

MVC CAPITAL, INC.  
Form 10-Q  
August 29, 2016  
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# **FORM 10-Q**

## **SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

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

**For the quarterly period ended April 30, 2016 or**

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

**Commission File Number 814-00201**

## **MVC CAPITAL, INC.**

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

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

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

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

**10577**  
(Zip Code)

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

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

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

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

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

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

There were 22,702,821 shares of the registrant's common stock, \$.01 par value, outstanding as of August 26, 2016.

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MVC Capital, Inc.

(A Delaware Corporation)

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Table of Contents**CONSOLIDATED FINANCIAL STATEMENTS****MVC Capital, Inc.****Consolidated Balance Sheets**

	April 30, 2016 (Unaudited)	October 31, 2015
<b>ASSETS</b>		
<b>Assets</b>		
Cash	\$ 16,235,111	\$ 7,753,901
Restricted cash (cost \$500,177 and \$1,000,034)	500,177	1,000,034
Restricted cash equivalents (cost \$0 and \$5,503,000)		5,503,000
Cash equivalents (cost \$954,288 and \$2,557,666)	1,454,465	2,557,666
Investments at fair value		
U.S. Treasury obligations (cost \$34,964,816 and \$89,820,800)	34,960,674	89,681,535
Non-control/Non-affiliated investments (cost \$169,116,504 and \$165,626,784)	138,629,465	131,351,403
Affiliate investments (cost \$131,351,548 and \$121,962,460)	169,060,514	170,189,927
Control investments (cost \$89,345,063 and \$156,127,715)	64,229,831	99,334,391
Total investments at fair value (cost \$424,777,931 and \$533,537,759)	406,880,484	490,557,256
Escrow receivables, net of reserves	8,870,499	292,744
Deferred financing fees	3,744,574	2,467,305
Dividends and interest receivables, net of reserves	2,019,733	4,404,600
Fee and other receivables	1,426,395	1,696,280
Prepaid expenses	582,047	609,517
<b>Total assets</b>	<b>\$ 441,713,485</b>	<b>\$ 516,842,303</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Senior notes	\$ 114,408,750	\$ 114,408,750
Revolving credit facility	35,000,000	90,000,000
Provision for incentive compensation (Note 11)	2,881,818	4,976,767
Management fee payable	1,468,536	1,527,930
Accrued expenses and liabilities	1,016,750	622,446
Professional fees payable	988,487	1,820,416
Interest payable	364,941	359,866
Portfolio fees payable - Asset Management	324,444	250,846
Consulting fees payable	117,721	272,880
Taxes payable	652	1,152
Bridge loan		8,000,000
Management fee payable - Asset Management		296,812
Liability for share exchange		228,851
<b>Total liabilities</b>	<b>156,572,099</b>	<b>222,766,716</b>
<b>Commitments and Contingencies (Note 9)</b>		
<b>Shareholders' equity</b>		

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Common stock, \$0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued and 22,702,821 shares outstanding as of April 30, 2016 and October 31, 2015, respectively	283,044	283,044
Additional paid-in-capital	418,298,784	418,298,784
Accumulated earnings	117,764,502	102,420,976
Dividends paid to stockholders	(139,002,143)	(129,012,902)
Accumulated net realized (loss) gain	(39,354,269)	2,189
Net unrealized depreciation	(17,552,326)	(42,620,298)
Treasury stock, at cost, 5,601,627 and 5,601,627 shares held, respectively	(55,296,206)	(55,296,206)
<b>Total shareholders equity</b>	<b>285,141,386</b>	<b>294,075,587</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 441,713,485</b>	<b>\$ 516,842,303</b>
<b>Net asset value per share</b>	<b>\$ 12.56</b>	<b>\$ 12.95</b>

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

Table of Contents**MVC Capital, Inc.****Consolidated Statements of Operations****(Unaudited)****For the Six Month Period  
November 1, 2015 to  
April 30, 2016****For the Six Month Period  
November 1, 2014 to  
April 30, 2015****Operating Income:**

Dividend income		
Non-control/Non-affiliated investments	\$ 284	\$ 445
Affiliate investments	10,000,000	
Control investments	97,101	
Total dividend income	10,097,385	445
Interest income		
Non-control/Non-affiliated investments	5,960,781	6,139,784
Affiliate investments	1,135,384	644,948
Control investments	162,790	171,414
Total interest income	7,258,955	6,956,146
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	2,694,080	1,979,617
Affiliate investments	258,261	61,896
Control investments	77,690	77,265
Total payment-in-kind/Deferred interest income	3,030,031	2,118,778
Fee income		
Non-control/Non-affiliated investments	66,805	
Affiliate investments	364,000	362,666
Control investments	2,381,250	161,501
Total fee income	2,812,055	524,167
Fee income - Asset Management 1		
Portfolio fees	497,823	521,100
Management fees	248,935	8,684
Total fee income - Asset Management	746,758	529,784
<b>Total operating income</b>	<b>23,945,184</b>	<b>10,129,320</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs	5,126,214	5,070,830
Management fee	3,937,338	4,045,747
Legal fees	583,056	817,000
Consulting fees	579,202	226,902
Portfolio fees - Asset Management 1	373,367	390,825
Other expenses	243,107	463,899
Directors' fees	215,000	210,000
Management fee - Asset Management 1	186,701	(2,402)
Insurance	152,217	171,840
Audit & tax preparation fees	135,600	338,000
Administration	111,041	120,873

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Public relations fees	92,000	92,000
Printing and postage	20,221	44,911
Net incentive compensation (Note 11)	(1,094,949)	(5,581,800)
<b>Total operating expenses</b>	<b>10,660,115</b>	<b>6,408,625</b>
Less: Voluntary expense waiver by Adviser 2	(75,000)	(75,000)
Less: Voluntary management fee waiver by Adviser 3	(984,335)	
Less: Voluntary incentive fee waiver by Adviser 4	(1,000,000)	
<b>Total waivers</b>	<b>(2,059,335)</b>	<b>(75,000)</b>
<b>Net operating income before taxes</b>	<b>15,344,404</b>	<b>3,795,695</b>
<b>Tax Expenses:</b>		
Current tax expense	878	878
<b>Total tax expense</b>	<b>878</b>	<b>878</b>
<b>Net operating income</b>	<b>15,343,526</b>	<b>3,794,817</b>
<b>Net Realized and Unrealized (Loss) Gain on Investments:</b>		
Net realized (loss) gain on investments		
U.S. Treasury obligations	(90,427)	44,433
Non-control/Non-affiliated investments	(7,636,535)	(2,165,378)
Affiliate investments	(46,414)	
Control investments	(31,583,082)	
Total net realized loss on investments	(39,356,458)	(2,120,945)
Net unrealized appreciation (depreciation) on investments	25,067,972	(23,229,991)
Net realized and unrealized loss on investments	(14,288,486)	(25,350,936)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 1,055,040</b>	<b>\$ (21,556,119)</b>
<b>Net increase (decrease) in net assets per share resulting from operations</b>	<b>\$ 0.05</b>	<b>\$ (0.95)</b>
<b>Dividends declared per share</b>	<b>\$ 0.440</b>	<b>\$ 0.270</b>
<b>Weighted average number of shares outstanding<sup>5</sup></b>	<b>22,702,821</b>	<b>22,702,821</b>

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

<sup>1</sup> 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.

<sup>2</sup> Reflects the six month portion of the TTG Advisers voluntary waiver of \$150,000 of expenses for the 2016 and 2015 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.

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<sup>3</sup> Reflects TTG Advisers' voluntary waiver of 0.50% of the management fee for the six months ended April 30, 2016. Please see Note 10 Management for more information.

<sup>4</sup> Reflects TTG Advisers' voluntary waiver of the incentive fee associated with pre-incentive fee net operating income for the six months ended April 30, 2016. Please see Note 10 Management for more information.

<sup>5</sup> Please see Note 13 Dividends and Distributions to Shareholders and Share Repurchase Program for more information.

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



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

	For the Quarter February 1, 2016 to April 30, 2016	For the Quarter February 1, 2015 to April 30, 2015
<b>Operating Income:</b>		
Dividend income		
Non-control/Non-affiliated investments	\$	\$ 185
Affiliate investments	10,000,000	
Total dividend income	10,000,000	185
Interest income		
Non-control/Non-affiliated investments	2,971,995	3,172,113
Affiliate investments	562,011	317,519
Control investments	83,091	84,286
Total interest income	3,617,097	3,573,918
Payment-in-kind/Deferred interest income		
Non-control/Non-affiliated investments	1,434,660	1,145,893
Affiliate investments	167,964	30,591
Control investments	38,418	37,993
Total payment-in-kind/Deferred interest income	1,641,042	1,214,477
Fee income		
Non-control/Non-affiliated investments	14,546	
Affiliate investments	182,500	179,666
Control investments	37,500	80,751
Total fee income	234,546	260,417
Fee income - Asset Management 1		
Portfolio fees	248,415	249,625
Management fees	114,573	(24,945)
Total fee income - Asset Management	362,988	224,680
<b>Total operating income</b>	<b>15,855,673</b>	<b>5,273,677</b>
<b>Operating Expenses:</b>		
Interest and other borrowing costs	2,497,428	2,615,820
Management fee	1,958,047	2,065,942
Net incentive compensation (Note 11)	1,135,039	(3,462,232)
Legal fees	419,056	408,000
Consulting fees	356,851	111,051
Portfolio fees - Asset Management 1	186,311	187,219
Other expenses	120,922	313,827
Directors' fees	105,000	105,000
Management fee - Asset Management 1	85,929	(18,709)
Insurance	72,300	85,920
Administration	49,723	59,260
Public relations fees	44,000	45,500

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Printing and postage	5,527	22,480
Audit & tax preparation fees		176,000
<b>Total operating expenses</b>	<b>7,036,133</b>	<b>2,715,078</b>
Less: Voluntary expense waiver by Adviser 2	(37,500)	(37,500)
Less: Voluntary management fee waiver by Adviser 3	(489,512)	
Less: Voluntary incentive fee waiver by Adviser 4	(1,000,000)	
<b>Total waivers</b>	<b>(1,527,012)</b>	<b>(37,500)</b>
<b>Net operating income before taxes</b>	<b>10,346,552</b>	<b>2,596,099</b>
<b>Tax Expenses:</b>		
Current tax expense	439	439
<b>Total tax expense</b>	<b>439</b>	<b>439</b>
<b>Net operating income</b>	<b>10,346,113</b>	<b>2,595,660</b>
<b>Net Realized and Unrealized Gain (Loss) on Investments:</b>		
Net realized gain (loss) on investments		
U.S. Treasury obligations		182,187
Non-control/Non-affiliated investments		(2,165,378)
Affiliate investments	24,854	
Control investments	177,205	
Total net realized gain (loss) on investments	202,059	(1,983,191)
Net unrealized depreciation on investments	(4,501,823)	(12,425,387)
Net realized and unrealized loss on investments	(4,299,764)	(14,408,578)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 6,046,349</b>	<b>\$ (11,812,918)</b>
<b>Net increase (decrease) in net assets per share resulting from operations</b>	<b>\$ 0.26</b>	<b>\$ (0.52)</b>
<b>Dividends declared per share</b>	<b>\$ 0.135</b>	<b>\$ 0.135</b>
<b>Weighted average number of shares outstanding<sup>5</sup></b>	<b>22,702,821</b>	<b>22,702,821</b>

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

<sup>1</sup> 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.

<sup>2</sup> Reflects the quarterly portion of the TTG Advisers' voluntary waiver of \$150,000 of expenses for the 2016 and 2015 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.

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<sup>3</sup> Reflects TTG Advisers' voluntary waiver of 0.50% of the management fee for the fiscal quarter ended April 30, 2016. Please see Note 10 Management for more information.

<sup>4</sup> Reflects TTG Advisers' voluntary waiver of the incentive fee associated with pre-incentive fee net operating income for the fiscal quarter ended April 30, 2016. Please see Note 10 Management for more information.

<sup>5</sup> Please see Note 13 Dividends and Distributions to Shareholders and Share Repurchase Program for more information.

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

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

	<b>For the Six Month Period November 1, 2015 to April 30, 2016</b>	<b>For the Six Month Period November 1, 2014 to April 30, 2015</b>
<b>Cash flows from Operating Activities:</b>		
Net decrease (increase) in net assets resulting from operations	\$ 1,055,040	\$ (21,556,119)
Adjustments to reconcile net decrease (increase) in net assets resulting from operations to net cash used in operating activities:		
Net realized loss	39,356,458	2,120,945
Net change in unrealized (appreciation) depreciation	(25,067,972)	23,229,991
Amortization of discounts and fees	(398)	(67,281)
Increase in accrued payment-in-kind dividends and interest	(4,832,830)	(938,784)
Amortization of deferred financing fees	514,789	159,990
Changes in operating assets and liabilities:		
Restricted cash	499,857	
Restricted cash equivalents	5,503,000	
Dividends, interest and fees receivable	2,384,867	(1,558,849)
Fee and other receivables	269,885	658,447
U.S. Treasury obligations receivables		(95,061,588)
Escrow receivables, net of reserves	(8,577,755)	
Prepaid expenses	27,470	36,942
Incentive compensation (Note 11)	(2,094,949)	(5,581,800)
Other liabilities	(1,099,668)	(189,522)
Purchases of equity investments	(1,992,242)	
Purchases of debt instruments	(25,973,805)	(39,851,907)
Purchases of U.S. Treasury Obligations	(84,895,819)	(194,199,016)
Proceeds from equity investments	36,621,814	388,406
Proceeds from debt instruments	10,799,150	28,630,651
Sales/maturities of U.S. Treasury Obligations	139,662,416	294,244,212
<b>Net cash provided by (used in) operating activities</b>	<b>82,159,308</b>	<b>(9,535,282)</b>
<b>Cash flows from Financing Activities:</b>		
Borrowings from revolving credit facility	99,300,000	195,000,000
Repayments from revolving credit facility	(154,300,000)	(200,000,000)
Borrowings from bridge loan		15,882,481
Repayments from bridge loan	(8,000,000)	(3,500,000)
Share exchange		(3,714)
Financing fees paid	(1,792,058)	
Distributions paid to shareholders	(9,989,241)	(6,129,762)
<b>Net cash (used in ) provided by financing activities</b>	<b>(74,781,299)</b>	<b>1,249,005</b>
<b>Net change in cash and cash equivalents for the period</b>	<b>7,378,009</b>	<b>(8,286,277)</b>
<b>Unrestricted and restricted cash and cash equivalents, beginning of period</b>	<b>\$ 10,311,567</b>	<b>\$ 23,437,964</b>
<b>Unrestricted and restricted cash and cash equivalents, end of period</b>	<b>\$ 17,689,576</b>	<b>\$ 15,151,687</b>

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During the six month period ended April 30, 2016 and 2015 MVC Capital, Inc. paid \$4,315,163 and \$4,557,783 in interest expense, respectively.

During the six month period ended April 30, 2016 and 2015 MVC Capital, Inc. paid \$641 and \$1,420 in income taxes, respectively.

### **Non-cash activity:**

During the six month period ended April 30, 2016 and 2015, the Company recorded payment in-kind dividend and interest of \$4,832,830 and \$938,784, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

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

On December 24, 2015, as part of Inland's restructuring, the Company received a \$6.0 million senior secured loan from MVC Environmental, Inc. and received 950 common shares in MVC Environmental, Inc.

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

[Table of Contents](#)**MVC Capital, Inc.****Consolidated Statements of Changes in Net Assets**

	For the Six Month Period November 1, 2015 to April 30, 2016 (Unaudited)		For the Six Month Period November 1, 2014 to April 30, 2015 (Unaudited)		For the Year Ended October 31, 2015
<b>Operations:</b>					
Net operating income	\$	15,343,526	\$	3,794,817	\$ 9,296,816
Net realized (loss) gain on investments		(39,356,458)		(2,120,945)	3,700,260
Net change in unrealized appreciation (depreciation) on investments		25,067,972		(23,229,991)	(50,557,496)
<b>Net increase (decrease) in net assets from operations</b>					
		1,055,040		(21,556,119)	(37,560,420)
<b>Shareholder Distributions from:</b>					
Income		(9,989,241)		(3,794,817)	(9,296,816)
Realized gain					(2,962,708)
Return of capital				(2,334,945)	
<b>Net decrease in net assets from shareholder distributions</b>					
		(9,989,241)		(6,129,762)	(12,259,524)
<b>Capital Share Transactions:</b>					
Provision for share exchange				(3,714)	(7,427)
<b>Net decrease in net assets from capital share transactions</b>					
				(3,714)	(7,427)
<b>Total decrease in net assets</b>					
		(8,934,201)		(27,689,595)	(49,827,371)
<b>Net assets, beginning of period/year</b>					
		294,075,587		343,902,958	343,902,958
<b>Net assets, end of period/year</b>					
\$		285,141,386	\$	316,213,363	\$ 294,075,587
<b>Common shares outstanding, end of period/year</b>					
		22,702,821		22,702,821	22,702,821
<b>Undistributed net operating income</b>					
\$		5,354,285	\$		\$

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

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

	<b>For the Six Month Period November 1, 2015 to April 30, 2016 (Unaudited)</b>		<b>For the Six Month Period November 1, 2014 to April 30, 2015 (Unaudited)</b>		<b>For the Year Ended October 31, 2015</b>
Net asset value, beginning of period/year	\$	12.95	\$	15.15	\$ 15.15
Income from operations:					
Net operating income		0.68		0.17	0.41
Net realized and unrealized loss on investments		(0.63)		(1.12)	(2.07)
Net income (loss) from investment operations		0.05		(0.95)	(1.66)
Less distributions from:					
Income		(0.44)		(0.17)	(0.41)
Realized gain					(0.13)
Return of capital				(0.10)	
Total distributions		(0.44)		(0.27)	(0.54)
Net asset value, end of period/year	\$	12.56	\$	13.93	\$ 12.95
Market value, end of period/year	\$	7.43	\$	9.70	\$ 8.32
Market discount		(40.84)%		(30.37)%	(35.75)%
<b>Total Return - At NAV (a)</b>		0.44%(d)		(6.30)%(d)	(11.08)%
<b>Total Return - At Market (a)</b>		(5.33)%(d)		(11.49)%(d)	(21.85)%
<b>Ratios and Supplemental Data:</b>					
Portfolio turnover ratio		8.70%(d)		6.54%(d)	15.19%
Net assets, end of period/year (in thousands)	\$	285,142	\$	316,213	\$ 294,076
Ratios to average net assets:					
Expenses including tax expense		6.02%(c)		3.87%(c)	4.54%
Expenses excluding tax expense		6.02%(c)		3.87%(c)	4.54%
Net operating income before tax expense		10.75%(c)		2.32%(c)	2.93%
Net operating income after tax expense		10.75%(c)		2.32%(c)	2.93%
Ratios to average net assets excluding waivers:					
Expenses including tax expense		7.47%(c)		3.91%(c)	4.59%
Expenses excluding tax expense		7.47%(c)		3.91%(c)	4.59%
Net operating income before tax expense		9.31%(c)		2.27%(c)	2.89%
Net operating income after tax expense		9.31%(c)		2.27%(c)	2.89%

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(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	6.79%(c)	7.28%(c)	7.62%
Expenses excluding incentive compensation, interest and other borrowing costs	3.20%(c)	4.18%(c)	4.39%
Net operating income (loss) before incentive compensation	9.98%(c)	(1.09)%(c)	(0.15)%
Net operating income before incentive compensation, interest and other borrowing costs	13.57%(c)	2.01%(c)	3.08%
Ratios to average net assets excluding waivers: (b)			
Expenses excluding incentive compensation	8.24%(c)	7.32%(c)	7.67%
Expenses excluding incentive compensation, interest and other borrowing costs	4.65%(c)	4.22%(c)	4.44%
Net operating income (loss) before incentive compensation	8.54%(c)	(1.14)%(c)	(0.19)%
Net operating income before incentive compensation, interest and other borrowing costs	12.13%(c)	1.96%(c)	3.04%

(c) Annualized.

(d) Non- Annualized.

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



Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments****April 30, 2016****(Unaudited)**

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
<b>Non-control/Non-affiliated investments- 48.62% (a, c, f, g)</b>					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d, i)		\$ 5,000,003	
Agri-Carriers Group, Inc.	Transportation	Senior Subordinated Debt 12.0000% Cash, 3.0000% Deferred, 07/20/2017 (l)	\$ 11,774,486	13,004,084	\$ 12,970,209
Biogenic Reagents	Renewable Energy	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b, l)	5,574,648	5,574,648	5,559,301
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b, l)	5,017,183	5,017,183	5,039,888
		Senior Note 12.0000% Cash, 4.0000% PIK, 05/31/2016 (b, l)	4,250,291	4,250,291	4,250,291
		Senior Subordinated Debt 12.0000% Cash, 4.0000% PIK, 05/31/2016 (b, l)	1,030,188	1,030,188	1,030,188
		Warrants (d)	2	620,077	1,548,652
				16,492,387	17,428,320
Biovation Acquisition Co.	Manufacturer of Laminate Material and Composites	Common Stock (90 shares) (d)		784,622	425,773
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 4.5000% Cash, 5.5000% PIK, 04/30/2020 (b, l)	24,105,530	24,105,530	20,570,594
		Unsecured Subordinated Loan 12.0000% Cash, 03/31/2018 (l)	3,000,000	3,000,000	2,510,862
				27,105,530	23,081,456
Dukane IAS, LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/16/2020 (b, l)	7,021,389	7,021,389	7,021,389
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i)		15,000,000	5,376,200
G3K Display, Inc.	Retail Store Fixtures	Senior Lien Loan 13.0000% Cash, 04/11/2019 (h)	5,625,000	5,625,000	
		Warrants (d)	1		
				5,625,000	
Initials, Inc.	Consumer Products	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 06/22/2020 (b, l)	4,750,000	4,750,000	4,752,095
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 2.0000% Deferred, 09/12/2018 (l)	10,205,000	10,686,603	10,274,894
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d, i)		3,750,000	
Morey's Seafood International, LLC	Food Services	Second Lien Loan 6.0000% Cash, 9.0000% PIK, 08/12/2018 (b, l)	16,785,792	16,785,792	14,014,284
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	2,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			40,000
				1,231,638	42,000
Pride Engineering, LLC			5,135,000	5,135,000	5,135,000

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Quantum Plastics, LLC	Manufacturer of Equipment Components	Second Lien Note 12.0000% Cash, 05/08/2021 (l)			
	Manufacturer of Plastic Parts	Senior Subordinated Debt 12.0000% Cash, 03/10/2021 (l)	10,000,000	9,618,119	9,618,119
		Warrants (d)	1	392,792	392,792
				10,010,911	10,010,911
RX Innovation, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 4.0000% Deferred, 03/01/2017 (l)	10,300,000	11,745,545	11,971,934
Thunderdome Restaurants, LLC	Restaurants	Second Lien Loan, 12.0000% Cash, 06/10/2020 (l)	3,000,000	3,000,000	3,000,000
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d)		5,488,000	6,625,000
		Secured Loan 12.0000% Cash, 05/02/2019 (l)	1,500,000	1,500,000	1,500,000
				6,988,000	8,125,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (l)	5,000,000	5,000,000	5,000,000
<b>Sub Total Non-control/Non-affiliated investments</b>				<b>169,116,504</b>	<b>138,629,465</b>
<b>Affiliate investments - 59.29% (a, c, f, g)</b>					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d, e)		7,500,000	7,948,363
Centile Holdings B.V.	Software	Common Equity Interest (d, e)		3,524,376	5,446,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d, e)		4,500	
		Preferred Stock (9,159,085 shares) (d, e)		11,810,188	4,881,000
				11,814,688	4,881,000
MVC Environmental, Inc.	Environmental Services	Senior Secured Loan 9.0000% PIK, 12/22/2020 (b, l)	6,146,466	6,146,466	6,146,466
		Common Stock (950 shares) (d)		3,081,000	3,043,000
				9,227,466	9,189,466
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d, e)		52,846,140	41,571,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d, e)		28,544,800	2,863,000
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 13.0000% Cash, 07/01/2019 (l)	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK , 07/01/2018 (b, l)	3,232,168	3,232,168	3,232,168
		Convertible Series I Preferred Stock (32,200 shares) (d, k, n)		500,000	79,767,607
		Convertible Series J Preferred Stock (8,216 shares) (d, n)			
				11,232,168	90,499,775
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK , 11/28/2021 (b, l)	6,411,910	6,411,910	6,411,910
		Common Stock (5,610 shares) (d)		250,000	250,000
		Warrants (d)	5,303		
				6,661,910	6,661,910
<b>Sub Total Affiliate investments</b>				<b>131,351,548</b>	<b>169,060,514</b>

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

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments - (Continued)****April 30, 2016****(Unaudited)**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Control investments - 22.52% (c, f, g)</b>					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d, l)	\$	10,030,272	\$ 7,911,466
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e)		50,057,288	14,518,000
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, l)		13,838,539	23,609,117
		General Partnership Interest (a, d, j, l)		353,024	592,967
				14,191,563	24,202,084
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d)		924,475	780,000
		Series C Preferred Stock (23,896,634 shares) (a, d)		3,410,694	6,895,000
		Series B-1 Preferred Stock (4,999,076 shares) (a, d)		999,815	2,175,000
				5,334,984	9,850,000
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (a, d, e)		2,300,000	41,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/01/2018 (a, b, l)	\$ 3,895,262	3,895,262	3,743,648
	Irrigation Equipment	Limited Liability Company Interest (a, d)		3,535,694	3,991,794
		Guarantee (a, d)	1		(28,161)
		Warrants (a, d)	150		
				7,430,956	7,707,281
<b>Sub Total Control investments</b>				<b>89,345,063</b>	<b>64,229,831</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 130.43% (f)</b>					
			\$	<b>389,813,115</b>	\$ <b>371,919,810</b>
<b>U.S. Treasury obligations - 12.26% (f, g)</b>					
U.S. Treasury Obligations	U.S. Government Securities	1.2500% Cash, 03/31/2021 (m)	\$ 35,014,000	\$ 34,964,816	\$ 34,960,674
<b>Sub Total U.S. Treasury obligations</b>				<b>\$ 34,964,816</b>	<b>\$ 34,960,674</b>
<b>Cash equivalents and restricted cash equivalents - 0.51% (f, g)</b>					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (1,454,465 shares)		1,454,465	1,454,465
<b>Total Cash equivalents and restricted cash equivalents</b>				<b>1,454,465</b>	<b>1,454,465</b>

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### TOTAL INVESTMENT

<b>ASSETS - 143.20% (f)</b>	<b>\$ 426,232,396</b>	<b>\$ 408,334,949</b>
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(a) These securities are restricted from public sale without prior registration under the Securities Act of 1933. The Company negotiates certain aspects of the method and timing of the disposition of these investments, including registration, rights and related costs.

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

(c) All of the Company's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except MVC Automotive Group GmbH, Security Holdings B.V., SGDA Europe B.V., SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return, Inc., MVC Private Equity Fund L.P., and Advantage Insurance LTD. The Company makes available significant managerial assistance to all of the portfolio companies in which it has invested.

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe and Cayman Islands and represents approximately 27% of the net assets. The remaining portfolio companies are located in North America, which represents approximately 103% of the net assets.

(f) Percentages are based on net assets of \$285,141,825 as of April 30, 2016.

(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 .

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company's proportional share of the AccuMed Corp. preferred stock, Plymouth Rock Energy membership interest and loan and the Gibdock Limited equity interest is \$6,466,956, \$7,595,073 and \$5,356,116, respectively.

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

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

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

(n) All or a portion of these securities may serve as collateral for the Macquarie Energy trade supply credit facility

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments****October 31, 2015**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Non-control/Non-affiliated investments- 44.67% (a, c, f, g)</b>					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d, i)		\$ 5,000,003	
Agri-Carriers Group, Inc.	Transportation	Senior Subordinated Debt 12.0000% Cash, 3.0000% Deferred, 07/20/2017 (l, m)	\$ 11,774,486	11,787,114	\$ 11,774,486
Biogenic Reagents	Renewable energy	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b, l)	5,463,002	5,463,002	5,463,002
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b, l)	4,916,702	4,916,702	4,983,082
		Senior Note 12.0000% Cash, 4.0000% PIK, 02/29/2016 (b, l)	4,165,169	4,165,169	4,165,169
		Senior Subordinated Debt 12.0000% Cash, 4.0000% PIK, 02/29/2016 (b, l)	1,009,556	1,009,556	1,009,556
		Warrants (d)	2	620,077	1,660,689
				16,174,506	17,281,498
Biovation Acquisition Co.	Manufacturer of Laminate Material and Composites	Common Stock (90 shares) (d)		784,622	555,869
Biovation Holdings, Inc.	Manufacturer of Laminate Material and Composites	Bridge Loan 6.0000% Cash, 6.0000% PIK, 10/31/2014 (b, h)	1,079,325	1,079,325	
		Warrants (d)	3	397,677	
				1,477,002	
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 7.3000% Cash, 3.7000% PIK, 04/30/2020 (b, l)	23,791,903	23,791,903	23,638,469
		Unsecured Subordinated Loan 12.0000% Cash, 09/04/2016 (l)	3,000,000	3,000,000	3,000,000
				26,791,903	26,638,469
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i)		15,000,000	5,596,000
G3K Display, Inc.	Retail Store Fixtures	Senior Lien Loan 13.0000% Cash, 04/11/2019 (h)	5,625,000	5,625,000	
		Warrants (d)	1		
				5,625,000	
Initials, Inc.	Consumer Products	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 06/22/2020 (b, l)	4,750,000	4,750,000	4,750,000
Inland Environmental & Remediation LP	Environmental Services	Senior Secured Loan 12.0000% Cash, 04/17/2019 (h, l)	15,000,000	14,506,835	8,000,000
		Warrants (d)	1	713,000	
				15,219,835	8,000,000
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 2.0000% Deferred, 09/12/2018 (l, m)	8,705,000	8,718,402	8,705,000
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d, i)		3,750,000	
	Food Services		16,047,333	16,047,333	14,371,830

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Morey's Seafood International, LLC		Second Lien Loan 6.0000% Cash, 9.0000% PIK, 08/12/2018 (b, l)			
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)	1,231,638		2,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			36,000
			1,231,638		38,000
The Results Companies, LLC	Business Services	Senior Subordinated Debt 13.0000% Cash, 2.5000% Deferred, 07/01/2016 (l, m)	9,000,000	9,008,330	9,000,000
RX Innovation, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 4.0000% Deferred, 03/01/2017 (l, m)	10,300,000	10,307,845	10,300,000
Thunderdome Restaurants, LLC	Restaurants	Second Lien Loan 12.0000% Cash, 06/10/2020	1,965,251	1,965,251	1,965,251
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d)		5,488,000	5,875,000
		Secured Loan 12.0000% Cash, 05/02/2019	1,500,000	1,500,000	1,500,000
				6,988,000	7,375,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (l)	5,000,000	5,000,000	5,000,000
<b>Sub Total Non-control/Non-affiliated investments</b>			<b>165,626,784</b>		<b>131,351,403</b>
<b>Affiliate investments - 57.87% (a, c, f, g)</b>					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d, e)		7,500,000	8,015,164
Centile Holdings B.V.	Software	Common Equity Interest (d, e)		3,524,376	4,905,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d, e)		4,500	4,000
		Preferred Stock (9,159,085 shares) (d, e)		11,810,188	5,045,700
				11,814,688	5,049,700
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d, e)		52,846,140	45,300,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d, e)		28,544,800	6,020,000
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan 13.0000% Cash, 07/01/2019 (l)	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK, 07/01/2018 (b, l)	3,167,220	3,167,220	3,167,220
		Convertible Series I Preferred Stock (32,200 shares) (d, k, o)		500,000	83,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d, o)			
				11,167,220	94,334,827
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 11/28/2021 (b, l)	6,315,236	6,315,236	6,315,236
		Common Stock (5,610 shares) (d)		250,000	250,000
		Warrants (d)	5,303		
				6,565,236	6,565,236
<b>Sub Total Affiliate investments</b>			<b>121,962,460</b>		<b>170,189,927</b>

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

Table of Contents**MVC Capital, Inc.****Consolidated Schedule of Investments - (Continued)****October 31, 2015**

<b>Company</b>	<b>Industry</b>	<b>Investment</b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value/Market Value</b>
<b>Control investments - 33.78% (c, f, g)</b>					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d)	\$	10,030,272	\$ 7,644,788
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e)		48,457,838	13,452,000
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j)		13,838,539	21,939,744
		General Partnership Interest (a, d, j)		353,024	552,016
				14,191,563	22,491,760
Ohio Medical Corporation	Medical Device Manufacturer	Common Stock (5,620 shares) (a, d, p)		15,763,636	
		Series A Convertible Preferred Stock 16.0000% PIK (33,904 shares) (a, b, p)		30,000,000	6,050,797
		Series C Convertible Preferred Stock 16.0000% PIK (10,737 shares) (a, b, p)		22,618,466	32,479,292
				68,382,102	38,530,089
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d)		924,475	924,475
		Series C Preferred Stock (23,896,634 shares) (a, d)		3,410,694	6,467,772
		Series B-1 Preferred Stock (4,999,076 shares) (a, d)		999,815	1,667,753
				5,334,984	9,060,000
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (a, d, e)		2,300,000	342,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/01/2018 (a, b, l)	\$ 3,895,262	3,895,262	3,862,994
	Irrigation Equipment	Limited Liability Company Interest (a, d)		3,535,694	3,991,794
		Guarantee (a, d)	1		(41,034)
		Warrants (a, d)	150		
				7,430,956	7,813,754
<b>Sub Total Control investments</b>				<b>156,127,715</b>	<b>99,334,391</b>
<b>TOTAL PORTFOLIO INVESTMENTS - 136.32% (f)</b>				<b>\$ 443,716,959</b>	<b>\$ 400,875,721</b>
<b>U.S. Treasury obligations - 30.49% (f, g)</b>					
U.S. Treasury obligations	U.S. Government Securities	1.3750% Cash, 10/31/2019 (n)	\$ 90,300,000	\$ 89,820,800	\$ 89,681,535
<b>Sub Total U.S. Treasury obligations</b>				<b>\$ 89,820,800</b>	<b>\$ 89,681,535</b>



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## Cash equivalents and restricted cash equivalents - 2.74% (f, g)

Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (1,659,943 shares)	1,659,943	1,659,943
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (6,400,723 shares)	6,400,723	6,400,723
<b>Total Cash equivalents and restricted cash equivalents</b>			<b>8,060,666</b>	<b>8,060,666</b>
<b>TOTAL INVESTMENT ASSETS - 169.55%</b>			<b>\$ 541,598,425</b>	<b>\$ 498,617,922</b>

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

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

(c) All of the Company's equity and debt investments are issued by eligible portfolio companies, as defined in the Investment Company Act of 1940, except MVC Automotive Group GmbH, Security Holdings B.V., SGDA Europe B.V., SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return, Inc., MVC Private Equity Fund L.P., and Advantage Insurance LTD. The Company makes available significant managerial assistance to all of the portfolio companies in which it has invested.

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe and Cayman Islands and represents approximately 28% of the net assets. The remaining portfolio companies are located in North America, which represents approximately 108% of the net assets.

(f) Percentages are based on net assets of \$294,075,587 as of October 31, 2015.

(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.

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company's proportional share of the AccuMed Corp. preferred stock, Plymouth Rock Energy membership interest and loan and the Gibdock Limited equity interest is \$4,251,620, \$7,184,225 and \$5,923,100, respectively.

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

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

(m) Deferred interest of \$803,847, \$303,877, \$946,234 and \$711,982 for Agri-Carriers Group, Legal Solutions Holdings, RXInnovation and The Results Companies, respectively, is shown as a receivable on the Consolidated Balance Sheet as of October 31, 2015.

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

(o) All or a portion of these securities may serve as collateral for the Macquarie Energy trade supply credit facility

(p) All or a portion of these securities may serve as collateral for a loan made to Ohio Medical by another financial institution.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

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MVC Capital, Inc. (the Company )

Notes to Consolidated Financial Statements

April 30, 2016

(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, 2015, as filed with the U.S. Securities and Exchange Commission (the SEC ) on May 16, 2016. 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.

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

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

During fiscal year ended October 31, 2014, MVC Turf, LLC ( MVC Turf ) was consolidated with the Company as MVC Turf is an MVC wholly-owned holding company. The consolidation of MVC Turf did not have any material effect on the financial position or net results of operations of the Company. Of the \$16.2 million in cash on the Company's Consolidated Balance Sheets as of April 30, 2016, approximately \$345,000 was held by MVC Turf, an MVC wholly-owned holding company.

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### 3. Investment Classification

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

### 4. Cash and Cash Equivalents

For the purpose of the Consolidated Balance Sheets and Consolidated Statements of Cash Flows, the Company considers all money market and all highly liquid temporary cash investments purchased with an original maturity of less than three months to be cash equivalents. The Company places its cash and cash equivalents with financial institutions and cash held in bank accounts may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. As of April 30, 2016, the Company had approximately \$1.5 million in cash equivalents, approximately \$500,000 in restricted cash and approximately \$16.2 million in cash totaling approximately \$18.2 million. Of the \$16.2 million in cash, approximately \$345,000 was held by MVC Turf and approximately \$1.1 million was held by MVC Cayman.

#### *Restricted Cash and Cash Equivalents*

Cash and cash equivalent accounts that are not available to the Company for day-to-day use and are legally restricted are classified as restricted cash. Restricted cash and cash equivalents are carried at cost, which approximates fair value. On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A., which is related to a project guarantee by AB DnB NORD bankas to Security Holdings B.V., a portfolio company investment. The Euro letter of credit was equivalent to approximately \$5.5 million at October 31, 2015. During the six month period ended April 30, 2016, the Euro letter of credit was released and is no longer collateralized by the Company and released from restricted cash. During the six month period ended April 30, 2016, the Company agreed to cash collateralize a \$500,000 working capital line of credit for MVC Environmental, which was classified as restricted cash equivalents on the Company's Consolidated Balance Sheets.

### 5. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, **Revenue from Contracts with Customers** (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This update is effective in fiscal periods beginning after December 15, 2016. Early application is not permitted. The impact on our financial statements of adopting ASU 2014-09 is currently being assessed by management.

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In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. The Company does

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not expect to adopt ASU 2014-15 early and does not believe the standard will have a material impact on our financial statements, when adopted.

In February 2015, the FASB issued Accounting Standards Update 2015-2, which updated consolidation standards under ASC Topic 810, Consolidation. Under this update, a new consolidation analysis is required for variable interest entities ( VIEs ) and will limit the circumstances in which investment managers and similar entities are required to consolidate the entities that they manage. The FASB decided to eliminate some of the criteria under which their fees are considered a variable interest and limit the circumstances in which variable interests in a VIE held by related parties of a reporting enterprise require the reporting enterprise to consolidate the VIE. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-2 to have a material impact on our financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Under this guidance, debt issuance costs related to a recognized debt liability are to be presented as a direct deduction from the debt liability rather than as an asset on the balance sheet, consistent with debt discounts. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect to adopt ASU No. 2015-03 early and does not believe the standard will have a material impact on our financial statements, when adopted.

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). The new guidance removes the requirement that investments for which NAV is determined based on practical expedient reliance be reported utilizing the fair value hierarchy. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-07 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, 2016, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest but did own one security in which we have a minority-owned interest.

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

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of our investments may include initial transaction costs. Under ASC 820, the fair value measurement also assumes that the

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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



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the asset to which the reporting entity has access to as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

*Valuation Methodology*

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

Pursuant to our Valuation Procedures, the Valuation Committee (which is comprised of three Independent Directors) determines fair values of portfolio company investments on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). In doing so, the Committee considers the recommendations of The Tokarz Group Advisers LLC (TTG Advisers). The Committee also considers 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 3 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, 2016 and October 31, 2015, approximately 82.41% and 76.08%, 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.

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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

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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.

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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

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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.



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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.

## **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 86.21% and 77.62% of the Company's total assets at April 30, 2016 and October 31, 2015, 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





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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, 2016, the fair value of our largest investment, U.S. Gas & Electric, Inc. ( U.S. Gas ), comprised 20.5% of our total assets and 31.7% 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, 2016 and October 31, 2015.

	April 30, 2016	October 31, 2015
Energy Services	31.74%	32.08%
Electrical Engineering	14.58%	15.40%
Private Equity	8.49%	7.65%
Manufacturer of Pipe Fittings	8.09%	9.06%
Renewable Energy	6.11%	5.88%
Software	6.11%	5.17%
Consumer Products	5.12%	4.70%
Automotive Dealerships	5.09%	4.57%
Food Services	4.91%	4.89%
Transportation	4.55%	4.00%
Environmental Services	4.23%	4.77%
Business Services	3.60%	6.02%
Manufacturer of Plastics Parts	3.51%	0.00%
Specialty Chemicals	2.85%	2.51%
Insurance	2.79%	2.73%
Regulated Investment Company	2.77%	2.60%
Distributor - Landscaping and Irrigation Equipment	2.70%	2.66%
Welding Equipment Manufacturer	2.46%	0.00%
Iron Foundries	2.34%	2.23%
Technology Investment - Financial Services	1.90%	1.90%
Manufacturer of Equipment Components	1.80%	0.00%
Electronics Manufacturing and Repair	1.75%	1.70%
Real Estate Management	1.71%	1.72%
Restaurants	1.06%	0.66%
Manufacturer of Laminate Material and Composites	0.15%	0.18%
Port Facilities	0.01%	0.12%
Medical Device Manufacturer	0.01%	13.12%
Retail Store Fixtures	0.00%	0.00%
	130.43%	136.32%

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**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, 2016.
- **Level 2:** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or other inputs that are observable or can be corroborated by observable market data. Additionally, the Company's interests in Investment Vehicles that can be withdrawn by the Company at the net asset value reported by such Investment Vehicle as of the measurement date or within six months of the measurement date are generally categorized as Level 2 investments. We did not value any of our investments using Level 2 inputs as of April 30, 2016.
- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. Additionally, included in Level 3 are the Company's interests in Investment Vehicles from which the Company cannot withdraw at the net asset value reported by such Investment Vehicles as of the measurement date or within six months of the measurement date. We use Level 3 inputs for measuring the fair value of substantially all of our investments. See Note 6 Investment Valuation Policy for the investment valuation policies used to determine the fair value of these investments.

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

The following fair value hierarchy tables set forth our assets and liabilities by level as of April 30, 2016 and October 31, 2015 (in thousands):



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	April 30, 2016			
	Level 1	Level 2	Level 3	Total
Senior/Subordinated Loans and credit facilities	\$	\$	151,253	\$ 151,253
Common Stock	7,911		11,167	19,078
Preferred Stock			107,083	107,083
Warrants			1,941	1,941
Common Equity Interest			64,398	64,398
LP Interest of the PE Fund			23,609	23,609
GP Interest of the PE Fund			593	593
LLC Interest			3,992	3,992
Guarantee			(28)	(28)
Escrow Receivable			8,870	8,870
U.S. Treasury obligations		34,961		34,961
<b>Total Investments, net</b>	\$ 7,911	\$ 34,961	\$ 372,878	\$ 415,750

	October 31, 2015			
	Level 1	Level 2	Level 3	Total
Senior/Subordinated Loans and credit facilities	\$	\$	\$ 138,471	\$ 138,471
Common Stock	7,645		7,953	15,598
Preferred Stock			149,026	149,026
Warrants			1,661	1,661
Common Equity Interest			69,677	69,677
LP Interest of the PE Fund			21,940	21,940
GP Interest of the PE Fund			552	552
LLC Interest			3,992	3,992
Guarantee			(41)	(41)
Escrow Receivable			293	293
U.S. Treasury Obligations		89,682		89,682
<b>Total Investments, net</b>	<b>\$ 7,645</b>	<b>\$ 89,682</b>	<b>\$ 393,524</b>	<b>\$ 490,851</b>

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, 2016 and the year ended October 31, 2015, there were no transfers in and out of Level 1 or 2.

The following tables set forth a summary of changes in the fair value of investment assets and liabilities measured using Level 3 inputs for the six month period ended April 30, 2016, and April 30, 2015 (in thousands):

	Balances, November 1, 2015	Realized Gain (Losses) (1)	Reversal of Prior Period Depreciation on (Appreciation) Realization (2)	Unrealized Depreciation (3)	Purchases (4)	Sales (5)	Transfers In Out of Level 3	Balances, April 30, 2016	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of April 30, 2016
Senior/Subordinated Loans and credit facilities	\$ 138,471	\$ (6,526)	\$ 7,593	\$ (5,339)	\$ 36,818	\$ (19,764)	\$	\$ 151,253	\$ (12,782)
Common Stock	7,953	(15,764)	15,764	133	3,081			11,167	(6,647)
Preferred Stock	149,026	(14,711)	14,088	3,413		(37,907)		107,083	62,862
Warrants	1,661	(1,111)	1,111	(113)	393			1,941	929

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Common Equity										
Interest	69,677		(6,878)	1,599				64,398		(70,575)
LP Interest of the PE										
Fund	21,940		1,669					23,609		9,771
GP Interest of the PE										
Fund	552		41					593		240
LLC Interest	3,992							3,992		456
Guarantees	(41)		13					(28)		(28)
Escrow Receivable	293	(1,108)		11,014	(1,329)			8,870		
<b>Total</b>	\$ 393,524	\$ (39,220)	\$ 38,556	\$ (13,887)	\$ 52,905	\$ (59,000)	\$	\$ 372,878	\$	(15,774)

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	Reversal of Prior					Total Loss for the Year		
	Period					Included in Earnings		
	Unrealized					Attributable to the Change in		
	Appreciation					Unrealized Appreciation		
	(Depreciation)					(Depreciation) on		
	Transfers In					Investments held as of April		
	Balances,	Realized Gain	Depreciation of	Depreciation	Purchases (4)	Sales (5)	Out of Level 3	Balances, April
	November 1,	(Losses) (1)	Realization (2)	(3)				30, 2015
	2014							30, 2015
Senior/Subordinated								
Loans and credit								
facilities	\$ 129,129	\$ (2,165)	\$ 2,165	\$ (5,513)	\$ 40,789	\$ (28,901)	\$	\$ 135,504
Common Stock	24,547			193	534			25,274
Preferred Stock	160,459			(9,422)	2,265			153,302
Warrants	713			409				1,122
Common Equity								
Interest	98,606			(12,359)				86,247
LP Interest	19,969			(145)				19,824
GP Interest	504			(4)				500
LLC Interest								147