value of the PIK notes or securities of a portfolio company is not sufficient to cover the contractual interest or dividend, the Company does not accrue interest or dividend income on the notes or securities.

The functional currency of the Company is the U.S. Dollar. Assets and liabilities denominated in a currency other than the U.S. Dollar are translated into U.S. Dollars at the closing rates of exchange on the date of determination. Purchases and sales of investments and income and expenses denominated in currencies other than U.S. Dollars are translated at the rates of exchange on the respective dates of the transactions. The resulting gains and losses from such currency translation are included in the Consolidated Statement of Operations. The Company does not isolate the portion of the results of operations resulting from the changes in foreign exchange rates on investments from the fluctuation arising from changes in fair values of securities held. Such fluctuations are included with the Net Realized and Unrealized Gain (Loss) on Investments and foreign currency in the Consolidated Statement of Operations.

4. Cash and Cash Equivalents

For the purpose of the Consolidated Balance Sheets and Consolidated Statements of Cash Flows, the Company considers all money market and all highly liquid temporary cash investments purchased with an original maturity of less than three months to be cash equivalents. The Company places its cash and cash equivalents with financial institutions and cash held in bank accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit. As of April 30, 2020, the Company had approximately \$45.4 million in cash equivalents, approximately \$3.5 million in restricted cash equivalents, approximately \$1.5 million in restricted cash and approximately \$174,000 in cash totaling approximately \$50.6 million. Of the approximately \$45.4 million in cash equivalents, approximately \$1.1 million was held by MVC Cayman. As of October 31, 2019, the Company had approximately \$5.4 million in cash equivalents, approximately \$5.0 million in restricted cash equivalents and approximately \$1.3 million in cash totaling approximately \$11.7 million. Of the approximately \$1.3 million in cash and the approximately \$5.4 million in cash equivalents, approximately \$1.0 million and \$99,000, respectively, 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 and cash equivalents. Restricted cash and cash equivalents are carried at cost, which approximates fair value. As of April 30, 2020 and October 31, 2019, the Company had restricted cash or cash equivalents of approximately \$5.0 million related to the compensating balance requirement for Credit Facility IV (defined below).

5. Recent Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. In addition, ASU 2016-13 requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses. The amendments in ASU 2016-13 broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The new standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. The Company does not expect the adoption of ASU 2016-13 to have a material impact on our financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements. The amendments require new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value of instruments held at balance sheet date and the range and weighted average of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain disclosures are being eliminated such as the valuation process required for Level 3 fair value measurements, the policy for timing of transfers between levels and amounts of and reason for transfers between Levels 1 and 2. The ASU is effective for public business entities for fiscal years and interim periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2018-13 to have a material impact on our financial statements.

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to related Party Guidance for Variable Interest Entities. The guidance supersedes the private company alternative for common control leasing arrangements issued in 2014 and expands it to all qualifying common control arrangements. Also under the guidance, a private company could make an accounting policy election to not apply VIE guidance to legal entities under common control (including common control leasing arrangements) when certain criteria are met. Additionally, a private company electing the alternative is required to provide detailed disclosures about its involvement with, and exposure to, the legal entity under common control. The ASU also amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP). The ASU is effective for public business entities for fiscal years and interim periods beginning after December 15, 2019. The Company does not expect the adoption of ASU 2018-17 to have a material impact on our financial statements.

6. Investment Valuation Policy

Our investments are carried at fair value in accordance with the Accounting Standards Codification, *Fair Value Measurement* (“ASC 820”). In accordance with the 1940 Act, unrestricted minority-owned publicly traded securities for which market quotations are readily available are 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 April 30, 2020, 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 minority-owned interests.

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

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

Valuation Methodology

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

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

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

At April 30, 2020 and October 31, 2019, approximately 78.3% and 92.6%, respectively, of total assets represented investments in portfolio companies recorded at fair value ("Fair Value Investments").

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

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

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

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

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

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

In assessing enterprise value, the Valuation Committee considers the mergers and acquisitions ("M&A") market as the principal market in which the Company would sell its investments in portfolio companies under circumstances where the Company has the ability to control or gain control of the board of directors of the portfolio company ("Control Companies"). This approach is consistent with the principal market that the Company would use for its portfolio companies if the Company has the ability to initiate a sale of the portfolio company as of the measurement date, i.e., if it has the ability to control or gain control of the board of directors of the portfolio company as of the measurement date. In evaluating if the Company can control or gain control of a portfolio company as of the measurement date, the Company takes into account its equity securities on a fully diluted basis, as well as other factors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 79.5% and 94.3% of the Company's total assets at April 30, 2020 and October 31, 2019, respectively. As discussed in Note 8, these investments consist of securities in companies with no readily determinable market values and as such are valued in accordance with the Company's fair value policies and procedures. The Company's investment strategy represents a high degree of business and financial risk due to the fact that the Company's portfolio investments (other than cash equivalents) are generally illiquid, in small and middle market companies, and include foreign investments (which subject the Company to additional risks such as currency, geographic, demographic and operational risks), entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. Additionally, we are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore may invest a significant portion of our assets in a relatively small number of portfolio companies, which gives rise to a risk of significant loss should the performance or financial condition of one or more portfolio companies deteriorate. As of April 30, 2020, the fair value of our largest investment, Custom Alloy Corporation ("Custom Alloy"), comprised 12.3% of our total assets and 18.9% of our net assets. The Company's investments in short-term securities are generally in U.S. government securities, with a maturity of greater than three months but generally less than one year or other high quality and highly liquid investments. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents.

The following table shows the portfolio composition by industry grouping at fair value as a percentage of net assets as of April 30, 2020 and October 31, 2019.

	<u>April 30, 2020</u>	<u>October 31, 2019</u>
Manufacturer of Pipe Fittings	18.86%	17.62%
Electrical Engineering	17.06%	19.55%
Automotive Dealerships	11.48%	12.17%
Technology Investment - Financial Services	6.12%	2.79%
Electronics Component Manufacturing	5.64%	5.01%
Business Services	5.11%	5.34%
Private Equity	4.70%	5.51%
Equipment Rental	4.41%	3.74%
Plastic Injection Molding	4.22%	3.51%
Distributor - Landscaping and Irrigation Equipment	4.02%	3.77%
Consulting	3.79%	3.09%
Engineering and Construction Management	3.70%	2.65%
Medical Equipment Manufacturer	3.36%	2.56%
Consumer Products	3.04%	4.40%
Safety Equipment Manufacturer	3.03%	2.55%
Electronics Manufacturing and Repair	2.76%	2.41%
Government Services	2.69%	2.28%
Equipment Manufacturer	2.66%	2.85%
Insurance	2.64%	3.30%
Welding Equipment Manufacturer	2.44%	1.99%
Real Estate Management	2.43%	2.15%
Specialty Chemicals	2.13%	2.11%
Regulated Investment Company	1.96%	2.14%
Energy Services	1.71%	16.22%
Marketing	1.60%	1.32%
Environmental Services	0.11%	0.08%
Supply Chain Equipment Manufacturer	0.00%	6.58%
Information Technology Products and Services	0.00%	2.77%
Food Services	0.00%	7.23%
Defense/Aerospace Parts Manufacturing	0.00%	1.57%
	<u>121.67%</u>	<u>149.26%</u>

The following table shows the portfolio composition by geographic region at fair value as a percentage of total assets as of April 30, 2020 and October 31, 2019.

	<u>April 30, 2020</u>	<u>October 31, 2019</u>
Northeast	22.96%	21.57%
Europe	20.32%	21.37%
Southeast	14.11%	21.18%
Midwest	11.56%	17.69%
West	7.58%	7.72%
Puerto Rico	1.73%	2.07%
Southwest	1.28%	2.34%
	<u>79.54%</u>	<u>93.94%</u>

8. Portfolio Investments

Pursuant to the requirements of the 1940 Act and ASC 820, we value our portfolio securities at their current market values or, if market quotations are not readily available, at their estimated fair values. Because our portfolio company investments generally do not have readily ascertainable market values, we record these investments at fair value in accordance with Valuation Procedures adopted by our Board of Directors. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors' supervision and pursuant to our Valuation Procedures.

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

- **Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We use Level 1 inputs for investments in publicly traded unrestricted securities for which we do not have a controlling interest. Such investments are valued at the closing price on the measurement date. We valued one of our investments using Level 1 inputs as of April 30, 2020.
- **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.
- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. 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.

In determining the appropriate level, the Company considers the length of time until the investment is redeemable, including notice and lock-up periods and any other restriction on the disposition of the investment. The Company also considers the nature of the portfolios of the underlying Investment Vehicles and such vehicles' ability to liquidate their investment.

The following fair value hierarchy tables set forth our investment related assets and (liabilities) by level as of April 30, 2020 and October 31, 2019 (in thousands):

	April 30, 2020				
	Level 1	Level 2	Level 3	Investment measured at NAV	Total
Senior/Subordinated Loans and credit facilities	\$ -	\$ -	\$ 156,642	\$ -	\$ 156,642
Common Stock	3,648	-	2,927	-	6,575
Preferred Stock	-	-	20,831	-	20,831
Warrants	-	-	1,402	-	1,402
Common Equity Interest	-	-	32,143	-	32,143
LP Interest of the PE Fund	-	-	-	8,514	8,514
GP Interest of the PE Fund	-	-	-	218	218
Guarantees and letters of credit	-	-	(882)	-	(882)
Escrow Receivable	-	-	-	-	-
Short-term investments	-	-	-	-	-
Total	\$ 3,648	\$ -	\$ 213,063	\$ 8,732	\$ 225,443

October 31, 2019

	Level 1	Level 2	Level 3	Investment measured at NAV	Total
Senior/Subordinated Loans and credit facilities	\$ -	\$ -	\$ 242,177	\$ -	\$ 242,177
Common Stock	4,874	-	3,344	-	8,218
Preferred Stock	-	-	20,238	-	20,238
Warrants	-	-	2,837	-	2,837
Common Equity Interest	-	-	54,209	-	54,209
LP Interest of the PE Fund	-	-	-	12,253	12,253
GP Interest of the PE Fund	-	-	-	313	313
Guarantees and letters of credit	-	-	(727)	-	(727)
Escrow Receivable	-	-	1,135	-	1,135
Short-term investments	-	-	-	-	-
Total	<u>\$ 4,874</u>	<u>\$ -</u>	<u>\$ 323,213</u>	<u>\$ 12,566</u>	<u>\$ 340,653</u>

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur. During the six month period ended April 30, 2020 and the year ended October 31, 2019, there were no transfers in or out of Level 1 or 2.

The following tables set forth a summary of changes in the fair value of investment related assets and liabilities measured using Level 3 inputs for the six month period ended April 30, 2020, and April 30, 2019 (in thousands):

	Balances, November 1, 2019	Realized Gains (Losses) (1)	Reversal of Prior Year (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, April 30, 2020	Total Loss for the year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of April 30, 2020
Senior/Subordinated Loans and credit facilities	\$ 242,177	\$ -	\$ (291)	\$ (18,754)	\$ 12,612	\$ (79,102)	\$ -	\$ 156,642	\$ (20,279)
Common Stock	3,344	-	-	(417)	-	-	-	2,927	(417)
Preferred Stock	20,238	(33)	(3)	2,226	-	(1,597)	-	20,831	2,226
Warrants	2,837	(530)	-	(1,436)	1,871	(1,340)	-	1,402	(1,436)
Common Equity Interest	54,209	-	-	(22,066)	-	-	-	32,143	(22,066)
Guarantees and letters of credit	(727)	-	-	(155)	-	-	-	(882)	(155)
Escrow Receivable	1,135	(10)	-	-	-	(1,125)	-	-	-
Total	<u>\$ 323,213</u>	<u>\$ (573)</u>	<u>\$ (294)</u>	<u>\$ (40,602)</u>	<u>\$ 14,483</u>	<u>\$ (83,164)</u>	<u>\$ -</u>	<u>\$ 213,063</u>	<u>\$ (42,127)</u>

	Balances, November 1, 2018	Realized Gains (Losses) (1)	Reversal of Prior Year (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, April 30, 2019	Total Loss for the year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of April 30, 2019
Senior/Subordinated Loans and credit facilities	\$ 175,781	\$ -	\$ -	\$ (1,644)	\$ 44,712	\$ (8,567)	\$ -	\$ 210,282	\$ (1,644)
Common Stock	6,150	-	-	(3,100)	346	-	-	3,396	(3,100)
Preferred Stock	47,060	3,223	276	354	2,591	(32,472)	-	21,032	354
Warrants	401	-	-	537	-	-	-	938	537
Common Equity Interest	50,186	-	-	4,306	-	-	-	54,492	4,306
Guarantees and letters of credit	(2,867)	-	2,399	(233)	-	-	-	(701)	(233)
Escrow Receivable	969	49	-	29	-	-	-	1,047	29
Total	<u>\$ 277,680</u>	<u>\$ 3,272</u>	<u>\$ 2,675</u>	<u>\$ 249</u>	<u>\$ 47,649</u>	<u>\$ (41,039)</u>	<u>\$ -</u>	<u>\$ 290,486</u>	<u>\$ 249</u>

- (1) Included in net realized gain (loss) on investments in the Consolidated Statements of Operations.
- (2) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities disposed of during the six month period ended April 30, 2020 and April 30, 2019, respectively.
- (3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities held during the six month period ended April 30, 2020 and April 30, 2019, respectively.
- (4) Includes increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, premiums and closing fees and the exchange of one or more existing securities for new securities. For the six month period ended April 30, 2020 and April 30, 2019, a total of approximately \$3.1 million and \$4.3 million, respectively, of PIK interest and dividends and amortization of discounts and fees are included.
- (5) Includes decreases in the cost basis of investments resulting from principal repayments or sales.

In accordance with ASU 2011-04, the following tables summarize information about the Company's Level 3 fair value measurements as of April 30, 2020 and October 31, 2019 (in thousands):

Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 4/30/2020	Valuation technique	Unobservable input	Range		Weighted average (a)
				Low	High	
Common Stock (c) (d)	\$ 2,927	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	EBITDA Multiple	5.0x	8.0x	6.5x
		Income Approach	Discount Rate	10.2%	14.2%	11.4%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%	2.0%
Senior/Subordinated loans and credit facilities (b) (d)	\$ 156,642	Market Approach	EBITDA Multiple	5.0x	5.0x	5.0x
			Forward EBITDA Multiple	5.5x	5.5x	5.5x
			Revenue Multiple	0.4x	0.9x	0.8x
			Uncertainty Discount	15%	15%	15%
		Income Approach	Required Rate of Return	9.9%	26.9%	19.5%
			Discount Rate	16.1%	22.9%	17.9%
			Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Discount to Net Asset Value	10.0%	10.0%	10.0%
			Discount on Liquidation of Assets	17.5%	25.0%	23.3%
Common Equity Interest	\$ 32,143	Market Approach	Forward EBITDA Multiple	5.5x	5.5x	5.5x
			EBITDA Multiple	5.0x	5.0x	5.0x
			Uncertainty Discount	15%	15%	15%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Discount to Net Asset Value	10.0%	10.0%	10.0%
		Income Approach	Discount Rate	16.1%	16.1%	16.1%
			Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
Preferred Stock (c)	\$ 20,831	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	15.0%	7.2%
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	% of AUM	0.52%	0.52%	0.52%
			Illiquidity Discount	15.0%	15.0%	15.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	20.9x	20.9x	20.9x
		Income Approach	Discount Rate	14.4%	14.4%	14.4%
			Perpetual Growth Rate of Free Cash	2.5%	2.5%	2.5%

Flow

Warrants	\$	1,402	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
Guarantees / Letters of Credit	\$	(882)	Income Approach	Discount Rate	6.0%	20.0%	17.1%
Total	\$	213,063					

Notes:

(a) Calculated based on fair values.

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

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

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

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

Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2019	Valuation technique	Unobservable input	Range		Weighted average (a)
				Low	High	
Common Stock (c) (d)	\$ 3,344	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	EBITDA Multiple	6.0x	7.5x	6.6x
		Income Approach	Discount Rate	12.7%	12.7%	12.7%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%	2.0%
Senior/Subordinated loans and credit facilities (b) (d)	\$ 242,177	Market Approach	EBITDA Multiple	6.0x	8.0x	7.5x
			Forward EBITDA Multiple	8.5x	8.5x	8.5x
			Revenue Multiple	0.5x	1.4x	1.2x
		Income Approach	Required Rate of Return	8.6%	17.4%	14.1%
			Discount Rate	14.1%	15.6%	15.1%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.5%	2.3%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Discount on Liquidation of Assets	17.5%	25.0%	24.1%
Common Equity Interest	\$ 54,209	Market Approach	Forward EBITDA Multiple	8.5x	8.5x	8.5x
			EBITDA Multiple	7.0x	7.0x	7.0x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	15.6%	15.6%	15.6%
			Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
Preferred Stock (c)	\$ 20,238	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	10.0%	4.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.4x	1.4x	1.4x
			% of AUM	0.72%	0.72%	0.72%
			Illiquidity Discount	35.0%	35.0%	35.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	19.5x	19.5x	19.5x
		Income Approach	Discount Rate	12.9%	14.1%	13.1%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.5%	2.4%
Warrants	\$ 2,837	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
Guarantees / Letters of Credit	\$ (727)	Income Approach	Discount Rate	6.5%	20.0%	17.0%
Escrows	\$ 1,135	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
Total	\$ 323,213					

Notes:

(a) Calculated based on fair values.

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

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

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

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

ASU 2011-04 clarifies the application of existing fair value measurement and disclosure requirements related to the application of the highest and best use and valuation premise concepts for financial and nonfinancial instruments, measuring the fair value of an instrument classified in equity, and disclosures about fair value measurements. ASU 2011-04 requires additional disclosures about fair value measurements categorized within Level 3 of the

fair value hierarchy, including the valuation processes used by the reporting entity, the sensitivity of the fair value to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any.

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

For the Six Month Period Ended April 30, 2020

During the six month period ended April 30, 2020, the Company made follow-on investments in five portfolio companies that totaled approximately \$11.5 million. Specifically, on November 14, 2019 and February 28, 2020, the Company loaned \$50,000 and \$300,000, respectively, to RuMe Inc. ("RuMe") on its lines of credit, increasing the balances to approximately \$2.2 million and approximately \$727,000, respectively. On December 13, 2019 and February 3, 2020, the Company loaned approximately \$1.6 million and \$1.7 million, respectively, to Jedson Engineering, Inc. ("Jedson"), increasing the first lien loan to approximately \$9.4 million. On January 10, 2020, the Company loaned approximately \$3.8 million to Apex Industrials Technologies, LLC ("Apex"), increasing the first lien loan to approximately \$18.8 million at that time. The maturity date of the loan was extended to May 15, 2020. The Company also received a warrant as part of this investment. During the six month period ended April 30, 2020, Custom Alloy Corporation ("Custom Alloy") borrowed approximately \$1.7 million on its revolving credit facility, increasing the balance outstanding to approximately \$3.7 million. During the six month period ended April 30, 2020, the Company loaned approximately \$2.5 million to Security Holdings B.V. ("Security Holdings"), increasing its senior subordinated loan outstanding amount to approximately \$8.6 million.

On November 1, 2019, U.S. Gas & Electric, Inc. ("U.S. Gas") made a principal payment of approximately \$32.8 million on its second lien loan.

On November 4, 2019, the Company received net proceeds of approximately \$1.0 million related to the G3K Displays, Inc. settlement.

On November 5, 2019, the Company received proceeds of approximately \$1.0 million related to the Centile Holding B.V. ("Centile") escrow.

On November 8, 2019, the Company received proceeds of approximately \$2.7 million from the PE Fund related to the sale of Focus Pointe Holdings, Inc. ("Focus Pointe"), a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Focus Pointe investment totaled approximately \$1.9 million, resulting in a realized gain of approximately \$773,000. The Company also received a carried interest payment from the PE Fund of approximately \$48,000 related to the sale, which was recorded as additional realized gains.

On November 8, 2019, the Company received proceeds of approximately \$291,000 from the PE Fund related to tax refunds received by the PE Fund related to Plymouth Rock Energy, LLC. The additional proceeds were recorded as realized gains. The Company also received a carried interest payment from the PE Fund of approximately \$11,000 related to these proceeds, which was recorded as additional realized gains.

On December 5, 2019, the Company sold 162,999 preferred shares of Advantage Insurance, Inc. ("Advantage") for approximately \$1.6 million, resulting in a realized loss of approximately \$33,000.

On January 1, 2020, Array Information Technology, Inc. ("Array") repaid its second lien loan in full, including all accrued interest totaling approximately \$6.4 million. The Company also received approximately \$28,000 for the sale of the warrant which was recorded as a realized gain.

On January 10, 2020, Essner Manufacturing, LP (“Essner”) repaid its first lien loan in full, including all accrued interest totaling approximately \$3.6 million.

On January 31, 2020, Morey’s Seafood International, LLC (“Morey’s”) repaid its second lien loan in full, including all accrued interest totaling approximately \$16.8 million.

On February, 21, 2020, the Company received proceeds of approximately \$878,000 from the PE Fund related to the release of escrow funds related to former PE Fund portfolio companies AccuMed Corp., Focus Pointe Global and Plymouth Rock Energy, LLC. The Company also received an approximately \$32,000 carried interest payment.

On March 6, 2020, United States Technologies, Inc. (“U.S. Tech”) made an approximately \$367,000 principal payment on its loan.

On March 30, 2020, Apex repaid its first lien loan in full including all accrued interest, totaling approximately \$18.9 million. The Company received a free warrant as part of the approximately \$3.9 million follow-on investment on January 10, 2020 in which approximately \$1.9 million of the approximately \$3.9 million cost basis of the loan was allocated to the cost of the warrant. On March 30, 2020, the Company also received approximately \$1.3 million for the sale of the warrant, which resulted in a realized loss of approximately \$558,000 based on the allocated cost of the warrant. The net impact of the warrant increased net assets by approximately \$1.3 million.

On April 6, 2020, Turf Products, LLC’s (“Turf”) senior subordinated loan and third lien loan were combined into a non-amortizing senior subordinated loan in the amount of \$8,697,056 with a 10% cash interest rate and a maturity of October 7, 2023.

During the six month period ended April 30, 2020, Turf made a principal payment of \$70,000 on its third lien loan.

During the six month period ended April 30, 2020, Legal Solutions Holdings, Inc. (“Legal Solutions”) made \$2.4 million in principal payments on its loan.

During the quarter ended January 31, 2020, the Valuation Committee increased the fair value of the Company’s investments in: Black Diamond Equipment Rental, LLC (“Black Diamond”) by approximately \$256,000, Foliofn, Inc. (“Foliofn”) by approximately \$5.7 million, JSC Tekers Holdings (“JSC Tekers”) by \$350,000, Trientis GmbH (“Trientis”) by approximately \$72,000, Turf by approximately \$60,000, MVC Private Equity Fund L.P. by approximately \$2.0 million, GTM Intermediate Holdings, Inc. (“GTM”) by approximately \$817,000, MVC Automotive Group GmbH (“MVC Automotive”) equity by approximately \$486,000 and Apex by approximately \$1.5 million. In addition, increases in the cost basis of the loans to Apex, Black Diamond, Custom Alloy, Dukane IAS, LLC (“Dukane”), Global Prairie PBC, Inc. (“Global Prairie”), GTM, Highpoint, HTI Technologies and Industries, Inc. (“HTI”), Jedson, Legal Solutions, Morey’s, RuMe, Security Holdings, SMA Holdings, Inc. (“SMA”) and Tuf-Tug Inc. (“Tuf-Tug”) due to the capitalization of PIK interest totaling approximately \$1.8 million. The Valuation Committee also decreased the fair value of the Company’s investments in: Advantage by approximately \$129,000, Custom Alloy by approximately \$387,000, Dukane by approximately \$45,000, Initials, Inc. (“Initials”) by approximately \$103,000, RuMe by approximately \$1.6 million, Security Holdings by approximately \$7.1 million, Tuf-Tug by approximately \$62,000, U.S. Gas by approximately \$1.0 million and U.S. Spray Drying Holding Company (“U. S. Spray”) by approximately \$260,000.

During the quarter ended April 30, 2020, the Valuation Committee decreased the fair value of the Company’s investments in: Advantage by approximately \$835,000, Black Diamond by approximately \$628,000, Custom Alloy by approximately \$7.2 million, Foliofn, by approximately \$632,000, Global Prairie by approximately \$83,000, GTM by approximately \$430,000, Highpoint Global LLC (“Highpoint”) by approximately \$254,000, HTI by approximately \$1.2 million, Initials by approximately \$519,000, International Precision Components Corporation (“IPCC”) by approximately \$160,000, Jedson by approximately \$2.5 million, JSC Tekers by approximately \$733,000, Legal Solutions by approximately \$386,000, MVC Automotive by approximately \$6.9 million, MVC Private Equity Fund L.P. by approximately \$2.8 million, Powers Equipment Acquisition Company (“Powers”) by approximately \$1.5 million, RuMe by approximately \$3.1 million, Security Holdings by approximately \$8.6 million, SMA by approximately \$28,000, Trientis by approximately \$54,000, Tuf-Tug by approximately \$161,000, Turf by approximately \$1.1 million and U.S. Spray by approximately \$570,000. There were also increases in the cost basis of the loans to Black Diamond, Dukane, Global Prairie, GTM, Highpoint, HTI, Jedson, Legal Solutions, RuMe, Security Holdings, SMA and Tuf-Tug due to the capitalization of PIK interest totaling approximately \$600,000.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the Company's investments in: Advantage by approximately \$964,000, Black Diamond by approximately \$372,000, Custom Alloy by approximately \$7.6 million, Dukane by approximately \$45,000, Global Prairie by approximately \$83,000, Highpoint by approximately \$254,000, HTI by approximately \$1.2 million, Initials by approximately \$622,000, IPCC by approximately \$160,000, Jedson by approximately \$2.5 million, JSC Tekers by approximately \$383,000, Legal Solutions by approximately \$386,000, MVC Automotive by approximately \$6.4 million, MVC Private Equity Fund L.P. by approximately \$800,000, Powers by approximately \$1.5 million, RuMe by approximately \$4.7 million, Security Holdings by approximately \$15.7 million, SMA by approximately \$28,000, Tuf-Tug by approximately \$223,000, Turf by approximately \$1.0 million, U.S. Gas by approximately \$1.0 million and U. S. Spray by approximately \$830,000. The Valuation Committee also increased the fair value of the Company's investments in: Apex by approximately \$1.5 million, Foliofn, by approximately \$5.0 million, GTM by approximately \$387,000 and Trientis by approximately \$18,000. In addition, increases in the cost basis of the loans to Apex, Black Diamond, Custom Alloy, Dukane, Global Prairie, GTM, Highpoint, HTI, Jedson, Legal Solutions, Morey's, RuMe, Security Holdings, SMA and Tuf-Tug due to the capitalization of PIK interest totaling approximately \$2.4 million.

At April 30, 2020, the fair value of all portfolio investments, exclusive of escrow receivables, was \$226.3 million with a cost basis of \$345.7 million. At April 30, 2020, the fair value and cost basis of investments made by the Company's former management team pursuant to the prior investment objective ("Legacy Investments") were \$11.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team were \$214.9 million and \$330.7 million, respectively. At October 31, 2019, the fair value of all portfolio investments, exclusive of escrow receivables, was \$340.2 million with a cost basis of \$415.7 million. At October 31, 2019, the fair value and cost basis of the Legacy Investments were \$6.4 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team were \$333.8 million and \$400.7 million, respectively.

For the Fiscal Year Ended October 31, 2019

During the fiscal year ended October 31, 2019, the Company made six new investments, committing capital that totaled approximately \$32.4 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 the Private Fund co-invested in GTM (\$1.9 million investment for the Company). The Company also invested in Powers (\$6.5 million), IPCC (\$8.0 million), Jedson (\$6.0 million), SMA (\$7.0 million) and Global Prairie (\$3.0 million).

During the fiscal year ended October 31, 2019, the Company made follow-on investments in six portfolio companies that totaled approximately \$12.5 million. Specifically, on December 21, 2018, the Company loaned an additional \$2.0 million to Custom Alloy in the form of a second lien loan with an interest rate of 11% and a maturity date of December 23, 2019. During the fiscal year ended October 31, 2019, the Company loaned approximately \$1.4 million to RuMe and received a new warrant. On June 7, 2019, the Company invested approximately \$3.9 million in GTM increasing the second lien loan by \$3.5 million and investing approximately \$420,000 for additional common shares. During the fiscal year ended October 31, 2019, Custom Alloy borrowed approximately \$2.1 million on its revolving credit facility which has a 15% interest rate and a maturity date of April 30, 2020. On July 15, 2019, the Company loaned an additional \$1.0 million to HTI increasing its second lien loan to approximately \$11.4 million as of October 31, 2019. On September 10, 2019, the Company invested \$1.0 million in additional common equity of MVC Automotive. On September 26, 2019, the Company loaned approximately \$552,000 to Security Holdings, increasing its senior subordinated loan to approximately \$6.0 million as of October 31, 2019.

On November 9, 2018, Custom Alloy repaid its first lien loan in full, including all accrued interest.

On November 13, 2018, Custom Alloy repaid its \$1.4 million second lien loan in full, including all accrued interest.

On November 27, 2018, the Company funded approximately \$3.0 million related to the MVC Environmental letter of credit, which was called by the beneficiary.

On December 27, 2018, the Company received proceeds of approximately \$7.5 million from the PE Fund related to the sale of Plymouth Rock Energy, LLC, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Plymouth Rock Energy, LLC investment totaled approximately \$2.5 million, resulting in a realized gain of approximately \$5.0 million. The Company also received a carried interest payment from the PE Fund of approximately \$173,000 related to the sale, which was recorded as additional realized gains.

On December 27, 2018, the Company received a dividend of approximately \$543,000 from the PE Fund related to Focus Pointe Global.

On February 7, 2019, Vistra Energy and Crius Energy Trust ("Crius") announced that they entered into a definitive agreement pursuant to which Vistra Energy will acquire Crius for cash consideration of CAN\$7.57 per trust unit. On February 20, 2019, Vistra Energy agreed to increase its acquisition price for Crius to CAN\$8.80 per trust unit, an increase of CAN\$1.23 per trust unit.

On April 26, 2019, RuMe made a principal payment on the revolver of \$500,000 and Morey's made a principal payment of approximately \$591,000 on its second lien loan.

On April 30, 2019, Custom Alloy redeemed its series A, B and C preferred shares and consolidated its second lien loans in exchange for two second lien loans of approximately \$32.5 million and \$6.1 million with interest rates of 15% and maturity dates of April 30, 2022. The Company also funded approximately \$595,000 as part of the transaction related to the \$6.1 million second lien loan. The Company realized a gain of approximately \$3.2 million and approximately \$2.3 million of PIK interest and dividends associated with the transaction. Also on April 30, 2019, the Company provided Custom Alloy a \$3.0 million line of credit with a 15% interest rate and a maturity date of April 30, 2020 with no amount outstanding as of that date.

On June 14, 2019, Array Information Technology, Inc. ("Array") made a principal payment of approximately \$114,000 on its second lien loan.

On June 19, 2019, Essner Manufacturing, LP ("Essner") made a principal payment of approximately \$78,000 on its first lien loan.

On July 1, 2019, Turf Products, LLC ("Turf") made a principal payment of \$70,000 on its third lien loan.

On July 15, 2019, the Company's Crius trust units were sold for \$6.71 per share resulting in total proceeds of approximately \$22.0 million. The Company realized a loss of approximately \$3.8 million as a result of this transaction.

On July 29, 2019, the Company sold 608,310 shares of Equus Total Return, Inc. ("Equus") common stock for approximately \$1.0 million, resulting in a realized loss of approximately \$219,000.

On August 12, 2019, the Company sold 608,310 common shares of Equus totaling approximately \$985,000 in proceeds and resulting in a realized loss of approximately \$268,000.

On August 12, 2019, the Company converted the MVC Environmental loan, unpaid expenses and accrued interest to additional cost basis in the common stock of MVC Environmental, resulting in a realized gain of approximately \$1.4 million.

On September 13, 2019, the Company sold the common stock of MVC Environmental, receiving proceeds of \$45,000 which resulted in a realized loss of approximately \$14.4 million.

On October 1, 2019, Tin Roof repaid its \$3.8 million loan in full, including all accrued interest. Also during the fiscal year ended October 31, 2019, Tin Roof made principal payments totaling approximately \$99,000.

On October 17, 2019, the Company recorded a \$1.6 million realized gain associated with a settlement, which is expected to be paid in November 2019, related to a former portfolio company, G3K Display, Inc. The Company incurred costs of approximately \$543,000 related to the settlement.

During the quarter ended January 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Black Diamond loan and warrant by approximately \$767,000, Custom Alloy second lien loans, series A preferred stock, series B preferred stock and series C preferred stock by a net total of approximately \$2.3 million, Dukane loan by \$286, Foliofn preferred stock by \$32,000, Highpoint loan by approximately \$252, HTI loan by approximately \$80,000, JSC Tekers preferred stock by approximately \$82,000, Security Holdings equity and letter of credit by a net total of \$25,000, Turf loan by approximately \$15,000 and the Centile escrow by \$49,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling approximately \$964,000. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$244,000, Essner loan by approximately \$21,000, Initials loan by approximately \$412,000, Legal Solutions loan by approximately \$118,000, MVC Automotive equity by approximately \$117,000, MVC Environmental loan by approximately \$875,000 and common stock by approximately \$3.0 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.1 million, RuMe series B-1 preferred stock, guarantee and letter of credit by a net total of approximately \$308,000, Trientis loan by approximately \$77,000, U.S. Tech loan by approximately \$23,000 and the U.S. Gas loan by approximately \$797,000.

During the quarter ended April 30, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by approximately \$62,000, Black Diamond loan and warrant by a net total of approximately \$126,000, Dukane loan by approximately \$10,000, Essner loan by approximately \$21,000, Foliofn preferred stock by \$369,000, Highpoint loan by approximately \$264, HTI loan by approximately \$65,000, Initials loan by approximately \$5,000, MVC Automotive equity by approximately \$747,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$833,000, Security Holdings equity and letter of credit by a net total of approximately \$3.7 million, Trientis loan by approximately \$40,000, Turf loans by approximately \$94,000, U.S. Tech loan by approximately \$23,000, U.S. Gas loan by approximately \$357,000 and the Centile escrow by approximately \$29,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings and the Custom Alloy preferred stock were due to the capitalization of PIK interest/dividends totaling approximately \$3.4 million. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$674,000, Custom Alloy loans by a total of approximately \$504,000, JSC Tekers preferred stock by approximately \$48,000, RuMe series B-1 preferred stock and letter of credit by a total of approximately \$1.8 million and the U.S. Spray common stock by \$3.1 million.

During the quarter ended July 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Centile escrow by approximately \$38,000, Custom Alloy loans by a total of approximately \$115,000, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$389,000, HTI loan by approximately \$47,000, JSC Tekers preferred stock by approximately \$60,000 and Turf loans by approximately \$124,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings, Jedson and Custom Alloy were due to the capitalization of PIK interest/dividends totaling approximately \$780,000. The Valuation Committee also decreased the fair value of the Company's investments in: Array loan by approximately \$1,000, Black Diamond loan and warrant by a net total of approximately \$8,000, Highpoint loan by approximately \$51,000, Initials loan by approximately \$281,000, MVC Automotive equity by approximately \$256,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$399,000, RuMe series B-1 preferred stock and letter of credit by a total of approximately \$113,000, Security Holdings equity and letter of credit by a net total of approximately \$1.2 million, Trientis loan by approximately \$84,000 and U.S. Gas loan by approximately \$1.2 million.

During the quarter ended October 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by \$622, Centile escrow by approximately \$50,000, Foliofn preferred stock by \$569,000, JSC Tekers preferred stock by \$737,000, MVC Automotive equity by approximately \$327,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$566,000, Tuf-Tug loan and common stock by a total of approximately \$78,000 and Turf loans by approximately \$69,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tuf-Tug, Security Holdings, Jedson, SMA and Black Diamond were due to the capitalization of PIK interest/dividends totaling approximately \$747,000. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$403,000, Black Diamond loan and warrant by a net total of approximately \$14,000, Custom Alloy loans by a total of approximately \$98,000, Dukane loan by approximately \$9,000, Initials loan by approximately \$715,000, RuMe preferred stocks, warrants and letter of credit by a net total of approximately \$839,000, Security Holdings equity and letter of credit by a net total of \$227,000, Trientis loan by approximately \$86,000, U.S. Gas loan by approximately \$857,000 and U.S. Spray common stock by \$500,000.

During the fiscal year ended October 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by approximately \$63,000, Black Diamond loan and warrant by a net total of approximately \$871,000, Custom Alloy second lien loans, series A preferred stock, series B preferred stock and series C preferred stock by a net total of approximately \$1.8 million, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$1.4 million, HTI loan by approximately \$192,000, JSC Tekers preferred stock by approximately \$831,000, Security Holdings equity and letter of credit by a net total of approximately \$2.2 million, Tuf-Tug loan and common stock by approximately \$78,000, Turf loans by approximately \$302,000, MVC Automotive equity by approximately \$701,000 and the Centile escrow by \$166,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings, Jedson, SMA and the Custom Alloy preferred stock were due to the capitalization of PIK interest/dividends totaling approximately \$5.9 million. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$1.3 million, Highpoint loan by approximately \$51,000, Initials loan by approximately \$1.4 million, Legal Solutions loan by approximately \$118,000, MVC Environmental loan and common stock by a total of approximately \$3.9 million, RuMe series B-1 preferred stock, guarantee and letter of credit by a net total of approximately \$3.0 million, Trientis loan by approximately \$208,000, U.S. Spray common stock by \$3.6 million, U.S. Gas loan by approximately \$2.4 million and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$140,000.

At October 31, 2019, the fair value of all portfolio investments, exclusive of escrow receivables, was \$340.2 million with a cost basis of \$415.7 million. At October 31, 2019, the fair value and cost basis of the Legacy Investments were \$6.4 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 \$333.8 million and \$400.7 million, respectively. At October 31, 2018, the fair value of all portfolio investments, exclusive of escrow receivables, was \$324.5 million with a cost basis of \$409.6 million. At October 31, 2018, the fair value and cost basis of the Legacy Investments was \$5.0 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$319.5 million and \$394.6 million, respectively.

9. Commitments and Contingencies

Commitments to Portfolio Companies:

At April 30, 2020 and October 31, 2019, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company	Amount Committed	Amount Funded as of April 30, 2020
MVC Private Equity Fund LP	\$20.1 million	\$14.6 million
RuMe	\$2.2 million	\$2.2 million
RuMe	\$700,000	\$727,000
Custom Alloy	\$3.8 million	\$3.7 million
Total	\$26.8 million	\$21.2 million

Portfolio Company	Amount Committed	Amount Funded as of October 31, 2019
MVC Private Equity Fund LP	\$20.1 million	\$14.6 million
RuMe	\$2.2 million	\$2.1 million
RuMe	\$400,000	\$400,000
Custom Alloy	\$3.0 million	\$2.1 million
Total	\$25.7 million	\$19.2 million

Guarantees:

At April 30, 2020 and October 31, 2019, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded as of April 30, 2020
MVC Automotive	\$4.0 million	-
Total	\$4.0 million	-

Guarantee	Amount Committed	Amount Funded as of October 31, 2019
MVC Automotive	\$4.0 million	-
Total	\$4.0 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 April 30, 2020, the Valuation Committee estimated the combined fair values of the guarantee obligation noted above to be \$0 or a liability of approximately \$0.

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

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of April 30, 2020 is approximately 277,000 Euro (equivalent to approximately \$303,000).

The Company agreed to cash collateralize a \$300,000 third party letter of credit for RuMe, which is now collateralized with Credit Facility IV (defined below) and still a commitment of the Company as of April 30, 2020. Previously, the Company guaranteed \$1.0 million of RuMe's indebtedness to Colorado Business Bank and also provided RuMe an additional \$2.0 million letter of credit. On April 25, 2019, the \$1.0 million guarantee and the \$2.0 million letter of credit were refinanced and replaced with a new \$3.0 million letter of credit. The two letters of credit had a fair value of approximately -\$697,000 or a liability of \$697,000 as of April 30, 2020. The \$3.0 million letter of credit is collateralized with Credit Facility IV (defined below).

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately \$104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. The investment period related to the PE Fund has ended. Additional capital may be called for follow-on investments in existing portfolio companies of the PE Fund or to pay operating expenses of the PE Fund until the partnership is terminated. On December 27, 2018, the Company received proceeds of approximately \$7.5 million from the PE Fund related to the sale of Plymouth Rock Energy, LLC, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Plymouth Rock Energy, LLC investment totaled approximately \$2.5 million, resulting in a realized gain of approximately \$5.0 million. On October 25, 2019, the PE Fund sold Focus Pointe, a portfolio company of the PE Fund. The Company received proceeds of approximately \$2.7 million related to the sale. The Company's pro-rata share of the PE Fund's cost basis in the Focus Pointe investment totaled approximately \$1.9 million, resulting in a realized gain of approximately \$800,000. As of April 30, 2020, \$14.6 million of the Company's commitment was funded.

As of October 31, 2019, RuMe had a \$2.2 million line of credit provided by the Company with a 10% interest rate and a maturity date of March 31, 2021. The outstanding balance as of October 31, 2019 and April 30, 2020 was approximately \$2.1 million and \$2.2 million, respectively, including capitalized PIK interest. Also, during the fiscal year ended October 31, 2019, the Company provided RuMe a \$400,000 revolver with a 10% interest rate and a maturity date of February 28, 2020. The outstanding balance of the revolver as of October 31, 2019 was approximately \$404,000, including capitalized PIK interest. During the six month period ended April 30, 2020, the revolver was increased to \$700,000 and the maturity date was extended to March 31, 2021. The outstanding balance of the revolver as of April 30, 2020 was approximately \$727,000, including capitalized PIK interest.

As of October 31, 2019, Security Holdings had a 4.8 million Euro letter of credit. During the six month period ended April 30, 2020, the letter of credit was reduced to 3.8 million Euro. The letter of credit had a fair value of approximately -\$185,000 or a liability of \$185,000 as of April 30, 2020. The letter of credit is collateralized with Credit Facility IV (defined below).

As of October 31, 2019, Custom Alloy had a \$3.0 million line of credit provided by the Company with a 15% interest rate and a maturity date of April 30, 2020. The balance outstanding as of October 31, 2019 was approximately \$2.1 million. During the six month period ended April 30, 2020, the Company increased the commitment to approximately \$3.8 million and funded approximately \$1.7 million, resulting in a balance outstanding as of April 30, 2020 of approximately \$3.7 million. The maturity date was also extended to April 30, 2021.

As of April 30, 2020, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -\$882,000 or a liability of \$882,000.

Commitments of the Company

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility ("Credit Facility II") with Branch Banking and Trust Company ("BB&T"). On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed and reduced to a \$50 million revolving credit facility, which expired on February 28, 2017, as of which time all outstanding amounts under it were due and repaid. On February 28, 2017, Credit Facility II was renewed and increased to a \$100 million revolving credit facility and expired on August 31, 2017. On August 31, 2017, Credit Facility II was renewed and decreased to a \$25 million revolving credit facility, which was to expire on August 31, 2018. There was no change to the interest rate or unused fee on the revolving credit facility. The Company incurred closing costs associated with this transaction of \$62,500. On August 10, 2018, Credit Facility II was renewed to August 30, 2019 and on August 30, 2019, Credit Facility II was extended to August 31, 2020. The Company incurred closing costs associated with each of these transactions of \$50,000 with no change in terms other than the expiration date. At October 31, 2019 and April 30, 2020, there was no amount outstanding 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 are 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. Please see "Subsequent Events" section for more information.

On November 15, 2017, the Company completed a public offering of \$100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 (“Senior Notes II”). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional \$15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the “Offering”). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately \$111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. On February 25, 2020, the Company notified U.S. Bank National Association, the trustee for the Senior Notes II, of the Company’s election to redeem \$20.0 million aggregate principal amount of the Senior Notes II outstanding at a price equal to 100% of the principal amount of the Senior Notes II, plus accrued and unpaid interest on the Senior Notes II to, but excluding, the date of redemption. The Company funded the redemption with cash on hand. As of April 30, 2020, the Senior Notes II had a total outstanding amount of \$95.0 million, net of deferred financing fees the balance was approximately \$93.4 million, with a market value of approximately \$81.9 million.

On January 29, 2019, the Company entered into a three year, \$35 million revolving credit facility (“Credit Facility IV”) with People’s United Bank, National Association as lender and lead agent. Credit Facility IV can, under certain conditions, be increased up to \$85 million. Credit Facility IV will expire on January 29, 2022, at which time all outstanding amounts under Credit Facility IV will be due and payable. Borrowings under the Credit Facility bear interest at a rate of LIBOR plus 2.85%, or the prime rate plus 0.5% at the Company’s discretion. In addition, the Company was subject to (i) a closing fee of 1% of the commitment amount paid at closing, (ii) a one-time structuring fee in the amount of \$100,000 paid at closing, (iii) an unused line fee, which is payable monthly, of 0.75% if the Company draws less than \$25 million on Credit Facility IV or 0.60% if the Company draws more than \$25 million on Credit Facility IV, and (iv) an annual administrative agent fee in the amount of \$100,000 in 2019 and \$200,000 in each year thereafter. The compensating balance for the revolving credit facility is \$5.0 million, which is reflected as restricted cash equivalents on the Company’s Consolidated Balance Sheets. On June 19, 2019, in order to increase the size of the Credit Facility IV, the credit facility was amended to add Bank Leumi USA as an additional lender. The amendment increased the size of Credit Facility IV by \$15.0 million to \$50.0 million. All other material terms of the Credit Facility remain unchanged. In addition, the Company was subject to a closing fee of 1% of the additional commitment amount of \$15.0 million to be paid at closing. As of April 30, 2020, there was no amount outstanding on Credit Facility IV and the Company was in compliance with the maximum balance sheet leverage covenant related to Credit Facility IV.

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.

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 31, 2019.

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 years 2017 through 2020 of 3.25% under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE 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 2020, TTG Advisers voluntarily agreed to waive \$150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement for its allocable portion of the compensation payable to certain officers of the Company, which may not exceed \$200,000 per year in the aggregate (the "Voluntary Waiver"). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2020, the Company did not have an investment in an exchange traded fund. In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV 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 April 30, 2020, the effective management fee was 1.25%.

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund. The PE Fund has closed on approximately \$104 million of capital commitments. The Company's Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company's ability to make additional investments that represent more than 5% of its total assets or more than 10% of the outstanding voting securities of the issuer ("Non-Diversified Investments") through the PE Fund. As previously disclosed, the Company may be 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

Effective November 1, 2006, Mr. Tokarz's employment agreement with the Company terminated and the obligations under Mr. Tokarz's agreement were superseded by those under the Advisory Agreement entered into with TTG Advisers. Pursuant to the Advisory Agreement, the Company pays an incentive fee to TTG Advisers which is generally: (i) 20% of pre-incentive fee net operating income and (ii) 20% of cumulative aggregate net realized capital gains less aggregate unrealized depreciation (on our portfolio securities acquired after November 1, 2003). TTG Advisers is entitled to an incentive fee with respect to our pre-incentive fee net operating income in each fiscal quarter as follows: no incentive fee in any fiscal quarter in which our pre-incentive fee net operating income does not exceed the lower hurdle rate of 1.75% of net assets, 100% of our pre-incentive fee net operating income with respect to that portion of such pre-incentive fee net operating income, if any, that exceeds the lower hurdle amount but is less than 2.1875% of net assets in any fiscal quarter and 20% of the amount of our pre-incentive fee net operating income, if any, that exceeds 2.1875% of net assets in any fiscal quarter. Under the Advisory Agreement, the accrual of the provision for incentive compensation for net realized capital gains is consistent with the accrual that was required under the employment agreement with Mr. Tokarz.

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.

On October 31, 2019, per the Current Incentive Fee Modification, the Adviser indicated its voluntary agreement to modify the calculation of the Income Incentive Fee for the fiscal year ended October 31, 2020, so that the fee accrued shall be subject to the following additional provisions: (A) in lieu of the “Lower Hurdle Amount” and the “Higher Hurdle Amount” set forth in the Advisory Agreement and in lieu of the Income Incentive Fee calculations applied on a quarterly basis under such agreement, the Income Incentive Fee will be computed pursuant to the calculations hereunder on an annual basis and shall be subject to a single 8 percent hurdle rate such that no Income Incentive Fee will be paid unless the pre-Incentive Fee net operating income for the fiscal year in which it is calculated exceeds 8 percent of the Fund’s aggregate NAV calculated as of the end of the fiscal year in which such fee is being calculated (the “New Hurdle Amount”) and the Income Incentive Fee shall be equal to the following: (i) 50% of the amount by which such pre-Incentive Fee net operating income for the fiscal year exceeds the New Hurdle Amount but is less than 8.75% (the “Catch-Up Hurdle”); and (ii) 20% of the amount by which such pre-Incentive Fee net operating income for the fiscal year equals or exceeds the Catch-Up Hurdle, subject to the qualifications/limitations below; (B) the Income Incentive Fee will be accrued only to the extent 20.0% of the cumulative net increase in net assets resulting from operations over the fiscal year for which such fees are being calculated and the 2 preceding fiscal years (but no earlier than the year ended October 31, 2020) exceeds the cumulative Income Incentive Fees accrued and/or paid for such 2 fiscal years (but no earlier than the year ended October 31, 2020). For the foregoing purposes, the “cumulative net increases in net assets resulting from operations” is the amount for the fiscal year of: the sum of pre-Incentive Fee net investment income (loss), realized gains and realized appreciation resulting from the “Yield Portfolio” (as defined by mutual agreement between the Company and the Adviser), less any realized losses and unrealized depreciation attributable to the Yield Portfolio, provided that such reductions (for losses/depreciation) shall be reduced by the amount of any carried-interest gains generated from the MVC PE Fund over the year for which such fees are being calculated and the 2 preceding fiscal years (but no earlier than the year ended October 31, 2020), but only to the extent such carried-interest gains have not previously been applied to reduce losses/depreciation under this Clause (B); and (C) the amounts of any actual Income Incentive Fee payment reductions caused by application of clause (A) above (in lieu of applying the hurdle rates and catch up formula set forth in the Advisory Agreement) shall be credited against any unrealized depreciation or realized losses applied with respect to the application of Clause (B) above (on a one-time basis). Further, absent advance notice by the Adviser to the Board (at least 60 days’ prior to the fiscal year end), the Current Incentive Fee Modification shall continue automatically for each subsequent fiscal year.

At October 31, 2019, the provision for estimated incentive compensation was \$0. During the six month period ended April 30, 2020, there was no change in the provision for incentive compensation as 20% of the cumulative aggregate net realized capital gains less aggregate unrealized depreciation was less than \$0. The provision for incentive compensation includes the Valuation Committee’s determination to increase the fair values of three of the Company’s portfolio investments (Apex, GTM and Trientis) by a total of approximately \$1.9 million. The provision also includes the Valuation Committee’s determination to decrease the fair values of twenty two of the Company’s portfolio investments (Advantage, Black Diamond, Custom Alloy, Dukane, Equus, Global Prairie, Highpoint, HTI, Initials, IPCC, Jedson, JSC Tekers, Legal Solutions, MVC Automotive, Powers, RuMe, Security Holdings, SMA, Tuf-Tug, Turf, U.S. Spray and U.S. Gas) by a total of approximately \$47.3 million. Also, for the quarter ended April 30, 2020, 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. For fiscal years ending on October 31, 2019 and October 31, 2020, the Adviser agreed to voluntarily modify the calculation of the Income Incentive Fee so that the fee accrued shall equal the lesser of: (i) the amount of the Income Incentive Fee computed and determined quarterly as currently set forth in the Advisory Agreement; and (ii) the amount of the Income Incentive Fee computed and determined on an annual basis (in lieu of quarterly). Further, regardless of the amount of Income Incentive Fee computed or accrued, the Adviser agreed to defer collection of any Income Incentive Fee due and payable for the fiscal year until after the completion of the annual audit for such fiscal year.

At October 31, 2018, the provision for estimated incentive compensation was \$0. During the fiscal year ended October 31, 2019, there was no change in the provision for incentive compensation as 20% of the cumulative aggregate net realized capital gains less aggregate unrealized depreciation was less than \$0. The provision for incentive compensation includes the Valuation Committee's determination to decrease the fair values of ten of the Company's portfolio investments (Advantage, Highpoint, Initials, Legal Solutions, MVC Environmental, RuMe, Trientis, U.S. Spray, U.S. Gas and Equus) by a total of approximately \$17.9 million. The provision also includes the Valuation Committee's determination to increase the fair values of twelve of the Company's portfolio investments (Array, Black Diamond, Custom Alloy, Dukane, HTI, JSC Tekers, Security Holdings, Tuf-Tug, Turf, Crius, Centile escrow and MVC Automotive) by a total of approximately \$12.8 million. Also, for the quarter ended October 31, 2019, no payable was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. As of October 31, 2018, the balance of the Deferred Portion of the incentive compensation payable was approximately \$2.5 million. During the fiscal year ended October 31, 2019, the Company made an approximately \$975,000 incentive compensation payment to TTG Advisers related to the sale of the Crius equity units, resulting in a balance of approximately \$1.5 million as of October 31, 2019.

12. Tax Matters

On October 31, 2019, the Company had a net capital loss carryforward of approximately \$9.3 million and had net unrealized losses of approximately \$75.4 million. The Company had approximately \$119.3 million in net unrealized losses as of April 30, 2020.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. During the six month period ended April 30, 2020, the Company did not incur any interest or penalties related to unrecognized tax benefits. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2014 through 2018 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 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, and 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, 2020

On December 23, 2019, the Company's Board of Directors declared a dividend of \$0.17 per share. The dividend was paid on January 10, 2020 to shareholders of record on January 3, 2020 and totaled approximately \$3.0 million.

During the quarter ended January 31, 2020, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 11,467 shares of our common stock at an average price of \$9.35, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended April 30, 2020

On April 14, 2020, the Company's Board of Directors declared a dividend of \$0.17 per share. The dividend was paid on April 30, 2020 to shareholders of record on April 24, 2020 and totaled approximately \$3.0 million.

During the quarter ended April 30, 2020, as part of the Company's dividend reinvestment plan for our common stockholders, the Plan Agent purchased 6,159 shares of our common stock at an average price of \$6.81, 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.

On September 18, 2018, the Company's Board of Directors approved the Company's implementation of a \$10 million stock repurchase program. The program, which was to be completed by the end of the 2018 calendar year, was to consist of an issuer tender offer and/or open market repurchases. In addition, the Company's Board of Directors directed the Company to pursue an additional \$5 million in stock repurchases in the open market in 2019, using a portion of the proceeds of equity monetizations and subject to MVC's common stock continuing to trade at a significant discount to NAV. Open market repurchases would be made pursuant to the Company's unlimited stock repurchase program adopted in 2013. On October 11, 2018, pursuant to the repurchase program, the Company entered into the Rule 10b5-1 Plan that qualifies for the safe harbors provided by Rules 10b5-1 and 10b-18 under the Exchange Act. See the Company's current report on Form 8-K, filed on October 12, 2018, for further details regarding the 10b5-1 Plan.

On November 28, 2018, the Company announced its determination to extend the repurchase program beyond December 31, 2018 until the full \$10 million of shares are repurchased pursuant to the repurchase program. During the fiscal year ended October 31, 2019, the Company completed the repurchase program.

The following table represents open-market purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 through October 31, 2019. There were no share repurchases made during the six month period ended April 30, 2020.

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
For the Year Ended October 31, 2017	-	-	1,756,409	-
For the Year Ended October 31, 2018	627,724	\$ 9.45	2,384,133	\$ 5,930,011
For the Year Ended October 31, 2019	467,686	\$ 8.70	2,851,819	\$ 4,069,924
For the Six Month Period Ended April 30, 2020	-	-	2,851,819	-
Total	2,851,819	\$ 11.22	2,851,819	\$ 32,004,855

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

14. Segment Data

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

The following table presents book basis segment data for the six month period ended April 30, 2020:

	MVC	MVCFS	Consolidated
Interest and dividend income	\$ 14,930,795	\$ 3,210	\$ 14,934,005
Fee income	-	26,198	26,198
Fee income - asset management	-	473,729	473,729
Other Income	-	4,580	4,580
Total operating income	14,930,795	507,717	15,438,512
Total operating expenses	9,051,261	597,397	9,648,658
Less: Waivers by Adviser	(911,943)	(90,650)	(1,002,593)
Total net operating expenses	8,139,318	506,747	8,646,065
Net operating income before taxes	6,791,477	970	6,792,447
Tax expense	-	970	970
Net operating income	6,791,477	-	6,791,477
Net realized gain on investments	1,325,242	48,314	1,373,556
Net unrealized depreciation on investments	(44,033,779)	(47,204)	(44,080,983)
Net (decrease) increase in net assets resulting from operations	\$ (35,917,060)	\$ 1,110	\$ (35,915,950)

15. Significant Subsidiaries

We have determined that for the six month period ended April 30, 2020, MVC Automotive, an unconsolidated portfolio company, has met the conditions of a significant subsidiary. For the six month period ended April 30, 2019, there were no portfolio companies that met the conditions of a significant subsidiary. The financial information presented below includes summarized balance sheets as of March 31, 2020 (the last fiscal quarter-end of these companies prior to April 30, 2020) and March 31, 2019 and summarized income statements for the periods October 1, 2019 to March 31, 2020 and October 1, 2018 to March 31, 2019. The financial information below is based on unaudited financial statements and has been prepared and furnished by the portfolio company and not prepared by the Company.

Balance Sheet	MVC Automotive	MVC Automotive
All numbers in thousands	As of March 31, 2020	As of March 31, 2019
Assets:		
Total current assets	\$ 50,798	\$ 80,593
Total non-current assets	29,264	22,019
Total Assets	\$ 80,062	\$ 102,612
Liabilities and Shareholders Equity:		
Current Liabilities	\$ 54,405	\$ 93,610
Long-term liabilities	25,040	7,001
Shareholders Equity	617	2,001
Total Liabilities and Shareholders Equity	\$ 80,062	\$ 102,612

Income Statement	MVC Automotive	MVC Automotive
All numbers in thousands	For the Period from	For the Period from
	October 1, 2019 to	October 1, 2018 to
	March 31, 2020	March 31, 2019
Net Sales & Revenue	\$ 73,415	\$ 92,178
Cost of Sales	65,839	85,058
Gross Margin	7,576	7,120
Operating Expenses	8,355	6,259
Operating Income	(779)	861
Income Tax (Benefit)	231	108
Interest Expense	646	1,020
Other Expenses (Income), Net	(174)	145
Net Income (Loss)	\$ (1,482)	\$ (412)

16. Subsequent Events

On May 14, 2020, Folio announced it entered into an agreement to become a part of The Goldman Sachs Group, Inc. (“Goldman Sachs”). The acquisition, while subject to regulatory approval, is expected to close in the third calendar quarter of 2020. If the transaction closes, the Company expects to receive approximately \$15 million in proceeds.

On May 27, 2020, the Company and Wynnefield Capital announced an agreement under which six of the Company’s current directors and three independent director candidates proposed by Wynnefield Capital will be nominated by the Company’s Board of Directors for election at the 2020 annual meeting of stockholders, currently scheduled for July 15, 2020. The Board of Directors will remain at its current size of nine directors. A committee comprised of Chairman Tokarz and two independent Board members will continue to explore strategic alternatives and other value enhancing opportunities and there will be no changes to the Company’s current management agreement with The Tokarz Group Advisers LLC prior to the annual meeting. Under the agreement, the Company has agreed to pay the fees and expenses of Wynnefield Capital in the amount of approximately \$290,000.

As previously disclosed, the Company is party to Credit Facility II, dated as of July 31, 2013, with BB&T. On June 5, 2020, the Company and BB&T entered into a certain Waiver and Thirteenth Amendment to Secured Revolving Credit Agreement (the “Credit Facility Amendment”), pursuant to which (i) BB&T waived compliance with the net worth covenant for the period ended April 30, 2020 (as the Company’s net asset value fell to approximately \$186.0 million as of April 30, 2020) and (ii) Section 5.05 of Credit Facility II is amended to read as follows:

SECTION 5.05. Net Worth. Consolidated Net Worth shall at no time be less than \$150,000,000.

Other than Section 5.05, terms of the Credit Facility II remain unchanged and borrowings under the Credit Facility continue to be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

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

This report contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company and its investment portfolio companies. Words such as *may*, *will*, *expect*, *believe*, *anticipate*, *intend*, *could*, *estimate*, *might* and *continue*, and the negative or other variations thereof or comparable terminology, are intended to identify forward-looking statements. Forward-looking statements are included in this report pursuant to the "Safe Harbor" provision of the Private Securities Litigation Reform Act of 1995. Such statements are predictions only, and the actual events or results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those relating to adverse conditions in the U.S. and international economies, competition in the markets in which our portfolio companies operate, investment capital demand, pricing, market acceptance, any changes in the regulatory environments in which we operate, changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, competitive forces, adverse conditions in the credit markets impacting the cost, including interest rates and/or availability of financing, the results of financing and investing efforts, the ability to complete transactions, the inability to implement our business strategies and other risks identified below or in the Company's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. The following analysis of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements, the Notes thereto and the other financial information included elsewhere in this report and the Company's annual report on Form 10-K for the year ended October 31, 2019.

SELECTED CONSOLIDATED FINANCIAL DATA:

Financial information for the fiscal year ended October 31, 2019 is derived from the consolidated financial statements included in the Company's annual report on Form 10-K, which have been audited by Grant Thornton LLP, the Company's independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments), which are necessary to present fairly the results for such interim periods.

Selected Consolidated Financial Data

	For the Six Month Period Ended April 30, 2020 (Unaudited)	For the Six Month Period Ended April 30, 2019 (Unaudited)	Year Ended October 31, 2019
(In thousands, except per share data)			
Operating Data:			
Interest and related portfolio income:			
Interest and dividend income	\$ 14,934	\$ 14,567	\$ 29,605
Fee income	26	51	102
Fee income - asset management	474	416	842
Other income	4	-	-
Total operating income	15,438	15,034	30,549
Expenses:			
Management fee	2,474	3,103	6,408
Portfolio fees - asset management	240	172	343
Management fee - asset management	116	140	288
Administrative	2,143	2,424	4,826
Interest and other borrowing costs	4,331	4,767	9,655
Loss on extinguishment of debt	345	-	-
Net Incentive compensation (Note 11)	-	-	-
Total operating expenses	9,649	10,606	21,520
Expense waiver by Advisor	(75)	(75)	(150)
Voluntary management fee waiver by Advisor	(928)	(1,164)	(2,403)
Total waiver by adviser	(1,003)	(1,239)	(2,553)
Total net operating expenses	8,646	9,367	18,967
Net operating gain before taxes	6,792	5,667	11,582
Tax expense, net	1	1	2
Net operating gain	6,791	5,666	11,580
Net realized and unrealized (loss) gain:			
Net realized gain (loss) on investments	1,374	8,499	(7,106)
Net unrealized (depreciation) appreciation on investments	(44,081)	(1,254)	11,842
Net realized and unrealized (loss) gain on investments	(42,707)	7,245	4,736
Net (decrease) increase in net assets resulting from operations	\$ (35,916)	\$ 12,911	\$ 16,316
Per Share:			
Net (decrease) increase in net assets per share resulting from operations	\$ (2.03)	\$ 0.73	\$ 0.92
Dividends per share	\$ 0.340	\$ 0.300	\$ 0.620
Balance Sheet Data:			
Portfolio at value	\$ 226,325	\$ 331,816	\$ 340,245
Portfolio at cost	345,672	420,410	415,667
Total assets	284,511	386,946	362,163
Shareholders' equity	186,016	230,226	227,959
Shareholders' equity per share (net asset value)	\$ 10.49	\$ 12.99	\$ 12.86
Common shares outstanding at period end	17,725	17,725	17,725
Other Data:			
Number of Investments funded in period	11	3	12
Investments funded (\$) in period	\$ 11,618	\$ 8,465	\$ 47,463
Repayment/sales in period	87,852	10,698	39,083
Net investment activity in period	(76,234)	(2,233)	8,380

	2020		2019				2018			
	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
(In thousands, except per share data)										
Quarterly Data (Unaudited):										
Total operating income	7,652	7,786	8,046	7,469	8,593	6,441	5,888	6,151	5,440	5,147
Management fee	1,104	1,370	1,662	1,643	1,590	1,513	1,496	1,487	1,496	1,411
Portfolio fees - asset management	71	169	82	89	76	96	122	112	148	147
Management fee - asset management	52	64	69	79	69	71	81	70	66	67
Administrative	922	1,221	1,404	998	990	1,434	843	1,010	796	1,235
Interest, fees and other borrowing costs	2,125	2,206	2,378	2,510	2,283	2,484	2,238	2,403	2,981	3,117
Loss on extinguishment of debt	345	-	-	-	-	-	-	-	-	1,783
Net Incentive compensation	-	-	-	-	-	-	-	(1,316)	(1,012)	267
Total waiver by adviser	(452)	(551)	(660)	(654)	(635)	(604)	(598)	(595)	(599)	(390)
Tax expense	-	1	-	1	1	-	1	-	1	-
Net operating income (loss) before net realized and unrealized gains	3,485	3,306	3,111	2,803	4,219	1,447	1,705	2,980	1,563	(2,490)
Net (decrease) increase in net assets resulting from operations	(40,332)	4,416	3,057	348	15,964	(3,053)	(2,220)	(5,870)	(3,393)	950
Net (decrease) increase in net assets resulting from operations per share	(2.28)	0.25	0.17	0.02	0.90	(0.17)	(0.10)	(0.32)	(0.18)	0.05
Net asset value per share	10.49	12.94	12.86	12.86	12.99	12.24	12.46	12.62	13.09	13.42

OVERVIEW

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

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

The investments can include senior or subordinated loans, convertible debt and convertible preferred securities, common or preferred stock, equity interests, warrants or rights to acquire equity interests, and other private equity transactions. During the fiscal year ended October 31, 2019, the Company made six new investments and follow-on investments in six existing portfolio companies totaling approximately \$44.9 million. During the six month period ended April 30, 2020, the Company made follow-on investments in five existing portfolio companies totaling approximately \$11.5 million.

The Company's prior investment objective was to achieve long-term capital appreciation from venture capital investments in information technology companies. Accordingly, the Company's investments had focused on investments in equity and debt securities of information technology companies. As of April 30, 2020, approximately 4.0% of the current fair value of our assets consisted of Legacy Investments. We are, however, seeking to manage these Legacy Investments to try and realize maximum returns. We generally seek to capitalize on opportunities to realize cash returns on these investments when presented with a potential "liquidity event," i.e., a sale, public offering, merger or other reorganization.

Our new portfolio investments are made pursuant to our current objective and strategy. We are concentrating our investment efforts on small and middle-market companies that, in our view, provide opportunities to maximize total return from capital appreciation and/or income though our current focus is more on yield generating investments which can include, but is not limited to senior and subordinated loans, convertible debt, common and preferred equity with a coupon or liquidation preference and warrants or rights to acquire equity interests (the "Yield-Focused Strategy"). We have continued the transition to the Yield-Focused Strategy. We have done this through selling a number of equity investments, including our 2017 sale of U.S. Gas, our then-largest portfolio company. These sales and repayments have improved our liquidity position, which provides us with flexibility to redeploy capital into debt or similar income-producing investments. The Company continues to seek to monetize various equity investments to further support the Yield-Focused Strategy. We participate in the private equity business generally by providing negotiated long-term equity and/or debt investment capital to privately-owned small and middle-market companies. Our financings are generally used to fund growth, buyouts, acquisitions, recapitalizations, note purchases and/or bridge financings. We generally invest in private companies, though, from time to time, we may invest in public companies that may lack adequate access to public capital.

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

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

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

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

The impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Company's investments has been negative and its impact going forward will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's future investment results may be materially adversely affected.

OPERATING INCOME

For the Six Month Period Ended April 30, 2020 and 2019. Total operating income was approximately \$15.4 million and approximately \$15.0 million for the six month period ended April 30, 2020 and 2019, respectively, an increase of approximately \$400,000.

For the Six Month Period Ended April 30, 2020

Total operating income was \$15.4 million for the six month period ended April 30, 2020. The increase in operating income over the same period last year was primarily due to the increase in interest earned on loans and amortization of OID from the Company's portfolio companies. The Company earned approximately \$14.9 million in interest income from investments in portfolio companies. Of the \$14.9 million recorded in interest income, approximately \$2.9 million was "payment in kind" interest. The "payment in kind" interest is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company's debt investments yielded annualized rates from 3.1% to 15.75%. The Company also recorded fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$474,000 and fee income from the Company's portfolio companies of approximately \$26,000, totaling approximately \$500,000 in fee income. Of the \$474,000 of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund's agreements, a significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

For the Six Month Period Ended April 30, 2019

Total operating income was \$15.0 million for the six month period ended April 30, 2019. The increase in operating income over the same period last year was primarily due to the increase in dividend income and the increase in interest earned on loans from the Company's portfolio companies, continuing the transition to the Yield-Focused Strategy. The Company earned approximately \$11.7 million in interest income from investments in portfolio companies. Of the \$11.7 million recorded in interest income, approximately \$3.1 million was "payment in kind" interest. The "payment in kind" interest is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company's debt investments yielded annualized rates from 5.0% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately \$416,000 and fee income from the Company's portfolio companies of approximately \$51,000, totaling approximately \$467,000 in fee income. Of the \$416,000 of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund's agreements, a significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

OPERATING EXPENSES

For the Six Month Period Ended April 30, 2020 and 2019. Operating expenses, net of Voluntary Waivers, were approximately \$8.6 million and \$9.4 million for the six month period ended April 30, 2020 and 2019, respectively, a decrease of approximately \$800,000.

For the Six Month Period Ended April 30, 2020

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$8.6 million or 8.11% of the Company's average net assets, when annualized, for the six month period ended April 30, 2020. Significant components of operating expenses for the six month period ended April 30, 2020 were interest and other borrowing costs of approximately \$4.3 million and management fee expense paid by the Company of approximately \$1.5 million, which is net of the voluntary management fee waiver of approximately \$928,000.

The approximately \$800,000 decrease in the Company's net operating expenses for the six month period ended April 30, 2020 compared to the same period in 2019, was primarily due to the approximately \$230,000 decrease in audit and tax preparation fee expense and approximately \$394,000 decrease in management fee expense, net of the voluntary management fee waiver. Operating expenses for the six month period ended April 30, 2020 includes approximately \$345,000 in unamortized deferred financing fees related to the Senior Notes II, which were expensed at the time \$20.0 million of the Senior Notes II were redeemed. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 31, 2019, the Board approved the renewal of the Advisory Agreement for the 2020 fiscal year. The Company and the Adviser agreed on an expense cap for fiscal 2020 of 3.25% under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE 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 2020, TTG Advisers voluntarily agreed to extend the Voluntary Waiver. TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2020, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the six month period ended April 30, 2020, the Company's annualized expense ratio was 2.62%, (taking into account the same carve outs as those applicable to the expense cap). In addition, the Adviser agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount² as follows: (A) If the Company's NAV discount is greater than 20%, the management fee for the current quarter is reduced to 1.25%; (B) If the NAV discount is between 10% and 20%, the management fee will be 1.50%; and (C) If the NAV discount is less than 10% or eliminated, the 1.50% management fee would be re-examined, but in no event would it exceed 1.75%. For the quarter ended April 30, 2020, the management fee was 1.25%.

Pursuant to the terms of the Advisory Agreement, during the six month period ended April 30, 2020, the provision for incentive compensation was unchanged from \$0 as of October 31, 2019, including both the pre-incentive fee net operating income and the capital gain incentive fee. The provision for incentive compensation includes the Valuation Committee's determination to increase the fair values of three of the Company's portfolio investments (Apex, GTM and Trientis) by a total of approximately \$1.9 million. The provision also includes the Valuation Committee's determination to decrease the fair values of twenty two of the Company's portfolio investments (Advantage, Black Diamond, Custom Alloy, Dukane, Equus, Global Prairie, Highpoint, HTI, Initials, IPCC, Jedson, JSC Tekers, Legal Solutions, MVC Automotive, Powers, RuMe, Security Holdings, SMA, Tuf-Tug, Turf, U.S. Spray and U.S. Gas) by a total of approximately \$47.3 million. Also, for the quarter ended April 30, 2020, 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.

For the Six Month Period Ended April 30, 2019

Operating expenses, net of the Voluntary Waivers (as described below), were approximately \$9.4 million or 8.41% of the Company's average net assets, when annualized, for the six month period ended April 30, 2019. Significant components of operating expenses for the six month period ended April 30, 2019 were interest and other borrowing costs of approximately \$4.8 million and management fee expense paid by the Company of approximately \$1.9 million, which is net of the voluntary management fee waiver of approximately \$1.2 million.

² 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.

The approximately \$2.2 million decrease in the Company's net operating expenses for the six month period ended April 30, 2019 compared to the same period in 2018, was primarily due to the approximately \$1.8 million decrease in loss on extinguishment of debt related to the unamortized deferred financing fees for the Senior Notes that were expensed at the time they were repaid and an approximately \$1.3 million decrease in interest and other borrowing costs. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 30, 2018, the Board approved the renewal of the Advisory Agreement for the 2019 fiscal year. The Company and the Adviser agreed on an expense cap for fiscal 2019 of 3.25% under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE 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 2019, TTG Advisers voluntarily agreed to extend the Voluntary Waiver. TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of April 30, 2019, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the quarter ended April 30, 2019, the Company's annualized expense ratio was 2.76%, (taking into account the same carve outs as those applicable to the expense cap). In addition, the Adviser agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount³ as follows: (A) If the Company's NAV discount is greater than 20%, the management fee for the current quarter is reduced to 1.25%; (B) If the NAV discount is between 10% and 20%, the management fee will be 1.50%; and (C) If the NAV discount is less than 10% or eliminated, the 1.50% management fee would be re-examined, but in no event would it exceed 1.75%. For the quarter ended April 30, 2019, the management fee was 1.25%.

Pursuant to the terms of the Advisory Agreement, during the six month period ended April 30, 2019, the provision for incentive compensation was unchanged from \$0 as of October 31, 2018, including both the pre-incentive fee net operating income and the capital gain incentive fee. The provision for incentive compensation includes the Valuation Committee's determination to decrease the fair values of nine of the Company's portfolio investments (Advantage, Initials, Legal Solutions, MVC Environmental, RuMe, Trientis, U.S. Spray, U.S. Gas and Equus) by a total of approximately \$11.7 million. The provision also includes the Valuation Committee's determination to increase the fair values of twelve of the Company's portfolio investments (Centile escrow, MVC Automotive, Array, Black Diamond, Custom Alloy, Dukane, Highpoint, HTI, JSC Tekers, Security Holdings, Turf and Crius) by a total of approximately \$13.0 million. Also, for the quarter ended April 30, 2019, 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.

REALIZED GAINS AND LOSSES ON PORTFOLIO SECURITIES

For the Six Month Period Ended April 30, 2020 and 2019. Net realized gains were approximately \$1.4 million and approximately \$8.5 million for the six month period ended April 30, 2020 and 2019, respectively, a decrease of approximately \$7.1 million.

For the Six Month Period Ended April 30, 2020

Net realized gains for the six month period ended April 30, 2020, were approximately \$1.4 million. The Company's net realized gains were primarily due to the realized gain on the sale of Focus Pointe, a portfolio company of the PE Fund, of approximately \$773,000 and proceeds of approximately \$1.2 million from the PE Fund related to tax refunds and release of escrow funds related to former PE Fund portfolio companies which were recorded as realized gains. The Company also received carried interest payments from the PE Fund totaling approximately \$91,000 related to these transactions, which were recorded as additional realized gains.

³ 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.

On December 5, 2019, the Company sold 162,999 preferred shares of Advantage for approximately \$1.6 million, resulting in a realized loss of approximately \$33,000.

On January 1, 2020, the Company received approximately \$28,000 for the sale of the Array warrant which was recorded as a realized gain.

On March 30, 2020, the Company received approximately \$1.3 million for the sale of the Apex warrant, which resulted in a realized loss of approximately \$558,000.

During the six month period ended April 30, 2020, the Company also recorded realized losses of approximately \$11,000 from the Centile escrow and approximately \$86,000 from the sale of U.S. Treasury obligations.

For the Six Month Period Ended April 30, 2019

Net realized gains for the six month period ended April 30, 2019, were approximately \$8.5 million. The Company's net realized gains were primarily due to the realized gain on the sale of Plymouth Rock Energy, LLC ("Plymouth"), a portfolio company of the PE Fund, which resulted in a realized gain of approximately \$5.0 million and a \$3.2 million realized gain associated with the redemption of the Custom Alloy series C preferred shares. The Company also received a carried interest payment from the PE Fund of approximately \$173,000 related to the sale of Plymouth, which was recorded as additional realized gains.

During the six month period ended April 30, 2019, the Company also recorded net realized gains of approximately \$78,000 from its escrow receivables.

UNREALIZED APPRECIATION AND DEPRECIATION OF PORTFOLIO SECURITIES

For the Six Month Period Ended April 30, 2020 and 2019. The Company had a net change in unrealized depreciation on portfolio investments of approximately \$44.1 million for the six month period ended April 30, 2020 and approximately \$1.3 million for the six month period ended April 30, 2019, a net increase of approximately \$42.8 million.

For the Six Month Period Ended April 30, 2020

The Company had a net change in unrealized depreciation on portfolio investments of approximately \$44.1 million for the six month period ended April 30, 2020. The net change in unrealized depreciation for the six month period ended April 30, 2020 was the result of the reversal of the unrealized appreciation on the PE Fund of approximately \$878,000 (as a result of the Company's sale of Focus Pointe). The net change also includes Valuation Committee determination to decrease the fair value of the Company's investments in: Advantage by approximately \$964,000, Black Diamond by approximately \$372,000, Custom Alloy by approximately \$7.6 million, Dukane by approximately \$45,000, Global Prairie by approximately \$83,000, Highpoint by approximately \$254,000, HTI by approximately \$1.2 million, Initials by approximately \$622,000, IPCC by approximately \$160,000, Jedson by approximately \$2.5 million, JSC Tekers by approximately \$383,000, Legal Solutions by approximately \$386,000, MVC Automotive by approximately \$6.4 million, MVC Private Equity Fund L.P. by approximately \$800,000, Powers by approximately \$1.5 million, RuMe by approximately \$4.7 million, Security Holdings by approximately \$15.7 million, SMA by approximately \$28,000, Tuf-Tug by approximately \$223,000, Turf by approximately \$1.0 million, U.S. Gas by approximately \$1.0 million and U. S. Spray by approximately \$830,000. The value of Equus stock was also decreased by approximately \$1.2 million based on its market value. These changes in unrealized depreciation were partially off-set by the Valuation Committee determination to increase the fair value of the Company's investments in: Apex by approximately \$1.5 million, Foliofn by approximately \$5.0 million, GTM by approximately \$387,000 and Trientis by approximately \$18,000.

For the Six Month Period Ended April 30, 2019

The Company had a net change in unrealized depreciation on portfolio investments of approximately \$1.3 million for the six month period ended April 30, 2019. The net change in unrealized depreciation for the six month period ended April 30, 2019 was the result of the reversal of the unrealized appreciation on the PE Fund of approximately \$5.3 million (as a result of the Company's sale of the Plymouth Rock Energy, LLC), \$3.0 million of unrealized depreciation related to the MVC Environmental loan receivable reserve, \$2.4 million of unrealized appreciation due to the reversal of the unrealized depreciation on the MVC Environmental letter of credit and the Valuation Committee determination to decrease the fair value of the Company's investments in: Advantage preferred stock by approximately \$918,000, Initials loan by approximately \$407,000, Legal Solutions loan by approximately \$118,000, MVC Environmental loan and common stock by a total of approximately \$3.9 million, RuMe series B-1 preferred stock, guarantee and letter of credit by a net total of approximately \$2.1 million, Trientis loan by approximately \$37,000, U.S. Spray common stock by approximately \$3.1 million, U.S. Gas loan by approximately \$440,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$306,000. The value of Equus stock was decreased by approximately \$711,000 based on its market value. These changes in unrealized depreciation were partially off-set by the Valuation Committee determination to increase the fair value of the Company's investments in: Array loan by approximately \$62,000, Black Diamond loan and warrant by a net total of approximately \$893,000, Custom Alloy second lien loans, series A preferred stock, series B preferred stock and series C preferred stock by a net total of approximately \$1.8 million, Dukane loan by approximately \$10,000, Foliofn preferred stock by \$401,000, Highpoint loan by \$516, HTI loan by approximately \$145,000, JSC Tekers preferred stock by approximately \$34,000, Security Holdings equity and letter of credit by a net total of approximately \$3.7 million, Turf loans by approximately \$109,000, MVC Automotive equity by approximately \$630,000 and the Centile escrow by \$49,000. The value of Crius stock was increased by approximately \$5.5 million based on its market value.

PORTFOLIO INVESTMENTS

For the Six Month Period Ended April 30, 2020 and the Year Ended October 31, 2019. The cost of the portfolio investments held by the Company at April 30, 2020 and at October 31, 2019 was \$345.7 million and \$415.7 million, respectively, a decrease of approximately \$70.0 million. The aggregate fair value of portfolio investments at April 30, 2020 and at October 31, 2019 was \$226.3 million and \$340.2 million, respectively, a decrease of approximately \$113.9 million. The cost and fair value of cash, restricted cash and cash equivalents held by the Company at April 30, 2020 and October 31, 2019 was \$50.6 million and \$11.7 million, respectively, representing an increase of approximately \$38.9 million.

For the Six Month Period Ended April 30, 2020

During the six month period ended April 30, 2020, the Company made follow-on investments in five portfolio companies that totaled approximately \$11.5 million. Specifically, on November 14, 2019 and February 28, 2020, the Company loaned \$50,000 and \$300,000, respectively, to RuMe Inc. ("RuMe") on its lines of credit, increasing the balances to approximately \$2.2 million and approximately \$727,000, respectively. On December 13, 2019 and February 3, 2020, the Company loaned approximately \$1.6 million and \$1.7 million, respectively, to Jedson, increasing the first lien loan to approximately \$9.4 million. On January 10, 2020, the Company loaned approximately \$3.8 million to Apex, increasing the first lien loan to approximately \$18.8 million at that time. The maturity date of the loan was extended to May 15, 2020. The Company also received a warrant as part of this investment. During the six month period ended April 30, 2020, Custom Alloy borrowed approximately \$1.7 million on its revolving credit facility, increasing the balance outstanding to approximately \$3.7 million. During the six month period ended April 30, 2020, the Company loaned approximately \$2.5 million to Security Holdings B.V., increasing its senior subordinated loan outstanding amount to approximately \$8.6 million.

On November 1, 2019, U.S. Gas made a principal payment of approximately \$32.8 million on its second lien loan.

On November 4, 2019, the Company received net proceeds of approximately \$1.0 million related to the G3K Displays, Inc. settlement.

On November 5, 2019, the Company received proceeds of approximately \$1.0 million related to the Centile escrow.

On November 8, 2019, the Company received proceeds of approximately \$2.7 million from the PE Fund related to the sale of Focus Pointe, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Focus Pointe investment totaled approximately \$1.9 million, resulting in a realized gain of approximately \$773,000. The Company also received a carried interest payment from the PE Fund of approximately \$48,000 related to the sale, which was recorded as additional realized gains.

On November 8, 2019, the Company received proceeds of approximately \$291,000 from the PE Fund related to tax refunds received by the PE Fund related to Plymouth Rock Energy, LLC. The additional proceeds were recorded as realized gains. The Company also received a carried interest payment from the PE Fund of approximately \$11,000 related to these proceeds, which was recorded as additional realized gains.

On December 5, 2019, the Company sold 162,999 preferred shares of Advantage for approximately \$1.6 million, resulting in a realized loss of approximately \$33,000.

On January 1, 2020, Array repaid its second lien loan in full, including all accrued interest totaling approximately \$6.4 million. The Company also received approximately \$28,000 for the sale of the warrant which was recorded as a realized gain.

On January 10, 2020, Essner repaid its first lien loan in full, including all accrued interest totaling approximately \$3.6 million.

On January 31, 2020, Morey's repaid its second lien loan in full, including all accrued interest totaling approximately \$16.8 million.

On February 21, 2020, the Company received proceeds of approximately \$878,000 from the PE Fund related to the release of escrow funds related to former PE Fund portfolio companies AccuMed Corp., Focus Pointe Global and Plymouth Rock Energy, LLC. The Company also received an approximately \$32,000 carried interest payment.

On March 6, 2020, U.S. Tech made an approximately \$367,000 principal payment on its loan.

On March 30, 2020, Apex repaid its first lien loan in full including all accrued interest, totaling approximately \$18.9 million. The Company received a free warrant as part of the approximately \$3.9 million follow-on investment on January 10, 2020 in which approximately \$1.9 million of the approximately \$3.9 million cost basis of the loan was allocated to the cost of the warrant. On March 30, 2020, the Company also received approximately \$1.3 million for the sale of the warrant, which resulted in a realized loss of approximately \$558,000 based on the allocated cost of the warrant. The net impact of the warrant increased net assets by approximately \$1.3 million.

On April 6, 2020, Turf's senior subordinated loan and third lien loan were combined into a non-amortizing subordinated loan in the amount of \$8,697,056 with a 10% cash interest rate and a maturity of October 7, 2023.

During the six month period ended April 30, 2020, Turf made a principal payment of \$70,000 on its third lien loan.

During the six month period ended April 30, 2020, Legal Solutions made \$2.4 million in principal payments on its loan.

During the quarter ended January 31, 2020, the Valuation Committee increased the fair value of the Company's investments in: Black Diamond by approximately \$256,000, Foliofn, by approximately \$5.7 million, JSC Tekers by \$350,000, Trientis by approximately \$72,000, Turf by approximately \$60,000, MVC Private Equity Fund L.P. by approximately \$2.0 million, GTM by approximately \$817,000, MVC Automotive equity by approximately \$486,000 and Apex by approximately \$1.5 million. In addition, increases in the cost basis of the loans to Apex, Black Diamond, Custom Alloy, Dukane, Global Prairie, GTM, Highpoint, HTI, Jedson, Legal Solutions, Morey's, RuMe, Security Holdings, SMA and Tuf-Tug due to the capitalization of PIK interest totaling approximately \$1.8 million. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage by approximately \$129,000, Custom Alloy by approximately \$387,000, Dukane by approximately \$45,000, Initials by approximately \$103,000, RuMe by approximately \$1.6 million, Security Holdings by approximately \$7.1 million, Tuf-Tug by approximately \$62,000, U.S. Gas by approximately \$1.0 million and U.S. Spray by approximately \$260,000.

During the quarter ended April 30, 2020, the Valuation Committee decreased the fair value of the Company's investments in: Advantage by approximately \$835,000, Black Diamond by approximately \$628,000, Custom Alloy by approximately \$7.2 million, Foliofn by approximately \$632,000, Global Prairie by approximately \$83,000, GTM by approximately \$430,000, Highpoint by approximately \$254,000, HTI by approximately \$1.2 million, Initials by approximately \$519,000, IPCC by approximately \$160,000, Jedson by approximately \$2.5 million, JSC Tekers by approximately \$733,000, Legal Solutions by approximately \$386,000, MVC Automotive by approximately \$6.9 million, MVC Private Equity Fund L.P. by approximately \$2.8 million, Powers by approximately \$1.5 million, RuMe by approximately \$3.1 million, Security Holdings by approximately \$8.6 million, SMA by approximately \$28,000, Trientis by approximately \$54,000, Tuf-Tug by approximately \$161,000, Turf by approximately \$1.1 million and U.S. Spray by approximately \$570,000. There were also increases in the cost basis of the loans to Black Diamond, Dukane, Global Prairie, GTM, Highpoint, HTI, Jedson, Legal Solutions, RuMe, Security Holdings, SMA and Tuf-Tug due to the capitalization of PIK interest totaling approximately \$600,000.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the Company's investments in: Advantage by approximately \$964,000, Black Diamond by approximately \$372,000, Custom Alloy by approximately \$7.6 million, Dukane by approximately \$45,000, Global Prairie by approximately \$83,000, Highpoint by approximately \$254,000, HTI by approximately \$1.2 million, Initials by approximately \$622,000, IPCC by approximately \$160,000, Jedson by approximately \$2.5 million, JSC Tekers by approximately \$383,000, Legal Solutions by approximately \$386,000, MVC Automotive by approximately \$6.4 million, MVC Private Equity Fund L.P. by approximately \$800,000, Powers by approximately \$1.5 million, RuMe by approximately \$4.7 million, Security Holdings by approximately \$15.7 million, SMA by approximately \$28,000, Tuf-Tug by approximately \$223,000, Turf by approximately \$1.0 million, U.S. Gas by approximately \$1.0 million and U. S. Spray by approximately \$830,000. The Valuation Committee also increased the fair value of the Company's investments in: Apex by approximately \$1.5 million, Foliofn by approximately \$5.0 million, GTM by approximately \$387,000 and Trientis by approximately \$18,000. In addition, increases in the cost basis of the loans to Apex, Black Diamond, Custom Alloy, Dukane, Global Prairie, GTM, Highpoint, HTI, Jedson, Legal Solutions, Morey's, RuMe, Security Holdings, SMA and Tuf-Tug due to the capitalization of PIK interest totaling approximately \$2.4 million.

At April 30, 2020, the fair value of all portfolio investments, exclusive of escrow receivables, was \$226.3 million with a cost basis of \$345.7 million. At April 30, 2020, the fair value and cost basis of Legacy Investments was \$11.4 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 \$214.9 million and \$330.7 million, respectively. At October 31, 2019, the fair value of all portfolio investments, exclusive of escrow receivables, was \$340.2 million with a cost basis of \$415.7 million. At October 31, 2019, the fair value and cost basis of the Legacy Investments were \$6.4 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 \$333.8 million and \$400.7 million, respectively.

For the Fiscal Year Ended October 31, 2019

During the fiscal year ended October 31, 2019, the Company made six new investments, committing capital that totaled approximately \$32.4 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 the Private Fund co-invested in GTM (\$1.9 million investment for the Company). The Company also invested in Powers (\$6.5 million), IPCC (\$8.0 million), Jedson (\$6.0 million), SMA (\$7.0 million) and Global Prairie (\$3.0 million).

During the fiscal year ended October 31, 2019, the Company made follow-on investments in six portfolio companies that totaled approximately \$12.5 million. Specifically, on December 21, 2018, the Company loaned an additional \$2.0 million to Custom Alloy in the form of a second lien loan with an interest rate of 11% and a maturity date of December 23, 2019. During the fiscal year ended October 31, 2019, the Company loaned approximately \$1.4 million to RuMe and received a new warrant. On June 7, 2019, the Company invested approximately \$3.9 million in GTM increasing the second lien loan by \$3.5 million and investing approximately \$420,000 for additional common shares. During the fiscal year ended October 31, 2019, Custom Alloy borrowed approximately \$2.1 million on its revolving credit facility, which has a 15% interest rate and a maturity date of April 30, 2020. On July 15, 2019, the Company loaned an additional \$1.0 million to HTI increasing its second lien loan to approximately \$11.4 million as of October 31, 2019. On September 10, 2019, the Company invested \$1.0 million in additional common equity of MVC Automotive. On September 26, 2019, the Company loaned approximately \$552,000 to Security Holdings, increasing its senior subordinated loan to approximately \$6.0 million as of October 31, 2019.

On November 9, 2018, Custom Alloy repaid its first lien loan in full, including all accrued interest.

On November 13, 2018, Custom Alloy repaid its \$1.4 million second lien loan in full, including all accrued interest.

On November 27, 2018, the Company funded approximately \$3.0 million related to the MVC Environmental letter of credit, which was called by the beneficiary.

On December 27, 2018, the Company received proceeds of approximately \$7.5 million from the PE Fund related to the sale of Plymouth Rock Energy, LLC, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Plymouth Rock Energy, LLC investment totaled approximately \$2.5 million, resulting in a realized gain of approximately \$5.0 million. The Company also received a carried interest payment from the PE Fund of approximately \$173,000 related to the sale, which was recorded as additional realized gains.

On December 27, 2018, the Company received a dividend of approximately \$543,000 from the PE Fund related to Focus Pointe Global.

On February 7, 2019, Vistra Energy and Crius Energy Trust ("Crius") announced that they entered into a definitive agreement pursuant to which Vistra Energy will acquire Crius for cash consideration of CAN\$7.57 per trust unit. On February 20, 2019, Vistra Energy agreed to increase its acquisition price for Crius to CAN\$8.80 per trust unit, an increase of CAN\$1.23 per trust unit.

On April 26, 2019, RuMe made a principal payment on the revolver of \$500,000 and Morey's made a principal payment of approximately \$591,000 on its second lien loan.

On April 30, 2019, Custom Alloy redeemed its series A, B and C preferred shares and consolidated its second lien loans in exchange for two second lien loans of approximately \$32.5 million and \$6.1 million with interest rates of 15% and maturity dates of April 30, 2022. The Company also funded approximately \$595,000 as part of the transaction related to the \$6.1 million second lien loan. The Company realized a gain of approximately \$3.2 million and approximately \$2.3 million of PIK interest and dividends associated with the transaction. Also on April 30, 2019, the Company provided Custom Alloy a \$3.0 million line of credit with a 15% interest rate and a maturity date of April 30, 2020 with no amount outstanding as of that date.

On June 14, 2019, Array Information Technology, Inc. (“Array”) made a principal payment of approximately \$114,000 on its second lien loan.

On June 19, 2019, Essner Manufacturing, LP (“Essner”) made a principal payment of approximately \$78,000 on its first lien loan.

On July 1, 2019, Turf Products, LLC (“Turf”) made a principal payment of \$70,000 on its third lien loan.

On July 15, 2019, the Company’s Crius trust units were sold for \$6.71 per share resulting in total proceeds of approximately \$22.0 million. The Company realized a loss of approximately \$3.8 million as a result of this transaction.

On July 29, 2019, the Company sold 608,310 shares of Equus Total Return, Inc. (“Equus”) common stock for approximately \$1.0 million, resulting in a realized loss of approximately \$219,000.

On August 12, 2019, the Company sold 608,310 common shares of Equus totaling approximately \$985,000 in proceeds and resulting in a realized loss of approximately \$268,000.

On August 12, 2019, the Company converted the MVC Environmental loan, unpaid expenses and accrued interest to additional cost basis in the common stock of MVC Environmental, resulting in a realized gain of approximately \$1.4 million.

On September 13, 2019, the Company sold the common stock of MVC Environmental, receiving proceeds of \$45,000 which resulted in a realized loss of approximately \$14.4 million.

On October 1, 2019, Tin Roof repaid its \$3.8 million loan in full, including all accrued interest. Also during the fiscal year ended October 31, 2019, Tin Roof made principal payments totaling approximately \$99,000.

On October 17, 2019, the Company recorded a \$1.6 million realized gain associated with a settlement, which is expected to be paid in November 2019, related to a former portfolio company, G3K Display, Inc. The Company incurred costs of approximately \$543,000 related to the settlement.

During the quarter ended January 31, 2019, the Valuation Committee increased the fair value of the Company’s investments in: Black Diamond loan and warrant by approximately \$767,000, Custom Alloy second lien loans, series A preferred stock, series B preferred stock and series C preferred stock by a net total of approximately \$2.3 million, Dukane loan by \$286, Foliofn preferred stock by \$32,000, Highpoint loan by approximately \$252, HTI loan by approximately \$80,000, JSC Tekers preferred stock by approximately \$82,000, Security Holdings equity and letter of credit by a net total of \$25,000, Turf loan by approximately \$15,000 and the Centile escrow by \$49,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey’s, Highpoint, Array, GTM, Tin Roof, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling approximately \$964,000. The Valuation Committee also decreased the fair value of the Company’s investments in: Advantage preferred stock by approximately \$244,000, Essner loan by approximately \$21,000, Initials loan by approximately \$412,000, Legal Solutions loan by approximately \$118,000, MVC Automotive equity by approximately \$117,000, MVC Environmental loan by approximately \$875,000 and common stock by approximately \$3.0 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$1.1 million, RuMe series B-1 preferred stock, guarantee and letter of credit by a net total of approximately \$308,000, Trientis loan by approximately \$77,000, U.S. Tech loan by approximately \$23,000 and the U.S. Gas loan by approximately \$797,000.

During the quarter ended April 30, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by approximately \$62,000, Black Diamond loan and warrant by a net total of approximately \$126,000, Dukane loan by approximately \$10,000, Essner loan by approximately \$21,000, Foliofn preferred stock by \$369,000, Highpoint loan by approximately \$264, HTI loan by approximately \$65,000, Initials loan by approximately \$5,000, MVC Automotive equity by approximately \$747,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$833,000, Security Holdings equity and letter of credit by a net total of approximately \$3.7 million, Trientis loan by approximately \$40,000, Turf loans by approximately \$94,000, U.S. Tech loan by approximately \$23,000, U.S. Gas loan by approximately \$357,000 and the Centile escrow by approximately \$29,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings and the Custom Alloy preferred stock were due to the capitalization of PIK interest/dividends totaling approximately \$3.4 million. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$674,000, Custom Alloy loans by a total of approximately \$504,000, JSC Tekers preferred stock by approximately \$48,000, RuMe series B-1 preferred stock and letter of credit by a total of approximately \$1.8 million and the U.S. Spray common stock by \$3.1 million.

During the quarter ended July 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Centile escrow by approximately \$38,000, Custom Alloy loans by a total of approximately \$115,000, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$389,000, HTI loan by approximately \$47,000, JSC Tekers preferred stock by approximately \$60,000 and Turf loans by approximately \$124,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings, Jedson and Custom Alloy were due to the capitalization of PIK interest/dividends totaling approximately \$780,000. The Valuation Committee also decreased the fair value of the Company's investments in: Array loan by approximately \$1,000, Black Diamond loan and warrant by a net total of approximately \$8,000, Highpoint loan by approximately \$51,000, Initials loan by approximately \$281,000, MVC Automotive equity by approximately \$256,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$399,000, RuMe series B-1 preferred stock and letter of credit by a total of approximately \$113,000, Security Holdings equity and letter of credit by a net total of approximately \$1.2 million, Trientis loan by approximately \$84,000 and U.S. Gas loan by approximately \$1.2 million.

During the quarter ended October 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by \$622, Centile escrow by approximately \$50,000, Foliofn preferred stock by \$569,000, JSC Tekers preferred stock by \$737,000, MVC Automotive equity by approximately \$327,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$566,000, Tuf-Tug loan and common stock by a total of approximately \$78,000 and Turf loans by approximately \$69,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tuf-Tug, Security Holdings, Jedson, SMA and Black Diamond were due to the capitalization of PIK interest/dividends totaling approximately \$747,000. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$403,000, Black Diamond loan and warrant by a net total of approximately \$14,000, Custom Alloy loans by a total of approximately \$98,000, Dukane loan by approximately \$9,000, Initials loan by approximately \$715,000, RuMe preferred stocks, warrants and letter of credit by a net total of approximately \$839,000, Security Holdings equity and letter of credit by a net total of \$227,000, Trientis loan by approximately \$86,000, U.S. Gas loan by approximately \$857,000 and U.S. Spray common stock by \$500,000.

During the fiscal year ended October 31, 2019, the Valuation Committee increased the fair value of the Company's investments in: Array loan by approximately \$63,000, Black Diamond loan and warrant by a net total of approximately \$871,000, Custom Alloy second lien loans, series A preferred stock, series B preferred stock and series C preferred stock by a net total of approximately \$1.8 million, Dukane loan by approximately \$1,000, Foliofn preferred stock by \$1.4 million, HTI loan by approximately \$192,000, JSC Tekers preferred stock by approximately \$831,000, Security Holdings equity and letter of credit by a net total of approximately \$2.2 million, Tuf-Tug loan and common stock by approximately \$78,000, Turf loans by approximately \$302,000, MVC Automotive equity by approximately \$701,000 and the Centile escrow by \$166,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey's, Highpoint, Array, GTM, Tin Roof, Tuf-Tug, Security Holdings, Jedson, SMA and the Custom Alloy preferred stock were due to the capitalization of PIK interest/dividends totaling approximately \$5.9 million. The Valuation Committee also decreased the fair value of the Company's investments in: Advantage preferred stock by approximately \$1.3 million, Highpoint loan by approximately \$51,000, Initials loan by approximately \$1.4 million, Legal Solutions loan by approximately \$118,000, MVC Environmental loan and common stock by a total of approximately \$3.9 million, RuMe series B-1 preferred stock, guarantee and letter of credit by a net total of approximately \$3.0 million, Trientis loan by approximately \$208,000, U.S. Spray common stock by \$3.6 million, U.S. Gas loan by approximately \$2.4 million and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$140,000.

At October 31, 2019, the fair value of all portfolio investments, exclusive of escrow receivables, was \$340.2 million with a cost basis of \$415.7 million. At October 31, 2019, the fair value and cost basis of the Legacy Investments were \$6.4 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 \$333.8 million and \$400.7 million, respectively. At October 31, 2018, the fair value of all portfolio investments, exclusive of escrow receivables, was \$324.5 million with a cost basis of \$409.6 million. At October 31, 2018, the fair value and cost basis of the Legacy Investments was \$5.0 million and \$15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company's current management team was \$319.5 million and \$394.6 million, respectively.

Portfolio Companies

During the six month period ended April 30, 2020, the Company had investments in the following portfolio companies:

Advantage Insurance Inc.

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

At October 31, 2019, the Company's investment in Advantage consisted of 750,000 shares of preferred stock at a cost basis of \$7.5 million and a fair value of approximately \$7.5 million.

On December 5, 2019, the Company sold 162,999 preferred shares of Advantage for approximately \$1.6 million, resulting in a realized loss of approximately \$33,000.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the preferred stock by approximately \$964,000.

At April 30, 2020, the Company's investment in Advantage consisted of 587,001 shares of preferred stock with a cost basis of approximately \$5.9 million and a fair value of approximately \$4.9 million.

Apex Industrial Technologies, LLC

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

At October 31, 2019, the Company's investment in Apex consisted of a first lien loan with an outstanding amount of approximately \$15.0 million, a cost basis of approximately \$14.9 million and a fair value of approximately \$15.0 million. The first lien loan had an interest rate of 12% and a maturity date of December 31, 2019.

On January 10, 2020, the Company loaned Apex approximately \$3.8 million, increasing the first lien loan to approximately \$18.8 million. The maturity date of the loan was extended to May 15, 2020. The Company also received a warrant as part of this investment.

During the six month period ended April 30, 2020, the Valuation Committee increased the fair value of the loan by approximately \$1.5 million.

On March 30, 2020, Apex repaid its first lien loan in full, including all accrued interest totaling approximately \$18.9 million. The Company received a free warrant as part of the approximately \$3.9 million follow-on investment on January 10, 2020 in which approximately \$1.9 million of the approximately \$3.9 million cost basis of the loan was allocated to the cost of the warrant. On March 30, 2020, the Company also received approximately \$1.3 million for the sale of the warrant, which resulted in a realized loss of approximately \$558,000 based on the allocated cost of the warrant. The net impact of the warrant increased net assets by approximately \$1.3 million.

At April 30, 2020, the Company no longer held an investment in Apex.

Array Information Technology, Inc.

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

At October 31, 2019, the Company's investment in Array consisted of a second lien loan with an outstanding amount of approximately \$6.3 million, a cost basis of approximately \$6.2 million and a fair value of approximately \$6.3 million and a warrant with a cost basis and fair value of \$0. The second lien loan had an interest rate of 12% cash and 4% PIK and a maturity date of October 3, 2023.

On January 1, 2020, Array repaid its second lien loan in full, including all accrued interest totaling approximately \$6.4 million. The Company also received approximately \$28,000 for the sale of the warrant which was recorded as a realized gain.

At April 30, 2020, the Company no longer held an investment in Array.

Black Diamond Equipment Rental

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

At October 31, 2019, the Company's investment in Black Diamond consisted of a second lien loan with an outstanding amount of approximately \$7.5 million, a cost basis of approximately \$7.2 million and a fair value of approximately \$7.6 million and a warrant with a cost basis of approximately \$401,000 and a fair value of approximately \$960,000. The second lien loan had an interest rate of 12.5% and a maturity date of June 27, 2022.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by approximately \$309,000 and the warrant by \$63,000.

At April 30, 2020, the Company's investment in Black Diamond consisted of a second lien loan with an outstanding amount of approximately \$7.5 million, a cost basis of approximately \$7.2 million and a fair value of approximately \$7.3 million and a warrant with a cost basis of approximately \$401,000 and a fair value of approximately \$897,000.

Custom Alloy Corporation

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

At October 31, 2019, the Company's investment in Custom Alloy consisted of a second lien loan with a cost basis and outstanding balance of approximately \$32.5 million and a fair value of approximately \$32.1 million, a second lien loan with a cost basis, outstanding balance and a fair value of approximately \$6.1 million and a revolving credit facility with a cost basis, outstanding balance and a fair value of approximately \$2.1 million. The second lien loans and revolving credit facility had interest rates of 15% and maturity dates of April 30, 2022 and April 30, 2020, respectively.

During the six month period ended April 30, 2020, Custom Alloy borrowed approximately \$1.7 million on its revolving credit facility. The credit facility's maturity date was also extended to April 30, 2021.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair values of the \$33.1 million second lien loan by approximately \$6.1 million, the \$6.3 million second lien loan by approximately \$1.1 million and the revolver by approximately \$332,000.

At April 30, 2020, the Company's investment in Custom Alloy consisted of a second lien loan with a cost basis and outstanding balance of approximately \$33.1 million and a fair value of approximately \$26.6 million, a second lien loan with a cost basis and outstanding balance of approximately \$6.3 million and a fair value of approximately \$5.0 million and a revolving credit facility with an outstanding balance and cost basis of approximately \$3.7 million and a fair value of approximately \$3.4 million.

Dukane IAS, LLC

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

At October 31, 2019, the Company's investment in Dukane consisted of a second lien loan with an outstanding amount, a cost basis and a fair value of approximately \$4.5 million. The second lien loan had an interest rate of 13% and a maturity date of November 17, 2020.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$45,000.

At April 30, 2020, the Company's investment in Dukane consisted of a second lien loan with an outstanding amount, a cost basis and a fair value of approximately \$4.5 million.

Essner Manufacturing LP

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

At October 31, 2019, the Company's investment in Essner consisted of a first lien loan with an outstanding amount of approximately \$3.6 million, a cost basis of approximately \$3.5 million and a fair value of approximately \$3.6 million. The first lien loan had an interest rate of 11.5% and a maturity date of December 20, 2022.

On January 10, 2020, Essner repaid its first lien loan in full, including all accrued interest totaling approximately \$3.6 million.

At April 30, 2020, the Company no longer held an investment in Essner.

Equus Total Return, Inc.

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

At October 31, 2019, the Company's investment in Equus consisted of 3,228,024 shares of common stock with a cost of approximately \$7.5 million and a market value of approximately \$4.9 million.

At April 30, 2020, the Company's investment in Equus consisted of 3,228,024 shares of common stock with a cost of approximately \$7.5 million and a market value of approximately \$3.6 million.

Foliofn, Inc.

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

At October 31, 2019, the Company's investment in Foliofn consisted of 5,802,259 shares of Series C preferred stock with a cost of \$15.0 million and a fair value of approximately \$6.4 million.

During the six month period ended April 30, 2020, the Valuation Committee increased the fair value of the preferred stock by \$5.0 million.

At April 30, 2020, the Company's investment in Foliofn consisted of 5,802,259 shares of Series C preferred stock with a cost of \$15.0 million and a fair value of approximately \$11.4 million.

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

Global Prairie PBC, Inc.

Global Prairie, Kansas City, Missouri, is a marketing firm focusing on quality of life sectors (healthcare, environmental, agriculture).

At October 31, 2019, the Company's investment in Global Prairie consisted of a second lien loan with an outstanding amount of approximately \$3.0 million, a cost basis of approximately \$2.9 million and a fair value of approximately \$3.0 million. The second lien loan had an interest rate of 14% and a maturity date of April 16, 2025.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$83,000.

At April 30, 2020, the Company's investment in Global Prairie consisted of a second lien loan with an outstanding amount of approximately \$3.1 million and a cost basis and fair value of approximately \$3.0 million.

GTM Intermediate Holdings, Inc.

GTM, Anderson, South Carolina, is a leading supplier of proprietary medical solutions for emergency trauma care.

At October 31, 2019, the Company's investment in GTM consisted of a second lien loan with an outstanding amount of approximately \$5.1 million, a cost basis of approximately \$5.0 million and a fair value of approximately \$5.1 million and 2 shares of common stock with a cost basis and fair value of \$766,000. The second lien loan had an interest rate of 12% and a maturity date of December 7, 2024.

During the six month period ended April 30, 2020, the Valuation Committee increased the fair value of the common stock by \$586,000 and decreased the fair value of the loan by approximately \$199,000.

At April 30, 2020, the Company's investment in GTM consisted of a second lien loan with an outstanding amount of approximately \$5.1 million, a cost basis of approximately \$5.0 million and a fair value of approximately \$4.9 million and 2 shares of common stock with a cost basis of approximately \$766,000 and a fair value of approximately \$1.4 million.

Highpoint Global, LLC

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

At October 31, 2019, the Company's investment in Highpoint consisted of a second lien loan with an outstanding amount of approximately \$5.2 million, a cost basis of approximately \$5.1 million and a fair value of approximately \$5.2 million. The loan had an interest rate of 14% and a maturity date of September 30, 2022.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$254,000.

At April 30, 2020, the Company's investment in Highpoint consisted of a second lien loan with an outstanding amount of approximately \$5.3 million, a cost basis of approximately \$5.2 million and a fair value of approximately \$5.0 million.

HTI Technologies and Industries, Inc.

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

At October 31, 2019, the Company's investment in HTI consisted of a second lien loan with an outstanding amount, cost basis and fair value of approximately \$11.4 million. The loan had an interest rate of 15.75% and a maturity date of September 15, 2024.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$1.2 million.

At April 30, 2020, the Company's investment in HTI consisted of a second lien loan with an outstanding amount and cost basis of approximately \$11.6 million and a fair value of approximately \$10.5 million.

Initials, Inc.

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

At October 31, 2019, the Company's investment in Initials consisted of a senior subordinated loan with an outstanding amount and cost basis of approximately \$5.6 million and a fair value of approximately \$1.3 million. The loan had an interest rate of 15% and a maturity date of June 23, 2020.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by approximately \$622,000.

At April 30, 2020, the Company's investment in Initials consisted of a senior subordinated loan with an outstanding amount and cost basis of approximately \$5.6 million and a fair value of approximately \$650,000. The Company reserved in full against all of the accrued interest starting June 23, 2018.

International Precision Components Corporation

IPCC, Lake Forest, Illinois, is a leading plastic injection molder.

At October 31, 2019, the Company's investment in IPCC consisted of a second lien loan with an outstanding amount of approximately \$8.0 million, a cost basis of approximately \$7.9 million and a fair value of approximately \$8.0 million. The loan had an interest rate of 15.5% and a maturity date of October 3, 2024.

During the six month period ended April 30, 2020, the interest rate on the second lien loan was reduced to 14%.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by approximately \$160,000.

At April 30, 2020, the Company's investment in IPCC consisted of a second lien loan with an outstanding amount of approximately \$8.0 million, a cost basis of approximately \$7.9 million and a fair value of approximately \$7.8 million.

Jedson Engineering, Inc.

Jedson, Cincinnati, Ohio, is a provider of engineering, procurement and construction management services.

At October 31, 2019, the Company's investment in Jedson consisted of a first lien loan with an outstanding amount of approximately \$6.0 million, a cost basis of approximately \$5.9 million and a fair value of approximately \$6.0 million. The loan had an interest rate of 15% and a maturity date of June 21, 2024.

On December 13, 2019 and February 3, 2020, the Company loaned approximately \$1.6 million and \$1.7 million, respectively, to Jedson, increasing the first lien loan to approximately \$9.4 million.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by approximately \$2.5 million.

At April 30, 2020, the Company's investment in Jedson consisted of a first lien loan with an outstanding amount of approximately \$9.4 million, a cost basis of approximately \$9.2 million and a fair value of approximately \$6.9 million. The Company reserved in full against all of the accrued PIK interest starting April 1, 2020.

JSC Tekers Holdings

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

At October 31, 2019, the Company's investment in JSC Tekers consisted of 9,159,085 shares of preferred stock with a cost basis of \$11.8 million and a fair value of \$4.9 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$0.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the preferred stock by \$383,000.

At April 30, 2020, the Company's investment in JSC Tekers consisted of 9,159,085 shares of preferred stock with a cost basis of \$11.8 million and a fair value of \$4.5 million and 3,201 shares of common stock with a cost basis of \$4,500 and a fair value of \$0.

Legal Solutions Holdings, Inc.

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

At October 31, 2019, the Company's investment in Legal Solutions consisted of a senior subordinated loan with an outstanding balance, cost basis and a fair value of approximately \$12.2 million. The senior subordinated loan had an interest rate of 15% and a maturity date of March 18, 2020.

During the six month period ended April 30, 2020, Legal Solutions made \$2.4 million in principal payments on its loan and the maturity date was extended to March 31, 2022.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$386,000.

At April 30, 2020, the Company's investment in Legal Solutions consisted of a senior subordinated loan with an outstanding balance and cost basis of approximately \$9.9 million and a fair value of approximately \$9.5 million.

Morey's Seafood International LLC

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

At October 31, 2019, the Company's investment in Morey's consisted of a second lien loan that had an outstanding balance, cost basis and a fair value of \$16.5 million. The loan had an interest rate of 13% and a maturity date of August 12, 2022.

On January 31, 2020, Morey's repaid its second lien loan in full, including all accrued interest totaling approximately \$16.8 million.

At April 30, 2020, the Company no longer held an investment in Morey's.

MVC Automotive Group GmbH

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

At October 31, 2019, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$52.2 million and a fair value of approximately \$20.6 million and a bridge loan with an outstanding amount, cost basis and fair value of approximately \$7.1 million. The mortgage guarantee for MVC Automotive was equivalent to approximately \$4.0 million at October 31, 2019. This guarantee was taken into account in the valuation of MVC Automotive. The bridge loan had an interest rate of 6% and a maturity date of December 31, 2020.

During the six month period ended April 30, 2020, the maturity date of the bridge loan was extended to December 31, 2021.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the equity interest by approximately \$6.4 million.

At April 30, 2020, the Company's investment in MVC Automotive consisted of an equity interest with a cost of approximately \$52.2 million and a fair value of approximately \$14.2 million and a bridge loan with an outstanding amount, cost basis and fair value of approximately \$7.1 million. The mortgage guarantee for MVC Automotive was equivalent to approximately \$303,000 at April 30, 2020. This guarantee was taken into account in the valuation of MVC Automotive.

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

MVC Private Equity Fund, L.P.

MVC Private Equity Fund, L.P., Purchase, New York, is a private equity fund focused on control equity investments in the lower middle market. MVC GP II, an indirect wholly-owned subsidiary of the Company, serves as the GP to the PE Fund and is exempt from the requirement to register with the Securities and Exchange Commission as an investment adviser under Section 203 of the Investment Advisers Act of 1940. MVC GP II is wholly-owned by MVCFS, a subsidiary of the Company. The Company's Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company's ability to participate in Non-Diversified Investments made by the PE Fund. As previously disclosed, the Company is limited in its ability to make Non-Diversified Investments. For services provided to the PE Fund, the GP and MVC Partners are together entitled to receive 25% of all management fees and other fees paid by the PE Fund and its portfolio companies and up to 30% of the carried interest generated by the PE Fund. Further, at the direction of the Board of Directors, the GP retained TTG Advisers to serve as the portfolio manager of the PE Fund. In exchange for providing those services, and pursuant to the Board of Directors' authorization and direction, TTG Advisers is entitled to the remaining 75% of the management and other fees generated by the PE Fund and its portfolio companies and any carried interest generated by the PE Fund. A significant portion of the portfolio fees that are paid by the PE Fund's portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund. Given this separate arrangement with the GP and the PE Fund, under the terms of the Company's Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. The PE Fund's term will end on October 29, 2016; unless the GP, in its sole discretion, extends the term of the PE Fund for two additional periods of one year each.

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

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

At October 31, 2019, the limited partnership interest in the PE Fund had a cost of approximately \$9.0 million and a fair value of approximately \$12.3 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$230,000 and a fair value of approximately \$313,000.

On November 8, 2019, the Company received proceeds of approximately \$2.7 million from the PE Fund related to the sale of Focus Pointe, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Focus Pointe investment totaled approximately \$1.9 million, resulting in a realized gain of approximately \$773,000. The Company also received a carried interest payment from the PE Fund of approximately \$48,000 related to the sale, which was recorded as additional realized gains.

On November 8, 2019, the Company received proceeds of approximately \$291,000 from the PE Fund related to tax refunds received by the PE Fund related to Plymouth Rock Energy, LLC. The additional proceeds were recorded as realized gains. The Company also received a carried interest payment from the PE Fund of approximately \$11,000 related to these proceeds, which was recorded as additional realized gains.

On February 21, 2020, the Company received proceeds of approximately \$878,000 from the PE Fund related to the release of escrow funds related to former PE Fund portfolio companies AccuMed Corp., Focus Pointe Global and Plymouth Rock Energy, LLC. The Company also received an approximately \$32,000 carried interest payment.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the general partnership interest and limited partnership interest in the PE Fund by a total of approximately \$800,000.

At April 30, 2020, the limited partnership interest in the PE Fund had a cost of approximately \$7.2 million and a fair value of approximately \$8.5 million. The Company's general partnership interest in the PE Fund had a cost basis of approximately \$183,000 and a fair value of approximately \$218,000. As of April 30, 2020, the PE Fund had investments in Gibdock Limited and Advanced Oilfield Services, LLC.

Powers Equipment Acquisition Company, LLC

Powers, Warminster, Pennsylvania, is a family owned manufacturer of commercial refrigeration equipment.

At October 31, 2019, the Company's investment in Powers consisted of a first lien loan with an outstanding amount of approximately \$6.5 million, a cost basis of approximately \$6.4 million and a fair value of approximately \$6.5 million. The loan had an interest rate of 13.5% and a maturity date of April 30, 2024.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$1.5 million.

At April 30, 2020, the Company's investment in Powers consisted of a first lien loan with an outstanding amount of approximately \$6.5 million, a cost basis of approximately \$6.4 million and a fair value of approximately \$5.0 million. The Company reserved in full against all of the accrued PIK interest starting April 1, 2020.

RuMe, Inc.

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

At October 31, 2019, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately \$924,000 and a fair value of \$0, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately \$1.0 million and a fair value of \$0, 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$1.5 million, a revolver with an outstanding balance, cost basis and fair value of approximately \$2.1 million, another revolver with an outstanding balance of approximately \$404,000 and a cost basis and fair value of approximately \$233,000 and a subordinated note with an outstanding balance, cost basis and a fair value of approximately \$3.6 million. The warrants have a cost basis of approximately \$595,000 and a fair value of \$1.4 million and the letter of credit was fair valued at approximately -\$566,000 or a liability of approximately \$566,000. The subordinated note and the \$2.1 million revolver had an interest rate of 10% PIK and maturity dates of March 31, 2020 and March 31, 2021, respectively. The \$404,000 revolver had an interest rate of 10% PIK and a maturity date of February 28, 2020.

On November 14, 2019, the Company loaned \$50,000 to RuMe on its line of credit, increasing the balance to approximately \$2.1 million.

Specifically, on November 14, 2019 and February 28, 2020, the Company loaned \$50,000 and \$300,000, respectively, to RuMe on its lines of credit, increasing the balances to approximately \$2.2 million and approximately \$727,000, respectively.

During the six month period ended April 30, 2020, the maturity dates of the subordinated note and the \$727,000 revolver were extended to March 31, 2021.

During the six month period ended April 30, 2020, the Valuation Committee decreased the series C preferred stock by approximately \$1.5 million, the warrants by a total of approximately \$1.4 million, the letters of credit by approximately \$132,000, the subordinated loan by approximately \$979,000 and the revolvers by a total of approximately \$764,000.

At April 30, 2020, the Company's investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately \$924,000 and a fair value of \$0, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately \$1.0 million and a fair value of \$0, 23,896,634 shares of series C preferred stock with a cost basis of approximately \$3.4 million and a fair value of approximately \$0, a revolver with an outstanding balance and cost basis of approximately \$2.2 million and a fair value of approximately \$1.7 million, another revolver with an outstanding balance and cost basis of approximately \$727,000 and a fair value of approximately \$539,000 and a subordinated note with an outstanding balance and cost basis of approximately \$3.8 million and a fair value of approximately \$2.8 million. The warrants have a cost basis of approximately \$595,000 and a fair value of \$0 and the letter of credit was fair valued at approximately -\$697,000 or a liability of approximately \$697,000. The Company reserved in full against all of the accrued PIK interest starting April 1, 2020.

Shivani Khurana and Christopher Ferguson, representatives of the Company, serve as directors of RuMe.

Security Holdings, B.V.

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

At October 31, 2019, the Company's investment in Security Holdings consisted of common equity interest with a cost basis of approximately \$51.2 million and a fair value of approximately \$33.6 million, a bridge loan with an outstanding balance, cost basis and fair value of approximately \$4.9 million, a senior subordinated loan with an outstanding balance, cost basis and fair value of approximately \$6.0 million and a letter of credit with a fair value of approximately -\$161,000 or a liability of \$161,000. The bridge loan had an interest rate of 5% and a maturity date of December 31, 2019 and the senior subordinated loan had an interest rate of 3.1% and a maturity date of May 31, 2020.

During the six month period ended April 30, 2020, the Company loaned approximately \$2.5 million, to Security Holdings, increasing its senior subordinated loan outstanding amount to approximately \$8.6 million.

During the six month period ended April 30, 2020, the senior subordinated loan's maturity date was extended to May 31, 2022.

During the six month period ended April 30, 2020, the letter of credit was reduced to 3.8 million Euro.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the common equity interest by \$15.7 million and the letter of credit by approximately \$24,000.

At April 30, 2020, the Company's investment in Security Holdings consisted of common equity interest with a cost basis of approximately \$51.2 million and a fair value of approximately \$17.9 million, a bridge loan with an outstanding balance, cost basis and fair value of approximately \$5.2 million, a senior subordinated loan with an outstanding balance, cost basis and fair value of approximately \$8.6 million and a letter of credit with a fair value of approximately -\$185,000 or a liability of \$185,000.

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

SMA Holdings, Inc.

SMA, Irvine, California, is a strategic consulting firm, which has been serving the federal contracting and commercial markets for over 35 years.

At October 31, 2019, the Company's investment in SMA consisted of a first lien loan with an outstanding amount of approximately \$7.0 million, a cost basis of approximately \$6.4 million and a fair value of approximately \$6.5 million and warrants with a cost basis and fair value of approximately \$505,000. The first lien loan had an interest rate of 11.0% and a maturity date of June 26, 2024.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by \$28,000.

At April 30, 2020, the Company's investment in SMA consisted of a first lien loan with an outstanding amount of approximately \$7.0 million, a cost basis of approximately \$6.5 million and a fair value of approximately \$6.6 million and warrants with a cost basis and fair value of approximately \$505,000.

Trientis GmbH (formerly SGDA Europe B.V.)

Trientis is an Austrian-based holding company that pursues environmental and remediation opportunities in Romania.

At October 31, 2019, the Company's investment in Trientis consisted of a first lien loan with an outstanding balance and cost basis of approximately \$1.2 million and a fair value of approximately \$177,000 and a warrant with a cost basis of approximately \$68,000 and a fair value of \$0. The first lien note has an interest rate of 5%, with a PIK toggle at Trientis's option, and a maturity date of October 26, 2024.

During the six month period ended April 30, 2020, the Valuation Committee increased the fair value of the loan by approximately \$18,000.

At April 30, 2020, the Company's investment in Trientis consisted of a first lien loan with an outstanding balance and cost basis of approximately \$1.2 million and a fair value of approximately \$195,000 and a warrant with a cost basis of approximately \$68,000 and a fair value of \$0. The Company reserved in full against all of the accrued interest starting September 1, 2018.

Tuf-Tug Inc.

Tuf-Tug, Moraine, Ohio, is a designer and manufacturer of fall protection and rigging gear.

At October 31, 2019, the Company's investment in Tuf-Tug consisted of a second lien loan with an outstanding balance of approximately \$5.0 million, a cost basis of approximately \$4.9 million and a fair value of approximately \$5.0 million and 24.6 shares of common stock with a cost basis of \$750,000 and a fair value of approximately \$778,000. The second lien loan had an interest rate of 13% and a maturity date of February 24, 2024.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair values of the loan by approximately \$50,000 and the common stock by approximately \$173,000.

At April 30, 2020, the Company's investment in Tuf-Tug consisted of a second lien loan with an outstanding balance, cost basis and fair value of approximately \$5.0 million and 24.6 shares of common stock with a cost basis of \$750,000 and a fair value of approximately \$605,000.

Turf Products, LLC

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

At October 31, 2019, the Company's investment in Turf consisted of a senior subordinated loan and a third lien loan. The loans had an interest rate of 10% and a maturity date of August 7, 2020. The senior subordinated loan had an outstanding balance and cost basis of approximately \$7.7 million and a fair value of approximately \$7.6 million and the third lien loan had an outstanding balance and cost basis of approximately \$1.1 million and a fair value of approximately \$1.0 million.

On April 6, 2020, the Turf senior subordinated loan and third lien loan were combined into a non-amortizing senior subordinated loan in the amount of \$8,697,056 with a 10% cash interest rate and a maturity of October 7, 2023.

During the six month period ended April 30, 2020, Turf made a principal payment of \$70,000 on its third lien loan.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loans by a total of approximately \$1.0 million.

At April 30, 2020, the senior subordinated loan had an outstanding balance and cost basis of approximately \$8.7 million and a fair value of approximately \$7.5 million.

United States Technologies, Inc.

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

At October 31, 2019, the Company's investment in U.S. Technologies consisted of a senior term loan with an outstanding amount, cost basis and fair value of approximately \$5.5 million. The loan had an interest rate of 10.5% and matures on July 17, 2020.

On March 6, 2020, U.S. Tech made an approximately \$367,000 principal payment on its loan.

During the six month period ended April 30, 2020, the maturity date of senior term loan was extended to July 17, 2021.

At April 30, 2020, the senior term loan had an outstanding amount, cost basis and fair value of approximately \$5.1 million.

U.S. Gas & Electric, Inc.

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

On October 18, 2019, Vistra Energy notified the Company that it was asserting an offset of Company's loan assets of approximately \$1.6 million relating to an indemnification claim obligation attributable to U.S. Gas. The Company reserved in full against all of the accrued interest related to the \$1.6 million.

At October 31, 2019, the Company's investment in U.S. Gas, an indirect subsidiary of Crius, consisted of a second lien loan with an outstanding balance and cost basis of approximately \$37.5 million and a fair value of approximately \$37.0 million. The loan has an interest rate of 9.5% and matures on July 5, 2025.

On November 1, 2019, U.S. Gas made a principal payment of approximately \$32.8 million on its second lien loan.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the loan by approximately \$1.0 million related to the indemnification claim.

At April 30, 2020, the Company's investment in U.S. Gas, an indirect subsidiary of Vistra, consisted of a second lien loan with an outstanding balance and cost basis of approximately \$4.8 million and a fair value of approximately \$3.2 million. The Company reserved in full against all of the accrued interest related to the \$1.6 million portion of the second lien loan due to the indemnification claim.

U.S. Spray Drying Holding Company

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

At October 31, 2019, the Company's investment in SCSD consisted of 784 shares of class B common stock with a cost basis of approximately \$5.5 million and a fair value of approximately \$1.8 million. The secured loan and the senior secured loan each had an outstanding balance, cost basis and fair value of \$1.5 million. The secured loan and the senior secured loan each had an interest rate of 12% and a maturity date of April 30, 2021.

During the six month period ended April 30, 2020, the Valuation Committee decreased the fair value of the common stock by \$830,000.

At April 30, 2020, the Company's investment in SCSD consisted of 784 shares of class B common stock with a cost basis of approximately \$5.5 million and a fair value of approximately \$970,000, a secured loan and senior secured loan each with an outstanding balance, cost basis and fair value of \$1.5 million, totaling \$3.0 million.

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

Liquidity and Capital Resources

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

At April 30, 2020, the Company had investments in portfolio companies totaling \$226.3 million. Also, on that date, the Company had approximately \$48.9 million in cash equivalents and restricted cash equivalents and approximately \$1.7 million in cash and restricted cash. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents. U.S. government securities and cash equivalents are highly liquid. Pending investments in portfolio companies pursuant to our principal investment strategy, the Company may make other short-term or temporary investments, including in exchange-traded funds and private investment funds offering periodic liquidity.

During the six month period ended April 30, 2020, the Company made follow-on investments in five portfolio companies that totaled approximately \$11.5 million. Specifically, on November 14, 2019 and February 28, 2020, the Company loaned \$50,000 and \$300,000, respectively, to RuMe Inc. ("RuMe") on its lines of credit, increasing the balances to approximately \$2.2 million and approximately \$727,000, respectively. On December 13, 2019 and February 3, 2020, the Company loaned approximately \$1.6 million and \$1.7 million, respectively, to Jedson, increasing the first lien loan to approximately \$9.4 million. On January 10, 2020, the Company loaned approximately \$3.8 million to Apex, increasing the first lien loan to approximately \$18.8 million at that time. The maturity date of the loan was extended to May 15, 2020. The Company also received a warrant as part of this investment. During the six month period ended April 30, 2020, Custom Alloy borrowed approximately \$1.7 million on its revolving credit facility, increasing the balance outstanding to approximately \$3.7 million. During the six month period ended April 30, 2020, the Company loaned approximately \$2.5 million, to Security Holdings B.V., increasing its senior subordinated loan outstanding amount to approximately \$8.6 million.

Current commitments include:

Commitments to Portfolio Companies:

At April 30, 2020 and October 31, 2019, the Company's existing commitments to portfolio companies consisted of the following:

Portfolio Company	Amount Committed	Amount Funded as of April 30, 2020
MVC Private Equity Fund LP	\$20.1 million	\$14.6 million
RuMe	\$2.2 million	\$2.2 million
RuMe	\$700,000	\$727,000
Custom Alloy	\$3.8 million	\$3.7 million
Total	\$26.8 million	\$21.2 million

Portfolio Company	Amount Committed	Amount Funded as of October 31, 2019
MVC Private Equity Fund LP	\$20.1 million	\$14.6 million
RuMe	\$2.2 million	\$2.1 million
RuMe	\$400,000	\$400,000
Custom Alloy	\$3.0 million	\$2.1 million
Total	\$25.7 million	\$19.2 million

Guarantees:

At April 30, 2020 and October 31, 2019, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded as of April 30, 2020
MVC Automotive	\$4.0 million	-
Total	\$4.0 million	-

Guarantee	Amount Committed	Amount Funded as of October 31, 2019
MVC Automotive	\$4.0 million	-
Total	\$4.0 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 April 30, 2020, the Valuation Committee estimated the combined fair values of the guarantee obligation noted above to be \$0 or a liability of approximately \$0.

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

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of April 30, 2020 is approximately 277,000 Euro (equivalent to approximately \$303,000).

The Company agreed to cash collateralize a \$300,000 third party letter of credit for RuMe, which is now collateralized with Credit Facility IV (defined below) and still a commitment of the Company as of April 30, 2020. Previously, the Company guaranteed \$1.0 million of RuMe's indebtedness to Colorado Business Bank and also provided RuMe an additional \$2.0 million letter of credit. On April 25, 2019, the \$1.0 million guarantee and the \$2.0 million letter of credit were refinanced and replaced with a new \$3.0 million letter of credit. The two letters of credit had a fair value of approximately -\$697,000 or a liability of \$697,000 as of April 30, 2020. The \$3.0 million letter of credit is collateralized with Credit Facility IV (defined below).

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately \$20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately \$104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners' limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. The investment period related to the PE Fund has ended. Additional capital may be called for follow-on investments in existing portfolio companies of the PE Fund or to pay operating expenses of the PE Fund until the partnership is terminated. On December 27, 2018, the Company received proceeds of approximately \$7.5 million from the PE Fund related to the sale of Plymouth Rock Energy, LLC, a portfolio company of the PE Fund. The Company's pro-rata share of the PE Fund's cost basis in the Plymouth Rock Energy, LLC investment totaled approximately \$2.5 million, resulting in a realized gain of approximately \$5.0 million. On October 25, 2019, the PE Fund sold Focus Pointe, a portfolio company of the PE Fund. The Company received proceeds of approximately \$2.7 million related to the sale. The Company's pro-rata share of the PE Fund's cost basis in the Focus Pointe investment totaled approximately \$1.9 million, resulting in a realized gain of approximately \$800,000. As of April 30, 2020, \$14.6 million of the Company's commitment was funded.

As of October 31, 2019, RuMe had a \$2.2 million line of credit provided by the Company with a 10% interest rate and a maturity date of March 31, 2021. The outstanding balance as of October 31, 2019 and April 30, 2020 was approximately \$2.1 million and \$2.2 million, respectively, including capitalized PIK interest. Also, during the fiscal year ended October 31, 2019, the Company provided RuMe a \$400,000 revolver with a 10% interest rate and a maturity date of February 28, 2020. The outstanding balance of the revolver as of October 31, 2019 was approximately \$404,000, including capitalized PIK interest. During the six month period ended April 30, 2020, the revolver was increased to \$700,000 and the maturity date was extended to March 31, 2021. The outstanding balance of the revolver as of April 30, 2020 was approximately \$727,000, including capitalized PIK interest.

As of October 31, 2019, Security Holdings had a 4.8 million Euro letter of credit. During the six month period ended April 30, 2020, the letter of credit was reduced to 3.8 million Euro. The letter of credit had a fair value of approximately -\$185,000 or a liability of \$185,000 as of April 30, 2020. The letter of credit is collateralized with Credit Facility IV (defined below).

As of October 31, 2019, Custom Alloy had a \$3.0 million line of credit provided by the Company with a 15% interest rate and a maturity date of April 30, 2021. The balance outstanding as of October 31, 2019 was approximately \$2.1 million. During the six month period ended April 30, 2020, the Company increased the commitment to approximately \$3.8 million and funded approximately \$1.7 million, resulting in a balance outstanding as of April 30, 2020 of approximately \$3.7 million. The maturity date was also extended to April 30, 2021.

As of April 30, 2020, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -\$882,000 or a liability of \$882,000.

Commitments of the Company

On July 31, 2013, the Company entered into a one-year, \$50 million revolving credit facility (“Credit Facility II”) with BB&T. On January 31, 2014, Credit Facility II was increased to a \$100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed and reduced to a \$50 million revolving credit facility, which expired on February 28, 2017, as of which time all outstanding amounts under it were due and repaid. On February 28, 2017, Credit Facility II was renewed and increased to a \$100 million revolving credit facility and expired on August 31, 2017. On August 31, 2017, Credit Facility II was renewed and decreased to a \$25 million revolving credit facility, which was to expire on August 31, 2018. There was no change to the interest rate or unused fee on the revolving credit facility. The Company incurred closing costs associated with this transaction of \$62,500. On August 10, 2018, Credit Facility II was renewed to August 30, 2019 and on August 30, 2019, Credit Facility II was extended to August 31, 2020. The Company incurred closing costs associated with each of these transactions of \$50,000 with no change in terms other than the expiration date. At October 31, 2019 and April 30, 2020, there was no amount outstanding 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 are 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. Please see “Subsequent Events” section for more information.

On November 15, 2017, the Company completed a public offering of \$100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 (“Senior Notes II”). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional \$15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the “Offering”). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately \$111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. On February 25, 2020, the Company notified U.S. Bank National Association, the trustee for the Senior Notes II, of the Company’s election to redeem \$20.0 million aggregate principal amount of the Senior Notes II outstanding at a price equal to 100% of the principal amount of the Senior Notes II, plus accrued and unpaid interest on the Senior Notes II to, but excluding, the date of redemption. The Company funded the redemption with cash on hand. As of April 30, 2020, the Senior Notes II had a total outstanding amount of \$95.0 million, net of deferred financing fees the balance was approximately \$93.4 million, with a market value of approximately \$81.9 million.

On January 29, 2019, the Company entered into a three year, \$35 million revolving credit facility (“Credit Facility IV”) with People’s United Bank, National Association as lender and lead agent. Credit Facility IV can, under certain conditions, be increased up to \$85 million. Credit Facility IV will expire on January 29, 2022, at which time all outstanding amounts under Credit Facility IV will be due and payable. Borrowings under the Credit Facility bear interest at a rate of LIBOR plus 2.85%, or the prime rate plus 0.5% at the Company’s discretion. In addition, the Company was subject to (i) a closing fee of 1% of the commitment amount paid at closing, (ii) a one-time structuring fee in the amount of \$100,000 paid at closing, (iii) an unused line fee, which is payable monthly, of 0.75% if the Company draws less than \$25 million on Credit Facility IV or 0.60% if the Company draws more than \$25 million on Credit Facility IV, and (iv) an annual administrative agent fee in the amount of \$100,000 in 2019 and \$200,000 in each year thereafter. The compensating balance for the revolving credit facility is \$5.0 million, which is reflected as restricted cash equivalents on the Company’s Consolidated Balance Sheets. On June 19, 2019, in order to increase the size of the Credit Facility IV, the credit facility was amended to add Bank Leumi USA as an additional lender. The amendment increased the size of Credit Facility IV by \$15.0 million to \$50.0 million. All other material terms of the Credit Facility remain unchanged. In addition, the Company was subject to a closing fee of 1% of the additional commitment amount of \$15.0 million to be paid at closing. As of April 30, 2020, there was no amount outstanding on Credit Facility IV and the Company was in compliance with the maximum balance sheet leverage covenant related to Credit Facility IV.

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

Subsequent Events

On May 14, 2020, Folio announced it entered into an agreement to become a part of The Goldman Sachs Group, Inc. (“Goldman Sachs”). The acquisition, while subject to regulatory approval, is expected to close in the third calendar quarter of 2020. If the transaction closes, the Company expects to receive approximately \$15 million in proceeds.

On May 27, 2020, the Company and Wynnefield Capital announced an agreement under which six of the Company’s current directors and three independent director candidates proposed by Wynnefield Capital will be nominated by the Company’s Board of Directors for election at the 2020 annual meeting of stockholders, currently scheduled for July 15, 2020. The Board of Directors will remain at its current size of nine directors. A committee comprised of Chairman Tokarz and two independent Board members will continue to explore strategic alternatives and other value enhancing opportunities and there will be no changes to the Company’s current management agreement with The Tokarz Group Advisers LLC prior to the annual meeting. Under the agreement, the Company has agreed to pay the fees and expenses of Wynnefield Capital in the amount of approximately \$290,000.

As previously disclosed, the Company is party to Credit Facility II, dated as of July 31, 2013, with BB&T. On June 5, 2020, the Company and BB&T entered into a certain Waiver and Thirteenth Amendment to Secured Revolving Credit Agreement (the "Credit Facility Amendment"), pursuant to which (i) BB&T waived compliance with the net worth covenant for the period ended April 30, 2020 (as the Company's net asset value fell to approximately \$186.0 million as of April 30, 2020) and (ii) Section 5.05 of Credit Facility II is amended to read as follows:

SECTION 5.05. Net Worth. Consolidated Net Worth shall at no time be less than \$150,000,000.

Other than Section 5.05, terms of the Credit Facility II remain unchanged and borrowings under the Credit Facility continue to be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Financial instruments that subjected the Company to concentrations of market risk consisted principally of equity investments, subordinated notes and debt instruments which represent approximately 79.5% of the Company's total assets at April 30, 2020. As discussed in Note 8 "Portfolio Investments," these investments consist of securities in companies with no readily determinable market values and as such are valued in accordance with the Company's fair value policies and procedures. The Company's investment strategy represents a high degree of business and financial risk due to the fact that portfolio company investments are generally illiquid, in small and middle market companies, and include entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be: (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. The Company may make short-term investments in 90-day Treasury Bills or longer-term treasury notes, which are federally guaranteed securities, or other investments, including exchange-traded funds, private investment funds and designated money market accounts, pending investments in portfolio companies made pursuant to our principal investment strategy.

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

We are currently operating in a period of capital markets disruptions and economic uncertainty. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business, financial condition and operations.

From time to time, capital markets may experience periods of disruption and instability. The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of coronavirus (“COVID-19”) that began in December 2019. Some economists and major investment banks have expressed concern that the continued spread of the COVID-19 globally could lead to a world-wide economic downturn. Even after the COVID-19 pandemic subsides, the U.S. economy, as well as most other major economies, may continue to experience a recession, and we anticipate our businesses would be materially and adversely affected by a prolonged recession in the U.S. and other major markets. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. The COVID-19 outbreak is having, and any future outbreaks could have, an adverse impact on the ability of lenders to originate loans, the volume and type of loans originated, the ability of borrowers to make payments and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by the Company and returns to the Company, among other things. With respect to the U.S. credit markets (in particular for middle market loans), the COVID-19 outbreak has resulted in, and until fully resolved is likely to continue to result in, the following, among other things: (i) increased draws by borrowers on revolving lines of credit and other financing instruments; (ii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iii) greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility; and (iv) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle-market businesses. These and future market disruptions and/or illiquidity could have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We may have to access, if available, alternative markets for debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

For example, between 2008 and 2009, the U.S. and global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than NAV without first obtaining approval for such issuance from our shareholders and our independent directors. Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The current market and future market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience, including being at a higher cost in a rising interest rate environment. If any of these conditions appear, they may have an adverse effect on our business, financial condition, and results of operations. These events could limit our investment originations, limit our ability to increase returns to equity holders through the effective use of leverage, and negatively impact our operating results.

In addition, significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell our investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

Governmental authorities worldwide have taken increased measures to stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to address the market dislocations or avert severe and prolonged reductions in economic activity.

We also face an increased risk of investor, creditor or portfolio company disputes, litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on economic and market conditions.

Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. The recent outbreak of COVID-19 in many countries, including the United States, continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. COVID-19 spread quickly and has been identified as a global pandemic by the World Health Organization. In response, governmental authorities have imposed restrictions on travel and the temporary closure of many corporate offices, retail stores, restaurants, fitness clubs and manufacturing facilities and factories in affected jurisdictions, including, beginning in March 2020, in the United States. COVID-19 and the resulting economic dislocations have had adverse consequences for the business operations and financial performance of some of our portfolio companies, which may, in turn impact the valuation of our investments and have adversely affected, and threaten to continue to adversely affect, our operations. Local, state and federal and numerous non-U.S. governmental authorities have imposed travel restrictions, business closures and other quarantine measures on service providers and other individuals that remain in effect on the date of this Quarterly Report on Form 10-Q. COVID-19 has caused the effective cessation of all business activity deemed non-essential by such governmental authorities. We cannot predict the full impact of COVID-19, including the duration of the closures and restrictions described above. As a result, we are unable to predict the duration of these business and supply-chain disruptions, the extent to which COVID-19 will negatively affect our portfolio companies' operating results or the impact that such disruptions may have on our results of operations and financial condition. With respect to loans to portfolio companies, the Company will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments or allowing for PIK interest payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business, or (iii) the value of loans held by the Company decreases as a result of such events and the uncertainty they cause. Portfolio companies may also be more likely to seek to draw on unfunded commitments we have made, and the risk of being unable to fund such commitments is heightened during such periods. Depending on the duration and extent of the disruption to the business operations of our portfolio companies, we expect some portfolio companies, particularly those in vulnerable industries, such as travel, to experience financial distress and possibly to default on their financial obligations to us and/or their other capital providers. In addition, if such portfolio companies are subjected to prolonged and severe financial distress, we expect some of them to substantially curtail their operations, defer capital expenditures and lay off workers. These developments would be likely to permanently impair their businesses and result in a reduction in the value of our investments in them.

The Company will also be negatively affected if the operations and effectiveness of our portfolio companies (or any of the key personnel or service providers of the foregoing) are compromised or if necessary or beneficial systems and processes are disrupted as a result of stay-at-home orders or other related interruptions to business operations.

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

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

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

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

- The substantially lower return we are likely to realize on short-term liquid investments during the period in which we are identifying potential investments, and
- The periodic disclosure required of business development companies, which could result in the Company being less attractive as an investor to certain potential portfolio companies.

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

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

At April 30, 2020, approximately 78.3% of our total assets represented portfolio investments recorded at fair value.

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

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

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

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

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

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

We may not realize gains from our equity investments.

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

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

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

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

On October 31, 2019, the Company had a net capital loss carryforward of approximately \$9.3 million and had unrealized losses of approximately \$75.4 million. The Company had approximately \$119.3 million in unrealized losses as of April 30, 2020. If we experience an aggregate 50% shift in the ownership of our common stock from shareholder transactions over a three year period (e.g., if a shareholder acquires 5% or more of our outstanding shares of common stock, or if a shareholder who owns 5% or more of our outstanding shares of common stock significantly increases or decreases its investment in the Company), our ability to utilize our capital loss carryforwards to offset future capital gains may be severely limited. Further, in the event that we are deemed to have failed to meet the requirements to qualify as a RIC, our ability to use our capital loss carryforwards could be adversely affected. Please see Note 12 of our consolidated financial statements "Tax Matters" for more information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our common stock price can be volatile.

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

- Price and volume fluctuations in the overall stock market from time to time;
- Significant volatility in the market price and trading volume of securities of business development companies or other financial services companies;
- Volatility resulting from trading by third parties in derivative instruments that use our common stock as the referenced asset, including puts, calls, long-term equity participation securities, or LEAPs, or short trading positions;
- Changes in regulatory policies or tax guidelines with respect to business development companies or RICs;
- Our adherence to applicable regulatory and tax requirements
- Actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;

- General economic conditions and trends;
- Loss of a major funding source, which would limit our liquidity and our ability to finance transactions;
- Changes in interest rates; or
- Departures of key personnel of TTG Advisers.

We are subject to market discount risk.

As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV. Although our shares, from time to time, had traded at a premium to our NAV, in more recent years, our shares have traded at a discount to NAV, which discount may fluctuate over time. Our common stock has historically traded at prices below our net asset value per share and was trading as of April 30, 2020 at an approximately 36.4% discount to NAV. Therefore, shareholders selling their shares will likely have to sell at a significant discount to NAV per share.

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

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

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

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

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

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

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

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

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

As of April 30, 2020, we have approximately \$95.0 million in aggregate principal amount of Senior Notes II (as defined above), due on November 30, 2022. We also have access to leverage through credit facilities.

Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that we employ at any particular time will depend on our management’s and our Board of Director’s assessments of market and other factors at the time of any proposed borrowing.

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

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

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

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

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

As of April 30, 2020, 4.0% of the Company's assets consisted of Legacy Investments. These investments were made pursuant to the Company's prior investment objective of seeking long-term capital appreciation from venture capital investments in information technology companies. Generally, a cash return may not be received on these investments until a "liquidity event," i.e., a sale, public offering or merger, occurs. Until then, these Legacy Investments remain in the Company's portfolio. The Company is managing them to seek to realize maximum returns.

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

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

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

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

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

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

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

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

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

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

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

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

- cyber-attacks.

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

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

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

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

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

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

Investment Risks

Investment risks are risks associated with our determination to execute on our business objective. These risks are not risks associated with general business conditions or those relating to an offering of our securities.

Investing in private companies involves a high degree of risk.

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

Our investments in portfolio companies are generally illiquid.

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

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

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

- *Small and middle-market companies may have limited financial resources and may not be able to repay the loans we make to them.* Our strategy includes providing financing to companies that typically do not have capital sources readily available to them. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the borrowers to repay their loans to us upon maturity.
- *Small and middle-market companies typically have narrower product lines and smaller market shares than large companies.* Because our target companies are smaller businesses, they may be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, smaller companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.
- *There is generally little or no publicly available information about these privately-held companies.* There is generally little or no publicly available operating and financial information about privately-held companies. As a result, we rely on our investment professionals to perform due diligence investigations of these privately-held companies, their operations and their prospects. We may not learn all of the material information we need to know regarding these companies through our investigations. It is difficult, if not impossible, to protect the Company from the risk of fraud, misrepresentation or poor judgment by our portfolio companies. Accordingly, the Company's performance (including the valuation of its investments) is subject to the ongoing risk that the portfolio companies or their employees, agents, or service providers, may commit fraud adversely affecting the value of our investments.
- *Small and middle-market companies generally have less predictable operating results.* We expect that our portfolio companies may have significant variations in their operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, finance expansion or maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by their senior lenders.
- *Small and middle-market businesses are more likely to be dependent on one or two persons.* Typically, the success of a small or middle-market company also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us.

- *Small and middle-market companies are likely to have greater exposure to economic downturns than larger companies.* We expect that our portfolio companies will have fewer resources than larger businesses and an economic downturn may thus more likely have a material adverse effect on them.
- *Small and middle-market companies may have limited operating histories.* We may make debt or equity investments in new companies that meet our investment criteria. Portfolio companies with limited operating histories are exposed to the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

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

We may make long-term unsecured, subordinated loans, which may involve a higher degree of repayment risk than conventional secured loans. We primarily invest in companies that may have limited financial resources and that may be unable to obtain financing from traditional sources. In addition, numerous factors may adversely affect a portfolio company's ability to repay a loan we made to it, including the failure to meet a business plan, a downturn in its industry or operating results, or negative economic conditions. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral.

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

Our investment strategy contemplates investments in mezzanine and other debt securities of privately held companies. "Mezzanine" investments typically are structured as subordinated loans (with or without warrants) that carry a fixed rate of interest. We may also make senior secured and other types of loans or debt or similar income producing investments. Our debt or similar income producing investments are not, and typically will not be, rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade quality (rated lower than "Baa3" by Moody's or lower than "BBB-" by Standard & Poor's, commonly referred to as "junk bonds"). Loans of below investment grade quality have predominantly speculative characteristics with respect to the borrower's capacity to pay interest and repay principal. Our debt investments in portfolio companies may thus result in a high level of risk and volatility and/or loss of principal.

Our portfolio companies may be highly leveraged.

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

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of portfolio companies and/or in a limited number of industries. For example, as of April 30, 2020, the fair value of our largest investment, Custom Alloy, comprised 18.9% of our net assets. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may continue to be significantly represented among our investments. To the extent that we have large positions in the securities of a small number of portfolio companies, we are subject to an increased risk of significant loss should the performance or financial condition of these portfolio companies or their respective industries deteriorate. We may also be more susceptible to any single economic or regulatory occurrence as a result of holding large positions in a small number of portfolio companies. See the risk factor below regarding the industry in which Crius operates.

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

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

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

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

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

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

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

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

Hedging transactions may expose us to additional risks.

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

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

The PE Fund is not, and other private equity funds in which the Company may invest, will not be registered as an investment company under the 1940 Act. Therefore, with respect to its investments in such funds, the Company will not have the benefit of the protections afforded by the 1940 Act to investors in registered investment companies, such as the limitations applicable to the use of leverage and the requirements concerning custody of assets, composition of boards of directors and approvals of investment advisory arrangements. Additionally, the interests in the PE Fund are privately placed and are not registered under the Securities Act, and the PE Fund is not a reporting company under the 1934 Act. Accordingly, the amount of information available to investors about the PE Fund will be limited.

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

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

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

There has been no change in the Company’s internal control over financial reporting that occurred during the second quarter of 2020, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

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

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

We had no unregistered sales of equity securities for the quarter ended April 30, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

As previously disclosed, the MVC Capital, Inc. (the “Company”) is party to a one year, \$25 million revolving credit facility (“Credit Facility II”), dated as of July 31, 2013, with Branch Banking and Trust Company (“BB&T”).

On June 5, 2020, the Company and BB&T entered into a certain Waiver and Thirteenth Amendment to Secured Revolving Credit Agreement (the “Credit Facility Amendment”), pursuant to which (i) BB&T waived compliance with the net worth covenant for the period ended April 30, 2020 (as the Company’s net asset value fell to approximately \$186.0 million as of April 30, 2020) and (ii) Section 5.05 of Credit Facility II is amended to read as follows:

SECTION 5.05. Net Worth. Consolidated Net Worth shall at no time be less than \$150,000,000.

Other than Section 5.05, terms of the Credit Facility II remain unchanged and borrowings under the Credit Facility continue to be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

As permitted by General Instruction D to the Form 10-Q, this disclosure incorporates by reference the information contained in previously filed reports relating to Credit Facility II on Form 8-K filed on August 5, 2013, February 5, 2014, August 4, 2014, August 5, 2015, October 5, 2015, December 7, 2015, July 6, 2016, March 1, 2017, September 1, 2017, August 14, 2018 and August 30, 2019 (File No. 814-00201).

Item 6. Exhibits

Incorporated by reference to the Exhibit Index included herewith.

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

EXHIBIT INDEX

Exhibit Number	Description
<u>10.1</u>	<u>Waiver and Thirteenth Amendment to Secured Revolving Credit Agreement Between MVC Capital, Inc. and Branch Banking and Trust Company.</u>
<u>31.1</u>	<u>Rule 13a-14(a) Certifications.</u>
<u>32.1</u>	<u>Section 1350 Certifications.</u>

SIGNATURE

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

Date: June 9, 2020

MVC CAPITAL, INC.

/s/ Michael Tokarz

Michael Tokarz

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

MVC CAPITAL, INC.

Date: June 9, 2020

/s/ Scott Schuenke

Scott Schuenke

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

WAIVER AND THIRTEENTH AMENDMENT TO SECURED REVOLVING CREDIT AGREEMENT

This WAIVER AND THIRTEENTH AMENDMENT TO SECURED REVOLVING CREDIT AGREEMENT (this “Amendment”) is entered into as of June 5, 2020 (“Effective Date”) by and between MVC CAPITAL, INC., a Delaware corporation, as borrower (“Borrower”), and TRUIST BANK, a North Carolina banking corporation (formerly known as Branch Banking and Trust Company), as lender (“Lender”).

RECITALS:

WHEREAS, the Borrower and Lender entered into a certain Secured Revolving Credit Agreement dated as of July 31, 2013 (the “Credit Agreement”), as amended by that certain First Amendment to Secured Revolving Credit Agreement dated January 31, 2014 between Borrower and Lender (the “First Amendment”), that certain Second Amendment to Secured Revolving Credit Agreement dated April 29, 2014 between Borrower and Lender (the “Second Amendment”), that certain Third Amendment to Secured Revolving Credit Agreement dated July 30, 2014 between Borrower and Lender (the “Third Amendment”), that certain Fourth Amendment to Secured Revolving Credit Agreement dated April 29, 2015 (the “Fourth Amendment”), that certain Fifth Amendment to Secured Revolving Credit Agreement dated July 31, 2015 (the “Fifth Amendment”), that certain Sixth Amendment to Secured Revolving Credit Agreement dated September 30, 2015 (the “Sixth Amendment”), that certain Seventh Amendment to Secured Revolving Credit Agreement dated December 1, 2015 (the “Seventh Amendment”), that certain Eighth Amendment to Secured Revolving Credit Agreement dated June 30, 2016 (the “Eighth Amendment”), that certain Ninth Amendment to Secured Revolving Credit Agreement dated February 28, 2017 (“Ninth Amendment”), that certain Tenth Amendment to Secured Revolving Credit Agreement dated August 31, 2017 (“Tenth Amendment”), that certain Eleventh Amendment to Secured Revolving Credit Agreement dated August 6, 2018 (“Eleventh Amendment”) and that certain Twelfth Amendment to Secured Revolving Credit Agreement dated August 30, 2019 (“Twelfth Amendment”, and collectively with the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment, the Eighth Amendment, the Ninth Amendment, the Tenth Amendment and the Eleventh Amendment, the “Prior Amendments”);

WHEREAS, the Borrower has advised the Lender that a Default exists under the Credit Agreement due to a violation by the Borrower of the Net Worth covenant set forth in Section 5.05 of the Credit Agreement for the Fiscal Quarter ending April 30, 2020 (the “Specified Default”). The Lender has agreed to waive the Specified Default subject to the terms and conditions set forth herein.

WHEREAS, the Borrower has requested that the Lender amend Section 5.05 of the Credit Agreement;

WHEREAS, the Lender is willing to provide the requested waiver upon the terms and subject to the conditions set forth below and amend the Credit Agreement as provided herein subject to the terms and conditions herein.

NOW, THEREFORE, in consideration of the Recitals and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lender agree as follows:

AGREEMENT:

SECTION 1. Recitals. The Recitals are incorporated herein by reference and shall be deemed to be a part of this Amendment.

SECTION 2. Waiver. Subject to the terms and conditions set forth in this Amendment, the Lender hereby waives the Specified Default. The waiver set forth in this Section 2 does not operate as a waiver of any provision of the Credit Agreement other than as set forth above with respect to the Specified Default and does not operate with regard to any other prior or future Default or Event of Default. The waiver set forth in this Section 2 shall not be deemed to establish a course of dealing between the parties or waive any Lender's right to withhold its consent to any similar requests in the future, nor shall the waiver set forth in this Section 2 be deemed to limit, estop or otherwise restrict or prohibit the Lender from exercising any of its rights or remedies under the Credit Agreement or other Loan Documents, or under applicable laws or principles of equity with respect to the occurrence of any Default or Event of Default other than the Specified Default expressly waived in this Section 2, all of which rights and remedies are specifically hereby reserved.

SECTION 3. Amendment to Credit Agreement. The Credit Agreement is hereby amended as set forth in this Section 3.

SECTION 3.01. Amendment to Section 5.05. Section 5.05 of the Credit Agreement is deleted and replaced with the following:

SECTION 5.05. Net Worth. Consolidated Net Worth shall at no time be less than \$150,000,000.

SECTION 4. Reaffirmation. To induce the Lender to enter into this Amendment, the Borrower hereby (a) restates and renews each and every representation and warranty heretofore made by it under, or in connection with the execution and delivery of, the Credit Agreement and the other Loan Documents (except to the extent any such representation or warranty is expressly stated to have been made as of a specific date, in which case such representation or warranty is true and correct as of such date), and (b) restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and in the other Loan Documents.

SECTION 5. Conditions to Effectiveness. This Amendment shall become effective as of the date first written above when, and only when, each of the following conditions precedent shall have been satisfied or waived:

- (a) the Lender shall have received this Amendment, duly executed by the Borrower and the Lender;
- (b) the Lender shall have received resolutions from the Borrower and other evidence as the Lender may reasonably request, respecting the authorization, execution and delivery of this Amendment;
- (c) the fact that the representations and warranties of the Borrower contained in Section 7 of this Amendment shall be true and correct on and as of the date hereof;
- (d) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing; and
- (e) all other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Lender and its counsel.

SECTION 6. No Other Amendment. Except for the amendments set forth above, the text of the Credit Agreement shall remain unchanged and in full force and effect. On and after the Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by the Prior Amendments and this Amendment. This Amendment is not intended to effect, nor shall it be construed as, a novation. The Credit Agreement, the Prior Amendments and this Amendment shall be construed together as a single agreement. Nothing herein contained shall waive, annul, vary or affect any provision, condition, covenant or agreement contained in the Credit Agreement or the Prior Amendments, except as herein amended, nor affect nor impair any rights, powers or remedies under the Credit Agreement or the Prior Amendments, as each is hereby amended, and each is confirmed to be in full force and effect.

SECTION 7. Representations and Warranties. The Borrower hereby represents and warrants to the Lender that, as of the Effective Date:

- (a) the Borrower has all requisite power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement and the other Loan Documents;
- (b) the execution and delivery of this Amendment and the performance of the Credit Agreement and the other Loan Documents have been duly authorized by all necessary action (if any) on the part of the Borrower;
- (c) the execution and delivery by the Borrower of this Amendment will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to any Applicable Law or any such contractual obligation (other than the Liens created by the Loan Documents on the Closing Date and from time to time thereafter);
- (d) this Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid, and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization, or other similar laws affecting creditors' rights generally and except as enforceability may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or in law);

- (e) the execution and delivery of this Amendment and the performance by the Borrower hereunder does not and will not require the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Borrower, nor be in contravention of or in conflict with the articles of incorporation, bylaws or other organizational documents of the Borrower, or the provision of any statute, or any judgment, order or indenture, instrument, agreement or undertaking, to which the Borrower is party or by which the assets or properties of the Borrower are or may become bound;
- (f) the Collateral Documents continue to create a valid security interest in, and Lien upon, the Collateral, in favor of the Lender, which security interests and Liens are perfected in accordance with the terms of the Collateral Documents and prior to all other Liens; and
- (g) no event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default or a Default.

SECTION 8. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement.

SECTION 9. Governing Law. This Amendment shall be construed in accordance with and governed by the laws of the State of North Carolina.

SECTION 10. Further Assurances. The Borrower agrees to promptly take such action, upon the request of the Lender, as is necessary to carry out the intent of this Amendment.

SECTION 11. Waiver of Claims or Defenses. The Borrower represents that it does not have any set-offs, defenses, recoupments, offsets, counterclaims or other causes of action against the Lender relating to the Loan Documents and the indebtedness evidenced and secured thereby and agree that, if any such set-off, defense, counterclaim, recoupment or offset otherwise exists on the date of this Amendment, each such defense, counterclaim, recoupment, offset or cause of action is hereby waived and released forever.

SECTION 12. Loan Document. This Amendment is a Loan Document and is subject to all provisions of the Credit Agreement applicable to Loan Documents, all of which are incorporated in this Amendment by reference the same as if set forth in this Amendment verbatim.

SECTION 13. Severability. Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 14. Entire Agreement. This Amendment contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein. This Amendment supersedes all prior drafts and communications with respect hereto.

SECTION 15. Notices. All notices, requests and other communications to any party to the Loan Documents, as amended hereby, shall be given in accordance with the terms of Section 9.01 of the Credit Agreement.

SECTION 16. Expenses. The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Lender (including the reasonable fees, charges and disbursements of counsel for the Lender) in connection with the preparation and closing of this Amendment.

SECTION 17. Definitions. Capitalized terms used in this Amendment which are not otherwise defined in this Amendment shall have the respective meanings assigned to them in the Credit Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

MVC CAPITAL, INC.

By: /s/ Scott J. Schuenke

Name: Scott J. Schuenke

Title: Chief Financial Officer

[CORPORATE SEAL]

TRUIST BANK, as Lender

By: /s/ Katherine Bass

Name: Katherine Bass

Title: Director

RULE 13a-14(a) CERTIFICATIONS

I, Michael Tokarz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MVC Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2020

/s/ Michael Tokarz
Michael Tokarz

In the capacity of the officer who performs the functions of
Principal Executive Officer of MVC Capital, Inc.

I, Scott Schuenke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MVC Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2020

/s/ Scott Schuenke

Scott Schuenke

In the capacity of the officer who performs the functions of
Principal Financial Officer of MVC Capital, Inc.

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Michael Tokarz, in the capacity of the officer who performs the functions of Principal Executive Officer of MVC Capital, Inc., a Delaware corporation (the "Registrant"), certifies that:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended April 30, 2020 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

In the capacity of the officer who performs the functions
of Principal Executive Officer for
MVC Capital, Inc.

/s/ Michael Tokarz

Michael Tokarz

Date: June 9, 2020

Scott Schuenke, in the capacity of the officer who performs the functions of Principal Financial Officer, of MVC Capital, Inc., a Delaware corporation (the "Registrant"), certifies that:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended April 30, 2020 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

In the capacity of the officer who performs the functions
of Principal Financial Officer for
MVC Capital, Inc.

/s/ Scott Schuenke

Scott Schuenke

Date: June 9, 2020
