MVC CAPITAL, INC.
Form 10-K
January 14, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended October 31, 2018

or

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

For the transition period from to

Commission file number: 814-00201

MVC CAPITAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**94-3346760**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

287 Bowman Avenue, Purchase, New York 10577

(Address of principal executive offices)

(914) 701-0310

Registrant s telephone number, including area code

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

Title of each class	Name of each exchange on which registered
Common Stock	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act: **None**

(Title of each class)

(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

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. o

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

Approximate aggregate market value of common stock held by non-affiliates of the registrant as of the last business day of the Company s most recently completed fiscal second quarter: $109,252,039 computed on the basis of $9.92 per share, closing price of the common stock on the New York Stock Exchange (the NYSE) on April 30, 2018. For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.

There were 17,813,928 shares of the registrant s common stock, $.01 par value, outstanding as of January 14, 2019.

Document Incorporated by Reference:

None.

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MVC Capital, Inc.

(A Delaware Corporation)

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PART I

Factors That May Affect Future Results

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the federal securities laws that involve substantial uncertainties and risks. The Company s future results may differ materially from its historical results and actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors. These factors are described in the Risk Factors section below. Readers should pay particular attention to the considerations described in the section of this report entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. Readers should also carefully review the risk factors described in the other documents the Company files, or has filed, from time to time with the United States Securities and Exchange Commission (the SEC).

In this Annual Report on Form 10-K, unless otherwise indicated, MVC Capital, we, us, our or the Company refer to MVC Capital, Inc. and i wholly-owned subsidiaries, MVC Financial Services, Inc., MVC Turf, LLC and MVC Cayman, and TTG Advisers or the Adviser refers to The Tokarz Group Advisers LLC.

Item 1. BUSINESS

GENERAL

MVC Capital, Inc. is an externally managed, non-diversified closed-end management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act). MVC Capital provides equity and debt investment capital to fund growth, acquisitions and recapitalizations of small and middle-market companies in a variety of industries primarily located in the United States. Our investments can take the form of senior and subordinated loans, common and preferred stock and warrants or rights to acquire equity interests, or convertible securities, among other instruments. Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol MVC. Beginning November 1, 2006, the Company has been externally managed by The Tokarz Group Advisers LLC (TTG Advisers) pursuant to an Amended and Restated Investment Advisory and Management Agreement (the Advisory Agreement). Our Board of Directors, including all of the directors who are not interested persons (as defined under the 1940 Act) of the Company (the Independent Directors), last approved the renewal of the Advisory Agreement at their in-person meeting held on October 30, 2018.

In fiscal year 2018, the Company made six new investments, committing capital that totaled approximately $41.5 million. Pursuant to an exemptive order received by the Company from the SEC (the Order), that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and TTGA C-I MMF LP (the Private Fund) co-invested in Essner Manufacturing (Essner) ($3.7 million investment for the Company), Black Diamond Equipment Rental (Black Diamond) ($7.5 million investment for the Company), Apex Industrial Technologies, LLC (Apex) ($15.0 million investment for the Company), Array Information Technology, Inc. (Array) ($6.0 million investment for the Company), Tuf-Tug Inc. (Tuf-Tug) ($5.6 million investment for the Company) and Tin Roof Software, LLC (Tin Roof) ($3.7 million investment for the Company). During fiscal year 2018, the Company made follow-on investments in the following eight portfolio companies that totaled approximately $20.8 million: U.S. Spray Drying Holding Company (SCSD), Initials, Inc. (Initials), Turf Products, LLC (Turf), Custom Alloy Corporation (Custom Alloy), MVC Automotive Group GmbH (MV Automotive), RuMe, Inc. (RuMe), Trientis GmbH. (Trientis) and Security Holdings B.V. (Security Holdings). The total capital committed in

fiscal year 2018 was approximately $62.3 million compared to $7.5 million and $44.2 million in fiscal years 2017 and 2016, respectively.

During fiscal year 2017, the Company made one new investment in Highpoint Global LLC (Highpoint) ($5.0 million) and made six follow-on investments in the following 4 existing portfolio companies: MVC Automotive, MVC Environmental, Inc. (MVC Environmental), United States Technologies, Inc. (U.S. Technologies) and Security Holdings. The total capital committed in fiscal year 2017 was approximately $7.5 million compared to $44.2 million and $62.4 million in fiscal years 2016 and 2015, respectively.

During fiscal year 2016 six new investments were made: Somotra NV (Somotra) ($1.7 million), Pride Engineering, LLC (Pride) ($5.1 million), Dukane IAS, LLC (Dukane) ($7.0 million), Quantum Plastics, LLC (Quantum) ($10.0 million), FDS, Inc. (FDS) ($2.3 million) and HTI Technologies and Industries, Inc. (HTI) ($9.6 million) and 9 follow-on investments in the following 6 existing portfolio companies were made: MVC Automotive, Legal Solutions Holdings, Inc. (Legal Solutions), Thunderdome Restaurants, LLC (Thunderdome), SIA Tekers Invest (Tekers), Biovation Acquisition Company (BAC) and RuMe. The total capital committed in fiscal year 2016 was $44.2 million compared to $62.4 million and $105.8 million in fiscal years 2015 and 2014, respectively.

We continue to perform due diligence and seek new investments that are consistent with our objective of maximizing total return from capital appreciation and/or income, though our current focus is more on yield generating investments. We believe that we have extensive relationships with private equity firms, investment banks, business brokers, commercial banks, accounting firms, law firms, hedge funds, other investment firms, industry professionals and management teams of several companies that may provide us with investment opportunities.

We are working on an active pipeline of potential new investment opportunities. Our loan and equity investments will generally range between $3.0 million and $25.0 million each, though we may occasionally invest smaller or greater amounts of capital depending upon the particular investment. While the Company does not adhere to a specific equity and debt asset allocation mix, no more than 25% of the value of our total assets may be invested in the securities of one issuer (other than U.S. government securities), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses as of the close of each quarter. Our portfolio company investments are typically illiquid and made through privately negotiated transactions. We generally seek to invest in companies with a history of strong, predictable, positive EBITDA (net income before net interest expense, income tax expense, depreciation and amortization). The Company has been focusing its strategy more on yield generating investments, which can include, but 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.

Our portfolio company investments currently consist of common and preferred stock, other forms of equity interests and warrants or rights to acquire equity interests, senior and subordinated loans and convertible securities. At October 31, 2018, the fair value of our investments in portfolio companies was approximately $324.5 million and our total assets were approximately $347.1 million compared to the fair value of investments in portfolio companies of approximately $292.5 million and total assets of approximately $403.4 million at October 31, 2017.

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We expect that our investments in senior loans and subordinated debt will generally have stated terms of three to ten years. However, there are no constraints on the maturity or duration of any security the Company acquires. Our debt 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 (rated lower than Baa3 by Moody s or lower than BBB- by Standard & Poor s). In addition, we may invest without limit in non-rated or debt of any rating, by any rating organization.

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 and its portfolio companies. The Company does not hold MVCFS for investment purposes. The results of MVCFS are consolidated into the Company and all inter-company accounts have been eliminated in consolidation. 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. The results of MVC Cayman are also consolidated into the Company. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners, LLC (MVC Partners) was consolidated with the operations of the Company as MVC Partners limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. During fiscal year ended October 31, 2014, MVC Turf, Inc. (MVC Turf) was consolidated with the Company as MVC Turf was an MVC wholly-owned holding company. The consolidation of MVC Turf did not have any material effect on the financial position or net results of operations of the Company. On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company s LLC interest in Turf Products, for approximately $3.8 million of additional subordinated debt in Turf Products. Prior to the exchange, the Company received a distribution from MVC Turf of approximately $323,000. The impact of the deconsolidation of MVC Turf on the Company s financial condition and results of operations was immaterial. As of October 31, 2017, MVC Turf is no longer consolidated with the Company. Also, as of October 31, 2018, approximately $1.1 million of the Company s cash and cash equivalents was held by MVC Cayman.

Our Board of Directors has the authority to change any of the strategies described in this report without seeking the approval of our shareholders. However, the 1940 Act prohibits us from altering or changing our investment objective, strategies or policies such that we cease to be a business development company, nor can we voluntarily withdraw our election to be regulated as a business development company, without the approval of the holders of a majority of our outstanding voting securities, as defined in the 1940 Act, of our shares.

Substantially all amounts not invested in securities of portfolio companies are invested in short-term, highly liquid money market investments, U.S. Government issued securities, or held in cash in interest bearing accounts. As of October 31, 2018, the Company s investments in short-term securities, U.S. Government issued securities and cash and cash equivalents were valued at $15.9 million. Of that amount, approximately $5.3 million was restricted cash, $5.0 million related to the compensating balance for Credit Facility III (as defined below) with Santander Bank N.A. and $300,000 cash collateral related to a third-party letter of credit for RuMe.

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CORPORATE HISTORY AND OFFICES

The Company was organized on December 2, 1999. Prior to July 2004, our name was meVC Draper Fisher Jurvetson Fund I, Inc. On March 31, 2000, the Company raised $330.0 million in an initial public offering whereupon it commenced operations as a closed-end investment company. On December 2, 2002, the Company announced it had begun doing business under the name MVC Capital.

We are a Delaware corporation and a non-diversified closed-end management investment company that has elected to be regulated as a business development company under the 1940 Act. On July 16, 2004, the Company formed MVCFS.

Although the Company has been in operation since 2000, the year 2003 marked a new beginning for the Company. In February 2003, shareholders elected an entirely new board of directors. (All but two of the independent members of the current Board of Directors were first elected at the February 2003 Annual Meeting of the shareholders.) The Board of Directors developed a new long-term strategy for the Company. In September 2003, upon the recommendation of the Board of Directors, shareholders voted to adopt a new investment objective for the Company of seeking to maximize total return from capital appreciation and/or income. The Company s prior objective had been limited to seeking long-term capital appreciation from venture capital investments in the information technology industries. Consistent with our broader objective, we adopted a more flexible investment strategy of providing equity and debt financing to small and middle-market companies in a variety of industries. With the recommendation of the Board of Directors, shareholders also voted to appoint Michael Tokarz as Chairman and Portfolio Manager to lead the implementation of our new objective and strategy and to stabilize the existing portfolio. Prior to the arrival of Mr. Tokarz and his new management team in November 2003, the Company had experienced significant valuation declines from investments made by the former management team.

Mr. Tokarz and his team managed the Company under an internal structure through October 31, 2006. On September 7, 2006, the shareholders of the Company approved the Advisory Agreement (with over 92% of the votes cast on the agreement voting in its favor) that provided for the Company to be externally managed by TTG Advisers. The agreement took effect on November 1, 2006. TTG Advisers is a registered investment adviser that is controlled by Mr. Tokarz. All of the individuals (including the Company s investment professionals) that had been previously employed by the Company as of the fiscal year ended October 31, 2006 became employees of TTG Advisers. The Company s investment approach and selection process has remained the same under the externalized management structure. Our Board of Directors, including all of the Independent Directors, last approved a renewal of the Advisory Agreement at an in-person meeting held on October 30, 2018.

Our principal executive office is located at 287 Bowman Avenue, Purchase, New York 10577 and our telephone number is (914) 701-0310. Our website is http://www.mvccapital.com. Copies of the Company s annual regulatory filings on Form 10-K, quarterly regulatory filings on Form 10-Q, Form 8-K, other regulatory filings, code of ethics, audit committee charter, compensation committee charter, nominating and corporate governance committee charter, corporate governance guidelines, and privacy policy may be obtained from our website, free of charge.

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OUR INVESTMENT STRATEGY

On November 6, 2003, Mr. Tokarz assumed his current positions as Chairman and Portfolio Manager. We seek to implement our investment objective 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 common and preferred stock, other forms of equity interests and warrants or rights to acquire equity interests, senior and subordinated loans, or convertible securities. During the fiscal year ended October 31, 2018, the Company made six new investment and follow-on investments in eight existing portfolio companies, committing a total of $62.3 million of capital to these investments.

Prior to the adoption of our current investment objective, the Company s investment objective had been to achieve long-term capital appreciation from venture capital investments in information technology companies. The Company s investments had thus previously focused on investments in equity and debt securities of information technology companies. As of October 31, 2018, 1.4% of our assets consisted of investments made by the Company s former management team pursuant to the prior investment objective (the Legacy Investments). We are, however, managing these Legacy Investments to try and realize maximum returns. At October 31, 2018, the fair value of the Legacy Investments was $5.0 million. We generally seek to monetize these investments through 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 be 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). Sales of existing investments and repayments would improve our liquidity position, which then 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.

Under our investment approach, we have the authority to invest, without limit, in any one company, subject to any required diversification limits for us to continue to qualify as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). Presently due to our asset composition, compliance with the RIC requirements limits our ability to make additional investments that represent more than 5% of our total assets or more than 10% of the outstanding voting securities of an issuer (Non-Diversified Investments).

We participate in the private equity business generally by providing negotiated long-term debt and/or equity investment capital. Our financing is generally used to fund growth, buyouts, acquisitions, recapitalizations, note purchases and/or bridge financings. We are typically the lead investor in such transactions, but may also provide debt and equity financing to companies led by private equity firms or others. We generally invest in private companies, though, from time to time, we may invest in small public companies that 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).

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Furthermore, the Board of Directors authorized the establishment of the MVC Private Equity Fund, L.P. (PE Fund), for which an indirect wholly-owned subsidiary, MVC GP II, LLC (MVC GP II), of the Company serves as the GP. 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. As of October 31, 2018, $14.6 million of the Company s commitment has been contributed. 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 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 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 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 while the partnership is in existence.

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

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

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As of October 31, 2018 and October 31, 2017, the fair value/market value of the invested portion (excluding cash, escrow receivables and U.S. Treasury obligations) of our net assets as a percentage consisted of the following:

Fair Value/Market Value as a Percentage of Our Net Assets

Type of Investment	As of October 31, 2018	As of October 31, 2017
Senior/Subordinated Loans and Credit facilities	77.53%	54.84%
Common Stock	13.50%	13.53%
Warrants	0.18%	0.50%
Preferred Stock	20.76%	9.21%
Guarantees and Letters of Credit	(1.26)%	(0.20)%
Common Equity Interest	22.14%	20.06%
LP Interest of the PE Fund	8.81%	6.37%
GP Interest of the PE Fund	0.22%	0.16%

Substantially all amounts not invested in securities of portfolio companies are invested in short-term, highly liquid money market investments, U.S. Government issued securities, or held in cash in an interest bearing account. As of October 31, 2018, these holdings were valued at approximately $15.9 million or 7.0% of net assets.

The current portfolio has investments in a variety of industries, including energy, specialty chemicals, automotive dealerships, electrical engineering, medical devices, consumer products, value-added distribution, industrial manufacturing, financial services, and information technology in a variety of geographical areas, including the United States and Europe.

On October 10, 2017, the Board detailed its unanimously approved plan seeking to increase shareholder value through, among other things, continued implementation of the Yield-Focused Strategy and increasing the quarterly dividend to $0.15 per share from $0.135 per share.

Market. We have developed and maintain relationships with intermediaries, including investment banks, industry executives, financial services companies and private mezzanine and equity sponsors to source investment opportunities. Through these relationships, we have been able to strengthen our position as an investor.

Investment Criteria. Prospective investments are evaluated by the investment team based upon criteria that may be modified from time to time. The criteria currently being used by management in determining whether to make an investment in a prospective portfolio company include, but are not limited to, management s view of:

- Opportunity to revitalize and redirect a company s resources and strategy;

- Stable free cash flow of the business;
- Businesses with secure market niches and predictable profit margins;
- The presence or availability of highly qualified management teams;
- The line of products or services offered and their market potential;

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- The presence of a sustainable competitive advantage;
- Favorable industry and competitive dynamics; and
- Yield potential offered by an investment in such company.

Due diligence includes a thorough review and analysis of the business plan and operations of a company in which we are considering making an investment. We generally perform financial and operational due diligence, study the industry and competitive landscape, and meet with current and former employees, customers, suppliers and/or competitors. In addition, as applicable, we engage attorneys, independent accountants and other consultants to assist with legal, environmental, tax, accounting and marketing due diligence.

Investment Sourcing. Mr. Tokarz and the other investment professionals have established an extensive network of investment referral relationships. Our network of relationships with investors, lenders and intermediaries includes:

- Private mezzanine and equity investors;
- Investment banks;
- Industry executives;
- Business brokers;
- Merger and acquisition advisors;
- Financial services companies; and

- Banks, law firms and accountants.

Allocation of Investment Opportunities. In allocating investment opportunities, TTG Advisers adheres to the following policy, which was approved by the Board of Directors: TTG Advisers will generally give the Company priority with respect to all investment opportunities in (i) mezzanine and debt securities and (ii) equity or other non-debt investments that are (a) expected to be equal to or less than the lesser of 10% of the Company s net assets or $25.0 million, and (b) issued by U.S. companies with less than $150.0 million in revenues during the prior twelve months (MVC Targeted Investments); provided that such priority may be shared with any other investment vehicle managed by TTG Advisers so long as: (i) such vehicle is subject to the Order (defined below) granted to MVC (an Other Vehicle), and (ii) to the extent TTG Advisers determines the opportunity to be suitable and appropriate for each of MVC and the vehicle to participate in such investment at that time, then MVC shall co-invest with the Other Vehicle in such opportunity in accordance with, and subject to, the terms and conditions of the Order. The PE Fund received a priority allocation of all the new equity investments (i.e., not follow-on investments in existing MVC portfolio companies) that would otherwise be Non-Diversified Investments for the Company, which terminated on the deployment of 80% of the committed capital of the PE Fund. 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. In addition, pursuant to a shared services arrangement with PPC Enterprises LLC (PPC), a registered investment adviser (of which Mr. Tokarz is a co-founder and investment team member) that provides advisory services to Series A of Public Pension Capital, LLC (the PPC Fund), a private equity fund, Firm personnel may refer to PPC and the PPC Fund any investment that is not: (i) an MVC Targeted Investment; and (ii) in a company that, at the time of acquisition, has EBITDA in excess of $25 million or is expected to require, either at such time or over time, in excess of $25 million in aggregate equity capital (i.e., an investment that is outside of the PE Fund s investment focus pursuant to its governing documents).

Investment Structure. Portfolio company investments typically will be negotiated directly with the prospective portfolio company or its affiliates. The investment professionals will structure the terms of a proposed investment, including the purchase price, the type of security to be purchased or financing to be provided and the future involvement of the Company and affiliates in the portfolio company s business (including potential representation on its Board of Directors). The investment professionals will seek to structure the terms of the investment as to provide for the capital needs of the portfolio company and at the same time seek to maximize the Company s total return.

Once we have determined that a prospective portfolio company is a suitable investment, we work with the management and, in certain cases, other capital providers, such as senior, junior and/or equity capital providers, to structure an investment. We negotiate on how our investment is expected to relate relative to the other capital in the portfolio company s capital structure.

We make preferred and common equity investments in companies as a part of our investing activities, particularly when we see a unique opportunity to profit from the growth of a company and the potential to enhance our returns. At times, we may invest in companies that are undergoing new strategic initiatives or a restructuring but have several of the above attributes and a management team that we believe has the potential to successfully execute their plans. Preferred equity investments may be structured with a dividend yield, which may provide us with a current return, if earned and received by the Company.

Our senior, subordinated and mezzanine debt investments are tailored to the facts and circumstances of the deal. The specific structure is negotiated over a period of several weeks and is designed to seek to protect our rights and manage our risk in the transaction. We may structure the debt instrument to require restrictive affirmative and negative covenants, default penalties, lien protection, equity calls, take control provisions and board observation. Our debt 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).

Our mezzanine debt investments are typically structured as subordinated loans (with or without warrants) that carry a fixed rate of interest. The loans may have interest-only payments in the early years and payments of both principal and interest in the later years, with maturities of three to ten years, although debt maturities and principal amortization schedules vary.

Our mezzanine debt investments may include equity features, such as warrants or options to buy a minority interest in a portfolio company. Any warrants or other rights we receive with our debt securities generally require only a nominal cost to exercise, and thus, as the portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide minority rights provisions and event-driven puts. We may seek to achieve additional investment return from the appreciation and sale of our warrants.

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Under certain circumstances, the Company or PE Fund may acquire more than 50% of the common stock of a company in a control buyout transaction. In addition to our common equity investment, we may also provide additional capital to the controlled portfolio company in the form of senior loans, subordinated debt or preferred stock.

We fund new investments using cash, proceeds from sales of investments, the reinvestment of accrued interest and dividends in debt and equity securities, or the current reinvestment of interest and dividend income through the receipt of a debt or equity security (payment-in-kind income). From time to time, we may also opt to reinvest accrued interest receivable in a new debt or equity security, in lieu of receiving such interest in cash and funding a subsequent investment. We may also acquire investments through the issuance of common or preferred stock, debt, or warrants representing rights to purchase shares of our common or preferred stock. The issuance of our stock as consideration may provide us with the benefit of raising equity without having to access the public capital markets in an underwritten offering, including the added benefit of the elimination of any commissions payable to underwriters.

Providing Management Assistance. As a business development company, we are required to make managerial assistance available to the companies in our investment portfolio. In addition to the interest and dividends received from our investments, we often generate additional fee income for the structuring, diligence, transaction, administration and management services and financial guarantees we provide to our portfolio companies through the Company or our wholly-owned subsidiary, MVCFS. In some cases, officers, directors and employees of the Company or the Adviser may serve as members of the Board of Directors or Board of Directors observers of portfolio companies. The Company may provide guidance and management assistance to portfolio companies with respect to such matters as budgets, profit goals, business and financing strategies, management additions or replacements and plans for liquidity events for portfolio company investors such as a merger or initial public offering.

Portfolio Company Monitoring. We monitor our portfolio companies closely to determine whether or not they continue to be attractive candidates for further investment. Specifically, we monitor their ongoing performance and operations and provide guidance and assistance where appropriate. We would decline additional investments in portfolio companies that, in TTG Advisers view, do not continue to show promise. However, we may make follow-on investments in portfolio companies that we believe may perform well in the future.

TTG Advisers follows established procedures for monitoring equity and loan investments. The investment professionals have developed a multi-dimensional flexible rating system for all of the Company s portfolio investments. The rating grids are updated regularly and reviewed by the Portfolio Manager, together with the investment team. Additionally, the Company s Valuation Committee (the Valuation Committee) meets at least quarterly, to review a written valuation memorandum and materials for each portfolio company and to discuss business updates. Furthermore, the Company s Chief Compliance Officer administers the Company s compliance policies and procedures, which includes the Company s investments in portfolio companies.

We exit our investments generally when a liquidity event takes place, such as the sale, recapitalization or initial public offering of a portfolio company. Our equity holdings, including shares underlying warrants, after the exercise of such warrants, typically include registration rights, which would allow us to sell the securities if the portfolio company completes a public offering.

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Investment Approval Procedures. Generally, prior to approving any new investment, we follow the process outlined below. We usually conduct one to four months of due diligence and structuring before an investment is considered for approval. However, depending on the type of investment being contemplated, this process may be longer or shorter.

The typical key steps in our investment approval process are:

- Initial investment screening by deal person or investment team;

- Investment professionals present an investment proposal containing key terms and understandings (verbal and written) to the entire investment team;

- Our Chief Compliance Officer reviews the proposed investment for compliance with the 1940 Act, the Code and all other relevant rules and regulations;

- Investment professionals are authorized to commence due diligence;

- Any investment professional can call a meeting, as deemed necessary, to: (i) review the due diligence reports; (ii) review the investment structure and terms; (iii) or to obtain any other information deemed relevant;

- Once all due diligence is completed, the proposed investment is rated using a rating system, which tests several factors including, but not limited to, cash flow, EBITDA growth, management and business stability. We use this rating system as the base line for tracking the investment in the future;

- Our Chief Compliance Officer confirms that the proposed investment will not cause us to violate the 1940 Act, the Code or any other applicable rule or regulation;

- Mr. Tokarz approves the transaction; and

- The investment is funded.

Hedging Transactions. The Company, in the Adviser s complete discretion, may also (but is not obligated to) enter into derivative or other transactions (such as forward, futures or options transactions) seeking to hedge the Company s or a portfolio company s exposure to currency, commodity or other risks.

Employees. Since the effectiveness of the Advisory Agreement on November 1, 2006, the Company has not had any direct employees. TTG Advisers employs 20 individuals, including investment and portfolio management professionals, operations professionals and administrative staff.

OPERATING EXPENSES

During the fiscal year ended October 31, 2018, the Company bore the costs relating to the Company s operations, including fees and expenses of the Independent Directors; fees of unaffiliated transfer agents, registrars and disbursing agents; legal and accounting expenses; costs of printing and mailing proxy materials and reports to shareholders; NYSE fees; management fee; incentive fee, if applicable; travel and due diligence costs related to investments; custodian fees and

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other extraordinary or nonrecurring expenses and other expenses properly payable by the Company. It should be noted that the Company and TTG Advisers had entered into an agreement pursuant to which TTG Advisers would absorb or reimburse operating expenses of the Company to the extent necessary to limit the Company s expense ratio to 3.5% in each of the 2009 and 2010 fiscal years (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, payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund and extraordinary expenses taken as a percentage of the Company s average net assets). 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, 2014 and 2015 fiscal years (Expense Limitation Agreement). On October 29, 2015, the Company and the Adviser agreed, with respect to fiscal year 2016, to lower the expense cap percentage to 3.25% and modify the methodology so that the cap limits the Company s ratio of expenses to total assets less cash (the Modified Methodology), consistent with the asset level used to calculate the base management fee. (The expenses covered by the cap remain unchanged.) The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund 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 waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the Voluntary Waiver). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of October 31, 2018, the Company did not have an investment in an exchange-traded fund. On October 28, 2016, the Board approved the renewal of the Advisory Agreement for the 2017 fiscal year. The Adviser agreed to continue to waive a portion of the base management fee so that it was reduced to 1.50% for fiscal year 2017. Furthermore, the Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal years 2017 through 2019 of 3.25% under the Modified Methodology. In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount[1] 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%.

Under the externalized structure, all investment professionals of TTG Advisers and its staff, when and to the extent engaged in providing services required to be provided by TTG Advisers under the Advisory Agreement and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by TTG Advisers and not by the Company, except that costs or expenses relating to the following items are borne by the Company: (i) the cost and expenses of any independent valuation firm; (ii) expenses incurred by TTG Advisers payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Company and in monitoring the Company s investments and performing due diligence on its prospective portfolio companies, provided, however, the retention

[1] All NAV discount calculations are arrived at by taking the average daily discount to NAV for a quarter (i.e., the discount to the most recently determined NAV per share at which the Company stock price closes on any given day for the quarter based on the prior fiscal quarter s NAV per share).

by TTG Advisers of any third party to perform such services shall require the advance approval of the board (which approval shall not be unreasonably withheld) if the fees for such services are expected to exceed $30,000; once the third party is approved, any expenditure to such third party will not require additional approval from the board; (iii) interest payable on debt and other direct borrowing costs, if any, incurred to finance the Company s investments or to maintain its tax status; (iv) offerings of the Company s common stock and other securities; (v) investment advisory and management fees; (vi) fees and payments due under any administration agreement between the Company and its administrator; (vii) transfer agent and custodial fees; (viii) federal and state registration fees; (ix) all costs of registration and listing the Company s shares on any securities exchange; (x) federal, state and local taxes; (xi) independent directors fees and expenses; (xii) costs of preparing and filing reports or other documents required by governmental bodies (including the SEC); (xiii) costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs; (xiv) the cost of the Company s fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; (xv) direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, independent auditors and outside legal costs; (xvi) the costs and expenses associated with the establishment of a special purpose vehicle; (xvii) the allocable portion of the cost (excluding office space) of the Company s Chief Financial Officer, Chief Compliance Officer and Secretary in an amount not to exceed $200,000, per year, in the aggregate; (xviii) subject to a cap of $150,000 in any fiscal year of the Company, fifty percent of the unreimbursed travel and other related (e.g., meals) out-of-pocket expenses (subject to item (ii) above) incurred by TTG Advisers in sourcing investments for the Company; *provided that*, if the investment is sourced for multiple clients of TTG Advisers, then the Company shall only reimburse fifty percent of its allocable pro rata portion of such expenses; and (xix) all other expenses incurred by the Company in connection with administering the Company s business (including travel and other out-of-pocket expenses (subject to item (ii) above) incurred in providing significant managerial assistance to a portfolio company).

VALUATION OF PORTFOLIO SECURITIES

Pursuant to the requirements of the 1940 Act and in accordance with the Accounting Standards Codification (ASC), *Fair Value Measurements and Disclosures* (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 our Valuation Procedures adopted by the Board of Directors, which are consistent with ASC 820. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors supervision and pursuant to our Valuation Procedures. Our Board of Directors may also hire independent consultants to review our Valuation Procedures or to conduct an independent valuation of one or more of our portfolio investments.

Pursuant to our Valuation Procedures, the Valuation Committee (which is comprised of three Independent Directors) determines fair values of portfolio company investments on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). In doing so, the Committee considers the recommendations of TTG Advisers. 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 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 fiscal year end are not reflected in the valuations reported in this Annual 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 October 31, 2018, approximately 86.45% 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 a public offering of its securities.

Valuation Methodology

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 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.

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.

Our investments are carried at fair value in accordance with ASC 820. 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 the 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 October 31, 2018, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest, but did own two securities in which we have a minority-owned interest.

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

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

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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 par. However, where the enterprise value is less than the remaining principal amount of the loan and all other debt securities, the Valuation Committee may discount the value of such securities to reflect an impairment.

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

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

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

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

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

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

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

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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.

CUSTODIAN

US Bank National Association is the primary custodian (the Primary Custodian) of the Company s portfolio securities. The principal business office of the Primary Custodian is 1555 North River Center Drive, Suite 302, Milwaukee, WI 53212.

Branch Banking and Trust Company (BB&T) also serves as the custodian for certain securities and other assets of the Company. The principal business office of BB&T is 200 West 2nd Street, Winston Salem, North Carolina 27101.

Santander Bank N.A. and Wintrust Bank also serve as custodians for certain assets of the Company. The principal business office of Santander Bank N.A. is 75 State Street, Boston, Massachusetts 02109 and the principal business office of Wintrust Bank is 9700 W. Higgins Road, Suite 800, Rosemont, Illinois 60018.

TRANSFER AGENT AND PLAN AGENT

The Company employs Computershare Ltd. (the Plan Agent) as its transfer agent to record transfers of the shares, maintain proxy records, process distributions and to act as agent for each participant in the Company s dividend reinvestment plan. The principal business office of the Plan Agent is 250 Royall Street, Canton, Massachusetts 02021 and the phone number for the plan agent is (781) 575-2000.

CERTAIN GOVERNMENT REGULATIONS

We operate in a highly regulated environment. The following discussion generally summarizes certain government regulations.

Business Development Company. A business development company is defined and subject to the regulations of the 1940 Act. A business development company must be organized in the United States for the purpose of investing in or lending to primarily private companies and making managerial assistance available to them. A business development company may use capital provided by public shareholders and from other sources to invest in long-term, private investments in businesses.

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As a business development company, we may not acquire any asset other than qualifying assets unless, at the time we make the acquisition, the value of our qualifying assets represents at least 70% of the value of our total assets. In accordance with the 1940 Act, valuation for these purposes are based on the Company s most recently filed quarterly or annual report, as applicable. The principal categories of qualifying assets relevant to our business are:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions):

(a) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(i) is organized under the laws of, and has its principal place of business in, the United States;

(ii) is not an investment company (other than a small business investment company wholly-owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(iii) satisfies one of the following:

- does not have any class of securities with respect to which a broker or dealer may extend margin credit;

- is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company; or

- is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.

(b) is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if:

(i) at the time of the purchase, we own at least 50% of the (x) greatest number of equity securities of such issuer and securities convertible into or exchangeable for such securities; and (y) the greatest amount of debt securities of such issuer, held by us at any point in time during the period when such issuer was an eligible portfolio company; and

(ii) we are one of the 20 largest holders of record of such issuer s outstanding voting securities; or

(c) is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if the aggregate market value of such company s outstanding voting and non-voting common equity is less than $250.0 million.

(2) Securities of any eligible portfolio company that we control.

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(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt maturing in one year or less from the time of investment.

To include certain securities described above as qualifying assets for the purpose of the 70% test, a business development company must make available to the issuer of those securities significant managerial assistance such as providing significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company, or making loans to a portfolio company. We offer to provide managerial assistance to each of our portfolio companies.

As a business development company, the Company is entitled to issue senior securities in the form of stock or senior securities representing indebtedness, including debt securities and preferred stock, as long as each class of senior security has an asset coverage ratio of at least 200% immediately after each such issuance. 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. See Risk Factors. The Company may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Independent Directors and, in some cases, prior approval by the SEC. On July 11, 2000, the SEC granted us an exemptive order permitting us to make co-investments with certain of our affiliates in portfolio companies, subject to certain conditions. Under the exemptive order, the Company is permitted to co-invest in certain portfolio companies with its affiliates, subject to specified conditions. Under the terms of the exemptive order, portfolio companies purchased by the Company and its affiliates are required to be approved by the Independent Directors and are required to satisfy certain other conditions established by the SEC.

As with other companies subject to the regulations of the 1940 Act, a business development company must adhere to certain other substantive ongoing regulatory requirements. A majority of our directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the business development company. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to the company or our shareholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person s office.

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We and TTG Advisers maintain a code of ethics that establishes procedures for personal investment and restricts certain transactions by our personnel. The code of ethics generally does not permit investment by our employees in securities that may be purchased or are held by us. You may read and copy the code of ethics at the SEC s Public Reference Room in Washington, D.C. You may obtain information on operations of the Public Reference Room by calling the SEC at (202) 942-8090. In addition, the code of ethics is available on the EDGAR Database on the SEC Internet site at http://www.sec.gov. You may obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing to the SEC s Public Reference Section, 100 F Street, NE, Washington, D.C. 20549. The code of ethics is also posted on our website at http://www.mvccapital.com.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company unless authorized by vote of a majority of the outstanding voting securities, as defined in the 1940 Act, of our shares. A majority of the outstanding voting securities of a company is defined by the 1940 Act as the lesser of: (i) 67% or more of such company s shares present at a meeting if more than 50% of the outstanding shares of such company are present and represented by proxy, or (ii) more than 50% of the outstanding shares of such company.

We are subject to periodic examinations by the SEC for compliance with the 1940 Act.

ITEM 1A. RISK FACTORS

Investing in MVC Capital involves a number of significant risks relating to our business and investment objective. As a result, there can be no assurance that we will achieve our investment objective.

BUSINESS RISKS

Business risks are risks that are associated with general business conditions, the economy, and the operations of the Company. Business risks are not risks associated with our specific investments or an offering of our securities.

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:

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- 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 October 31, 2018, approximately 86.45% 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.

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

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

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

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

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

Our overall business of making loans or private equity investments may be affected by 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 and unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. Declines in the fair and/or 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

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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/debt 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, 2018, the Company did not have a net capital loss carryforward. The Company had approximately $85.1 million in unrealized losses as of October 31, 2018. If we experience an aggregate 50% shift in the ownership of our common stock from shareholder transactions over a three year period (e.g., if a shareholder acquires 5% or more of our outstanding shares of common stock, or if a shareholder who owns 5% or more of our outstanding shares of common stock significantly increases or decreases its investment in the Company), our ability to utilize our capital loss carryforwards to offset future capital gains may be severely limited. Further, in the event that we are deemed to have failed to meet the requirements to qualify as a RIC, our ability to use our capital loss carryforwards could be adversely affected. Please see Note 12 of our consolidated financial statements Tax Matters for more information.

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

We have operated so as to qualify as a RIC. If we meet source of income, diversification and distribution requirements, we will qualify for effective pass-through tax treatment. We would cease to qualify for such pass-through tax treatment if we were unable to comply with these requirements. In addition, we may have difficulty meeting the requirement to make distributions to our shareholders because in certain cases we may recognize income before or without receiving cash representing such income, such as in the case of debt obligations that are treated as having original issue discount. If we fail to qualify as a RIC, we will have to pay corporate-level taxes on all of our income whether or not we distribute it, which would substantially reduce the amount of income available for distribution to our shareholders, and all of our distributions will be taxed to our shareholders as ordinary corporate distributions. Even if we qualify as a RIC, we generally will be subject to a corporate-level income tax on the income we do not distribute. Moreover, if we do not

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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

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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.

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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;

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- 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 October 31, 2018 at an approximately 27.4% 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.

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

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

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

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

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

We have borrowed from and may continue to borrow from, and issue senior debt securities to, banks, insurance companies and other private and public lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to the claims of our common shareholders. If the value of our assets increases, then leveraging would cause the NAV attributable to our common stock to increase more sharply than it would 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 October 31, 2018, we have outstanding approximately $115.0 million of Senior Notes II (as defined below), due on November 30, 2022. We also have access to leverage through credit facilities.

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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 III (as defined below) 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 October 31, 2018, 1.4% 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. Until a liquidity event occurs, i.e., a sale, public offering or merger, these Legacy Investments will remain in the Company s portfolio.

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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 and 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

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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

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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.

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- *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.

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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 October 31, 2018, the fair value of our largest investment, Crius, including its wholly-owned indirect subsidiary, U.S. Gas (collectively, Crius) comprised 24.4% of our net assets. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may continue to be significantly represented among our investments. To the extent that we have large positions in the securities of a small number of portfolio companies, we are subject to an increased risk of significant loss should the performance or financial condition of these portfolio companies or their respective industries deteriorate. We may also be more susceptible to any single economic or regulatory occurrence as a result of holding large positions in a small number of portfolio companies. See the risk factor below regarding the industry in which Crius operates.

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

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

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

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

When we are a debt or minority equity investor in a portfolio company, we may not be in a position to control or influence 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.

Recent tax legislation may have unanticipated effects on us.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including, a reduction in the corporate income tax rate, a new limitation on the deductibility of interest expense, and significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. The Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business or the business of our portfolio companies.

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

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

Hedging transactions may expose us to additional risks.

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

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***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 Significant Accounting Policies Valuation of Investments, 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 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Effective November 1, 2006, under the terms of the Advisory Agreement, TTG Advisers is responsible for providing office space to the Company and for the costs associated with providing such office space. The Company s offices continue to be located on the second floor of 287 Bowman Avenue, Purchase, NY 10577.

Item 3. LEGAL PROCEEDINGS

We are not currently subject to any material pending legal proceedings.

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Item 4. **MINE SAFETY DISCLOSURES**

Not Applicable.

PART II

Item 5. **MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company s shares of common stock began to trade on the NYSE on June 26, 2000, under the symbol MVC. The Company had 4,323 shareholders on December 14, 2018.

The following table reflects, for the periods indicated, the high and low closing prices per share of the Company s common stock on the NYSE, by quarter.

	QUARTER ENDED	HIGH		LOW	
FISCAL YEAR 2018					
	10/31/18	$	9.87	$	9.05
	07/31/18	$	10.11	$	9.25
	04/30/18	$	10.57	$	9.89
	01/31/18	$	10.96	$	10.50
FISCAL YEAR 2017					
	10/31/17	$	10.80	$	9.82
	07/31/17	$	10.40	$	8.65
	04/30/17	$	9.06	$	8.47
	01/31/17	$	8.80	$	8.24

PERFORMANCE GRAPH

This graph compares the return on our common stock with that of the Standard & Poor s (S&P) 500 Stock Index and the Russell 2000 Financial Index for the fiscal years 2013 through 2018. The graph assumes that, on October 31, 2013, a person invested $10,000 in each of our common stock, the S&P 500 Stock Index, and the Russell 2000 Financial Index. The graph measures total shareholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are reinvested in additional shares of our common stock. Past performance is no guarantee of future results.

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Shareholder Return Performance Graph
Five-Year Cumulative Total Return1

(Through October 31, 2018)

1 Total Return includes reinvestment of dividends through October 31, 2018. Past performance is no guarantee of future results.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

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 (1) 98% of our ordinary income during each calendar year, (2) 98.2% of our capital gains realized in the period from November 1 of the prior year through October 31 of the current year, and (3) all such ordinary income and capital gains for previous years that were not distributed during those years, 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

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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.

On October 10, 2017, the Board detailed its unanimously approved plan to increase shareholder value through, among other things, continued implementation of the Yield-Focused Strategy and increasing the quarterly dividend to $0.15 per share from $0.135 per share.

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 the Plan Agent in additional 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 seeking to pay 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.

The Plan Agent serves as agent for the shareholders in administering the Plan. When we declare a dividend or distribution payable in cash or in additional shares of our common stock, those shareholders participating in the Plan will receive their dividend or distribution in additional shares of our common stock. Such shares will be either newly issued by us or purchased in the open market by the Plan Agent. If the market value of a share of our common stock on the payment date for such dividend or distribution equals or exceeds the NAV per share on that date, we will issue new shares at the NAV. If the NAV exceeds the market price of our common stock, the Plan Agent will purchase in the open market such number of shares of our common stock as is necessary to complete the distribution.

The Plan Agent will maintain all shareholder accounts in the Plan and furnish written confirmation of all transactions. Shares of our common stock in the Plan will be held in the name of the Plan Agent or its nominee and such shareholder will be considered the beneficial owner of such shares for all purposes.

There is no charge to shareholders for participating in the Plan or for the reinvestment of dividends and distributions. We will not incur brokerage fees with respect to newly issued shares issued in connection with the Plan. Shareholders will, however, be charged a pro rata share of any brokerage fee charged for open market purchases in connection with the Plan.

We may terminate the Plan upon providing written notice to each shareholder participating in the Plan at least 60 days prior to the effective date of such termination. We may also materially amend the Plan at any time upon providing written notice to shareholders participating in the Plan at least 30 days prior to such amendment (except when necessary or appropriate to comply with applicable law or rules and policies of the SEC or other regulatory authority). You may withdraw from the Plan upon providing notice to the Plan Agent. You may obtain additional information about the Plan from the Plan Agent. Below is a description of our dividends declared during fiscal years 2017 and 2018:

For the Quarter Ended January 31, 2017

On December 20, 2016, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on January 6, 2017 to shareholders of record on December 30, 2016 and totaled approximately $3.0 million.

During the quarter ended January 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,676 shares of our common stock at an average price of $8.56, 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, 2017

On April 13, 2017, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on April 28, 2017 to shareholders of record on April 24, 2017 and totaled approximately $3.0 million.

During the quarter ended April 30, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,451 shares of our common stock at an average price of $9.01, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended July 31, 2017

On July 14, 2017, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on July 31, 2017 to shareholders of record on July 24, 2017 and totaled approximately $3.0 million.

During the quarter ended July 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 6,597 shares of our common stock at an average price of $10.32, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended October 31, 2017

On October 10, 2017, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on October 31, 2017 to shareholders of record on October 24, 2017 and totaled approximately $3.2 million.

During the quarter ended October 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,611 shares of our common stock at an average price of $10.80, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended January 31, 2018

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

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

For the Quarter Ended April 30, 2018

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

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

For the Quarter Ended July 31, 2018

On July 16, 2018, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on July 31, 2018 to shareholders of record on July 26, 2018 and totaled approximately $2.8 million.

During the quarter ended July 31, 2018, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 9,024 shares of our common stock at an average price of $9.52, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended October 31, 2018

On October 15, 2018, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on October 31, 2018 to shareholders of record on October 25, 2018 and totaled approximately $2.7 million.

During the quarter ended October 31, 2018, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 9,655 shares of our common stock at an average price of $9.10, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

The Company designated 1.67% of dividends declared and paid during the fiscal year ended October 31, 2018 from net operating income as qualified dividend income under the Jobs Growth and Tax Relief Reconciliation Act of 2003.

Corporate shareholders may be eligible for a dividend received deduction for certain ordinary income distributions paid by the Company. The Company designated 1.67% of dividends declared and paid during the fiscal year ended October 31, 2018 from net operating income as qualifying for the dividends received deduction. The information necessary to prepare and complete shareholder s tax returns for the 2018 calendar year will be reported separately on form 1099-DIV, if applicable, in February 2019.

The Company reserves the right to retain net long-term capital gains in excess of net short-term capital losses for reinvestment or to pay contingencies and expenses. Such retained amounts, if any, will be taxable to the Company, and shareholders will be able to claim their proportionate share of the federal income taxes paid by the Company on such gains as a credit against their own federal income tax liabilities. Shareholders will also be entitled to increase the adjusted tax basis of their company shares by the difference between their undistributed capital gains and their tax credit.

PURCHASES OF COMMON STOCK

In fiscal 2018, as part of the Plan, we directed the Plan Agent to purchase a total of 34,698 shares of our common stock for an aggregate amount of $341,237 in the open market in order to satisfy the reinvestment portion of our dividends. The following chart outlines purchases of our common stock during fiscal 2018.

Quarter Ended	**Total Number of Shares Purchased**	**Average Price paid Per Share Including Commission**	
10/31/2018	9,655	$	9.10
7/31/2018	9,024	$	9.52
4/3/2018	8,349	$	10.10
1/31/2018	7,670	$	10.84

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 17, 2018, the Company s Board of Directors approved the Company s implementation of a $10 million stock repurchase program (the Repurchase Program). The program was to be completed by the end of the 2018 calendar year and could consist of an issuer tender offer and/or open market repurchases. See Subsequent Events. The offer price of any tender offer would be determined prior to the commencement of the offer based upon market and other factors. 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 a Rule 10b5-1 Stock Repurchase Plan (the 10b5-1 Plan) that qualifies for the safe harbors provided by Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934 (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.

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The following table represents open-market purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 through fiscal year ended October 31, 2018.

Period *	Total Number of Shares Purchased	Average Price Paid per Share including commission	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Purchased Under the Program
For the Year Ended October 31, 2013	1,299,294	$ 12.83	1,299,294	$ 16,673,207
For the Year Ended October 31, 2014	310,706	$ 13.24	1,610,000	$ 4,114,967
For the Year Ended October 31, 2015			1,610,000	
For the Year Ended October 31, 2016	146,409	$ 8.31	1,756,409	$ 1,216,746
For the Year Ended October 31, 2017				
For the Year Ended October 31, 2018	627,724	$ 9.45	2,384,133	$ 5,930,011
Total	2,384,133	$ 11.72	2,384,133	$ 27,934,931

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

TENDER OFFERS

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

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

Item 6. **SELECTED CONSOLIDATED FINANCIAL DATA**

Financial information for the fiscal years ended October 31, 2018, 2017, 2016, 2015 and 2014 are derived from the consolidated financial statements. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments

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(consisting only of normal recurring adjustments), which are necessary to present fairly the results for such interim periods. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for more information.

Selected Consolidated Financial Data

	Year Ended October 31,				
	2018	2017	2016	2015	2014
	(In thousands, except per share data)				
Operating Data:					
Interest and related portfolio income:					
Interest and dividend income	$ 21,521	$ 17,273	$ 32,698	$ 20,402	$ 15,311
Fee income	280	1,683	3,255	2,048	1,562
Fee income - asset management	1,084	1,138	1,414	1,249	1,910
Other income		10			1,033
Total operating income	22,885	20,104	37,367	23,699	19,816
Expenses:					
Management fee	5,890	6,238	7,590	7,845	8,681
Portfolio fees - asset management	529	609	741	767	986
Management fee - asset management	284	245	319	160	354
Administrative	4,143	4,433	4,253	5,305	3,672
Interest and other borrowing costs	10,739	10,288	10,212	10,230	9,442
Loss on extinguishment of debt	1,783				
Net Incentive compensation (Note 5)	(2,061)	5,598	(2,030)	(9,757)	(4,750)
Total operating expenses	21,307	27,411	21,085	14,550	18,385
Expense waiver by Advisor	(150)	(150)	(150)	(150)	(150)
Voluntary management fee waiver by Advisor	(2,032)	(1,560)	(1,897)		
Voluntary incentive fee waiver by Advisor			(1,000)		
Total waiver by adviser	(2,182)	(1,710)	(3,047)	(150)	(150)
Total net operating expenses	19,125	25,701	18,038	14,400	18,235
Net operating income (loss) before taxes	3,760	(5,597)	19,329	9,299	1,581
Tax expense, net	2	2	2	2	2
Net operating income (loss)	3,758	(5,599)	19,327	9,297	1,579
Net realized and unrealized (loss) gain:					
Net realized gain (loss) on investments	203	89,896	(45,157)	3,700	16,520
Net unrealized (depreciation) appreciation on investments	(14,494)	(56,973)	28,628	(50,557)	(37,941)
Net realized and unrealized (loss) gain on investments	(14,291)	32,923	(16,529)	(46,857)	(21,421)
Net (decrease) increase in net assets resulting from operations	$ (10,533)	$ 27,324	$ 2,798	$ (37,560)	$ (19,842)

Per Share:										
Net (decrease) increase in net assets per share resulting from operations	$	(0.55)	$	1.22	$	0.12	$	(1.66)	$	(0.88)
Dividends per share	$	(0.600)	$	0.555	$	0.710	$	0.540	$	0.540
Balance Sheet Data:										
Portfolio at value	$	324,507	$	292,525	$	360,120	$	400,876	$	447,630
Portfolio at cost		409,632		363,218		374,712		443,717		439,970
Total assets		347,078		403,409		434,491		516,842		577,713
Shareholders equity		226,723		279,489		279,558		294,076		343,903
Shareholders equity per share (net asset value)	$	12.46	$	13.24	$	12.39	$	12.95	$	15.15
Common shares outstanding at period end		18,193		21,114		22,556		22,703		22,703
Other Data:										
Number of Investments funded in period		14		7		15		13		24
Investments funded ($) in period	$	63,003	$	12,650	$	43,968	$	62,591	$	103,671
Repayment/sales in period		22,596		116,012		75,105		65,247		62,508
Net investment activity in period		40,407		(103,362)		(31,137)		(2,656)		41,163

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	2018				2017				2016			
	Qtr 4	Qtr 3	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	5,967	6,211	5,500	5,207	5,490	7,305	3,929	3,380	5,417	8,005	15,855	8,090
Management fee	1,496	1,487	1,496	1,411	1,335	1,393	1,696	1,814	1,721	1,932	1,958	1,979
Portfolio fees - asset management	122	112	148	147	148	146	138	177	183	185	186	187
Management fee - asset management	81	70	66	67	67	67	49	62	72	60	86	101
Administrative	922	1,070	856	1,295	983	804	1,172	1,474	802	1,319	1,174	958
Interest, fees and other borrowing costs	2,238	2,403	2,981	3,117	2,495	2,649	2,606	2,538	2,598	2,488	2,497	2,629
Loss on extinguishment of debt				1,783								
Net Incentive compensation		(1,316)	(1,012)	267	(1,224)	5,077	985	760	577	(1,512)	1,135	(2,230)
Total waiver by adviser	(598)	(595)	(599)	(390)	(372)	(386)	(461)	(491)	(467)	(521)	(1,527)	(532)
Tax expense	1		1		1			1	1		1	
Net operating income (loss) before net realized and unrealized gains	1,705	2,980	1,563	(2,490)	2,057	(2,445)	(2,256)	(2,955)	(70)	4,054	10,345	4,998
Net (decrease) increase in net assets resulting from operations	(2,220)	(5,870)	(3,393)	950	(4,028)	23,906	3,069	4,377	5,279	(3,536)	6,046	(4,991)
Net (decrease) increase in net assets resulting from operations per share	(0.10)	(0.32)	(0.18)	0.05	(0.17)	1.06	0.14	0.19	0.23	(0.16)	0.26	(0.21)
Net asset value per share	12.46	12.62	13.09	13.42	13.24	13.38	12.45	12.45	12.39	12.27	12.56	12.43

Item 7. 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.

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, though our current focus is more on yield generating investments.

On November 6, 2003, Mr. Tokarz assumed his positions as Chairman and Portfolio Manager of the Company. He and the Company s management team 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, among other investments. During the fiscal year ended October 31, 2017, the Company made one new and follow-on investments in four existing portfolio companies totaling approximately $7.5 million. During the fiscal year ended October 31, 2018, the Company made six new investments and follow-on investments in eight existing portfolio companies totaling approximately $62.3 million.

Prior to the adoption of our current investment objective, the Company s investment objective had been to achieve long-term capital appreciation from venture capital investments in information technology companies. The Company s investments had thus previously focused on investments in equity and debt securities of information technology companies. As of October 31, 2018, 1.4% of the current fair value of our assets consisted of Legacy Investments. We are, however, managing 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. More recently, the Company has been focusing its strategy more on yield generating investments. Under our investment approach, we have the authority to invest, without limit, in any one portfolio company, subject to any diversification limits required in order for us to continue to qualify as a RIC under Subchapter M of the Code. Presently, due to our asset growth and composition, compliance with the RIC requirements limits our ability to make Non-Diversified Investments.

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

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 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

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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.

OPERATING INCOME

For the Fiscal Years Ended October 31, 2018, 2017 and 2016. Total operating income was $22.9 million for the fiscal year ended October 31, 2018 and $20.1 million for the fiscal year ended October 31, 2017, an increase of approximately $2.8 million. Fiscal year 2017 operating income decreased by approximately $17.3 million compared to Fiscal year 2016 operating income of $37.4 million.

For the Fiscal Year Ended October 31, 2018

Total operating income was $22.9 million for the fiscal year ended October 31, 2018. The increase in operating income over the same period last year was primarily due to the increase in dividend income and the increase in interest earned on loans from the Company s portfolio

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companies, reflecting the continued transition to the Yield-Focused Strategy. The Company earned approximately $19.4 million in interest income from investments in portfolio companies. Of the $19.4 million recorded in interest income, approximately $3.6 million was payment in kind interest. The payment in kind is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company s debt investments yielded annualized rates from 5.0% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $1.1 million and fee income from the Company s portfolio companies of approximately $280,000, totaling approximately $1.4 million in fee income. Of the $1.1 million of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund s agreements, a significant portion of the portfolio fees that are paid by the PE Fund s portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

For the Fiscal Year Ended October 31, 2017

Total operating income was $20.1 million for the fiscal year ended October 31, 2017. The decrease in operating income over the same period last year was primarily due to the decrease in dividend income and the decrease in interest earned on loans and fee income from the Company s portfolio companies. The Company earned approximately $17.3 million in interest and dividend income from investments in portfolio companies. Of the $17.3 million recorded in interest/dividend income, approximately $700,000 was dividend income and $2.2 million was payment in kind interest. The payment in kind is computed at the contractual rate specified in each investment agreement and may be added to the principal balance of each investment. The Company s debt investments yielded annualized rates from 5.0% to 16.0%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $1.1 million and fee income from the Company s portfolio companies of approximately $1.7 million, totaling approximately $2.8 million in fee income. Of the $1.1 million of fee income from asset management activities, 75% of the income is obligated to be paid to TTG Advisers. However, under the PE Fund s agreements, a significant portion of the portfolio fees that are paid by the PE Fund s portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

For the Fiscal Year Ended October 31, 2016

Total operating income was $37.4 million for the fiscal year ended October 31, 2016. The increase in operating income over the same period last year was primarily due to an increase in dividend income and fee income from the Company s portfolio companies. The Company earned approximately $32.7 million in interest and dividend income from investments in portfolio companies. Of the $32.7 million recorded in interest/dividend income, $12.5 million was dividend income from U.S. Gas and approximately $4.8 million was payment in kind /deferred interest. The payment in kind /deferred 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 $1.4 million and fee income from the Company s portfolio companies of approximately $3.3 million, of which $2.3 million was one-time fee income related to the Ohio Medical sale, totaling approximately $4.7 million in fee income. Of the $1.4 million of fee income

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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 Fiscal Years Ended October 31, 2018, 2017 and 2016. Net Operating expenses were $19.1 million for the fiscal year ended October 31, 2018 and $25.7 million for the fiscal year ended October 31, 2017, a decrease of $6.6 million. Fiscal year 2017 operating expenses increased by approximately $7.7 million compared to fiscal year 2016 operating expenses of $18.0 million.

For the Fiscal Year Ended October 31, 2018

Operating expenses, net of the Voluntary Waivers, were approximately $19.1 million or 7.70% of the Company s average net assets for the fiscal year ended October 31, 2018. Significant components of operating expenses for the fiscal year ended October 31, 2018 were interest and other borrowing costs of approximately $10.7 million and management fee expense paid by the Company of approximately $3.9 million, which is net of the voluntary management fee waiver of approximately $2.0 million.

The approximately $6.6 million decrease in the Company s net operating expenses for the fiscal year ended October 31, 2018 compared to the same period in 2017, was primarily due to the approximately $7.7 million decrease in the provision for incentive compensation expense and an approximately $821,000 decrease in management fee expense paid by the Company, including the voluntary management fee waiver. These decreases were partially offset by increases in interest and other borrowing costs of approximately $452,000 and approximately $1.8 million in unamortized deferred financing fees for the Senior Notes that were expensed at the time they were repaid. The Company incurred approximately $800,000 of additional interest expense for a brief period during the fiscal year ended October 31, 2018, when both the Senior Notes and Senior Notes II were outstanding at the same time. Also during the period, the Company recorded approximately $870,000 of additional interest expense associated with the deferred tax liability resulting from the installment sale treatment applied to the realized gain associated with the U.S. Gas note. The interest expense is required to be paid under IRS Code section 453A. The $870,000 is comprised of the calculated interest expense for fiscal year 2017 as well as an estimate for the fiscal year ended October 31, 2018. The Company has discussed with the IRS whether the IRS would be willing to issue a ruling to the Company that the Company is not liable for this interest expense given its pass-through status as a Regulated Investment Company. The Company has not yet received a response from the IRS, but has determined to record the associated interest expense during the period. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 31, 2017, the Board approved the renewal of the Advisory Agreement for the 2018 fiscal year. The Company and the Adviser agreed on an expense cap for fiscal 2017 of 3.25% under the Modified Methodology. For fiscal years 2018 and 2019, the Adviser has agreed to continue the 3.25% expense cap under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio

Management Agreement between the GP and TTG Advisers respecting the PE Fund continues to be excluded from the calculation of the Company s expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2018, TTG Advisers voluntarily agreed to extend the Voluntary Waiver. TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of October 31, 2018, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the fiscal year ended October 31, 2018, the Company s annualized expense ratio was 2.70%, (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 discount[2] 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 October 31, 2018, the effective management fee was 1.25%.

Pursuant to the terms of the Advisory Agreement, during the fiscal year ended October 31, 2018, the provision for incentive compensation was decreased by a net amount of approximately $2.1 million to $0, including both the pre-incentive fee net operating income (the Income Incentive Fee) and the capital gain incentive fee. The net decrease in the provision for incentive compensation reflects the realized loss on the U.S. Gas loan, the realized gain on the Centile equity and the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Advantage, Dukane, Equus, HTI, Initials, JSC Tekers, MVC Environmental, RuMe, Security Holdings, Trientis, Turf, U.S. Gas, SCSD, U.S. Tech, Centile escrow and Crius) by a total of approximately $23.7 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of five of the Company s portfolio investments (Centile, Custom Alloy, Highpoint, Legal Solutions and MVC Automotive) by a total of approximately $8.1 million. Also, for the quarter ended October 31, 2018, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. As discussed in Realized Gains and Losses on Portfolio Securities, on July 5, 2017, the Company realized a gain of approximately $115.9 million from the sale of U.S. Gas (the U.S. Gas Sale). Under the Advisory Agreement, this transaction triggered an incentive compensation payment obligation to TTG Advisers, which payment, under the Advisory Agreement, was not required to be made until soon after the completion of the audit of the fiscal 2017 financials. The fiscal 2017 incentive fee payment obligation to TTG Advisers was approximately $4.4 million. The portion of the payment obligation attributable to the cash portion of the realized gain, $1.9 million, was paid following the audit of the fiscal 2017 financials per the Advisory Agreement. Please see Note 5 of our consolidated financial statements Incentive Compensation for more information, particularly on the deferred collection of the incentive fee payment on the Deferred Portion (defined below). 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

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[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.

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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.

For the Fiscal Year Ended October 31, 2017

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $25.7 million or 9.03% of the Company s average net assets for the fiscal year ended October 31, 2017. Significant components of operating expenses for the fiscal year ended October 31, 2017 were interest and other borrowing costs of approximately $10.3 million, net incentive compensation expense of approximately $5.6 million and management fee expense paid by the Company of approximately $4.7 million, which is net of the voluntary management fee waiver of approximately $1.6 million.

The approximately $7.7 million increase in the Company s net operating expenses for the fiscal year ended October 31, 2017 compared to the same period in 2016, was primarily due to the approximately $8.6 million increase in the estimated provision for incentive compensation expense, which takes into account the $1.0 million incentive fee waiver in 2016 and was partially offset by a decrease in management fee expense paid by the Company of approximately $1.0 million, including the voluntary management fee waiver. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 31, 2017, the Board approved the renewal of the Advisory Agreement for the 2018 fiscal year. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first $1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the $1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. As such, a $1.0 million incentive fee waiver was recorded during the quarter ended April 30, 2016 resulting in a net $1.1 million provision being recorded for the net operating income portion of the incentive fee. During the fiscal year ended October 31, 2017, the Company paid the Adviser the previously accrued $1.1 million incentive fee payment related to the net operating income for the quarter ended April 30, 2016. The Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal 2017 of 3.25% under the Modified Methodology. For fiscal year 2018, the Adviser has agreed to continue the 3.25% expense cap under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund continues to be excluded from the calculation of the Company s expense ratio under the Expense Limitation Agreement. In addition, for fiscal years 2010 through 2017, TTG Advisers voluntarily agreed to 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 October 31, 2017, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the fiscal year ended October 31, 2017, the Company s expense ratio was 2.93%, (taking into account the same carve outs as those applicable to the expense cap). In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount[3] 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%.

Pursuant to the terms of the Advisory Agreement, during the fiscal year ended October 31, 2017, the provision for incentive compensation was increased by a net amount of approximately $4.5 million to approximately $6.4 million, including both the pre-incentive fee net operating income and the capital gains incentive fee. The net increase in the provision for incentive compensation during the fiscal year ended October 31, 2017, primarily reflects the realized gain from the sale of U.S. Gas above the October 31, 2016 fair value and the Valuation Committee s determination to increase the fair values of twelve of the Company s portfolio investments (Advantage, Centile, Custom Alloy, Dukane, JSC Tekers, Legal Solutions, Morey s, MVC Automotive, Pride, Quantum, U.S. Tech and Equus) by a total of approximately $14.1 million. The net increase in the provision also reflects the Valuation Committee s determination to decrease the fair values of eleven of the Company s portfolio investments (BAC, HTI, Initials, MVC Environmental, RuMe, Turf, SCSD, Vestal, Security Holdings, SGDA Europe and Crius) by a total of approximately $14.5 million. Also, for the quarter ended October 31, 2017, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. On July 5, 2017 and as discussed in Realized Gains and Losses on Portfolio Securities, the Company realized a gain of $115.9 million from the sale of U.S. Gas (the U.S. Gas Sale). Under the Advisory Agreement, this transaction triggered an incentive compensation payment obligation to TTG Advisers, which payment, under the Advisory Agreement, was not required to be made until soon after the completion of the audit of the fiscal 2017 financials in this Report. The fiscal 2017 incentive fee payment obligation to TTG Advisers was approximately $4.4 million. The Adviser has voluntarily agreed to defer the timing for collection of the portion of this payment obligation attributable to the portions of the proceeds of the U.S. Gas Sale not represented by cash proceeds (the Deferred Portion). There has not been a definitive determination as to the timing of the ultimate collection of the Deferred Portion. Please see Note 5 of our consolidated financial statements Incentive Compensation for more information.

For the Fiscal Year Ended October 31, 2016

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $18.0 million or 6.35% of the Company s average net assets for the fiscal year ended October 31, 2016. Significant components of operating expenses for the fiscal year ended October 31, 2016 were interest and other borrowing costs of approximately $10.2 million and management fee expense paid by the Company of approximately $5.7 million, which is net of the voluntary management fee waiver of approximately $1.9 million.

The approximately $3.6 million increase in the Company s net operating expenses for the fiscal year ended October 31, 2016 compared to the same period in 2015, was primarily due to the approximately $6.7 million increase in the estimated provision for incentive compensation expense,

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[3] All NAV discount calculations are arrived at by taking the average daily discount to NAV for a quarter (i.e., the discount to the most recently determined NAV per share at which the Company stock price closes on any given day for the quarter based on the prior fiscal quarter s NAV per share).

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including a $1.0 million incentive fee waiver for the fiscal year ended October 31, 2016, which was partially offset by an approximately $2.2 million decrease in management fee expense that included a voluntary management fee waiver of approximately $1.9 million. The approximately $1.0 million decrease in audit and tax preparation fees for the fiscal year ended October 31, 2016 compared to the same period in 2015 was due to the delay in filing both the Annual Report on Form 10-K for the fiscal year ended October 31, 2015 and the Quarterly Report for the period ended January 31, 2016 and the timing of the work performed by the Company s auditors during the fiscal year ended October 31, 2016. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. On October 28, 2016, the Board approved the renewal of the Advisory Agreement for the 2017 fiscal year. Further, the Adviser agreed to continue to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2017. 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 2017 of 3.25% under the Modified Methodology. The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE 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 2016, 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 October 31, 2016, the Company did not have an investment in an exchange traded fund. Under the Modified Methodology, for the fiscal year ended October 31, 2016, the Company s expense ratio was 2.47%, (taking into account the same carve outs as those applicable to the expense cap).

Pursuant to the terms of the Advisory Agreement, during the fiscal year ended October 31, 2016, the provision for incentive compensation was decreased by a net amount of approximately $3.0 million to approximately $1.9 million, including both the net operating income portion of the incentive fee and the capital gains portion of the incentive fee. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2016 primarily reflects the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Custom Alloy, MVC Automotive, Security Holdings, SGDA Europe, Tekers, Turf, JSC Tekers, RuMe, BAC, Biogenics, Morey s, Ohio Medical, Equus, Legal Solutions, MVC Environmental and Initials) by a total of approximately $32.0 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of ten of the Company s portfolio investments (NPWT, Centile, SCSD, Agri-Carriers, RX, U.S. Gas, Advantage, Thunderdome, U.S. Tech and Vestal) by a total of approximately $8.5 million. For the fiscal year ended October 31, 2016, no incentive compensation was paid. For the quarter ended April 30, 2016, a $2.1 million provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income exceeded the hurdle rate. A $1.0 million incentive fee waiver was recorded during the quarter ended April 30, 2016 resulting in a net $1.1 million provision being recorded for the net operating income portion of the incentive fee. For the quarter ended October 31, 2016, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. Please see Note 5 of our consolidated financial statements Incentive Compensation for more information.

REALIZED GAINS AND LOSSES ON PORTFOLIO SECURITIES

For the Fiscal Years Ended October 31, 2018, 2017 and 2016. Net realized gains for the fiscal years ended October 31, 2018 and 2017 were approximately $203,000 and approximately $89.9 million, respectively, a decrease of approximately $89.7 million. Net realized losses for the fiscal year ended October 31, 2016 were $45.2 million.

For the Fiscal Year Ended October 31, 2018

Net realized gains for the fiscal year ended October 31, 2018 were approximately $203,000. The Company s net realized gains were primarily due to the realized gain on the sale of the Centile common equity of approximately $3.5 million, which was partially offset by the realized loss of approximately $3.0 million on the U.S. Gas second lien loan due to a working capital adjustment. The second lien loan is still subject to indemnification adjustments.

During the fiscal year ended October 31, 2018, the Company also recorded net realized losses of approximately $95,000 from the sale of certain short-term investments and net realized losses of approximately $223,000 from its escrow receivables.

For the Fiscal Year Ended October 31, 2017

Net realized gains for the fiscal year ended October 31, 2017 were approximately $89.9 million. The Company s net realized gains for the fiscal year ended October 31, 2017 were primarily due to realized gains of approximately $115.9 million from the sale of U.S. Gas and approximately $10.2 million on the sale of AccuMed Corp., a portfolio company of the PE Fund, which were partially offset by realized losses of $27.5 million from the SGDA Europe conversion and the sale of two legacy investments, Actelis Network, Inc. (Actelis) and Mainstream Data Inc. (Mainstream), totaling $8.7 million.

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

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

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

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

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

On July 5, 2017, the Company received gross consideration for its investment in U.S. Gas valued at approximately $127.4 million, including approximately $11.0 million for the repayment of its two outstanding loans from the Company. The fair value of the consideration received by the Company for its equity investment in U.S. Gas was $116.4 million. As a result of the gross consideration received, the Company realized a gain of approximately $115.9 million. The $116.4 million was comprised of: (i) cash of approximately $50.0 million; (ii) 9.5% second-lien callable notes due in July 2025 with a face amount of approximately $40.5 million (before certain post-closing and indemnification adjustments, if any); and (iii) 3,282,982 Crius trust units valued at approximately $25.9 million on the date of closing.

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

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

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

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

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

During the fiscal year ended October 31, 2017, the Company recorded net realized gains of approximately $230,000 from the sale of certain short-term investments and approximately $1.3 million from its escrow receivables.

For the Fiscal Year Ended October 31, 2016

Net realized losses for the fiscal year ended October 31, 2016 were approximately $45.2 million. The Company s net realized loss for the fiscal year ended October 31, 2016 was primarily due to realized losses of approximately $30.5 million on the sale of Ohio Medical common and preferred stock, approximately $6.2 million on the Inland senior secured loan and warrant and approximately $5.6 million on the G3K loan and warrant.

On December 22, 2015, the Company realized a loss of approximately $1.5 million as a result of the dissolution of Biovation.

On December 24, 2015, the Company realized losses of approximately $5.5 million on Inland s senior secured loan and $713,000 on its warrants as part of Inland s restructuring. As part of the restructuring, the Company received a $6.0 million senior secured loan from MVC Environmental, Inc. and received 950 of its common shares. The loan bears annual interest of 9% and matures on December 22, 2020.

On December 31, 2015, the Company completed the sale of Ohio Medical through an asset sale. The Company expects gross proceeds of approximately $40.0 million, including fees. At the time of closing, the Company received cash proceeds of approximately $29.0 million and anticipates receiving an additional $11.0 million, assuming the full receipt of all escrow proceeds scheduled for various periods, with the final release of payment scheduled for 18 months from the closing.

On May 31, 2016, the Company realized a loss of approximately $1.2 million with the dissolution of NPWT.

On October 31, 2016, the Company realized a loss of approximately $5.6 million on its investment in G3K.

During the fiscal year ended October 31, 2016, the Company also recorded net realized gains of approximately $126,000 with the sale of its short-term investments and net realized losses of approximately $360,000 on its escrow receivables.

UNREALIZED APPRECIATION AND DEPRECIATION ON PORTFOLIO SECURITIES

For the Fiscal Years Ended October 31, 2018, 2017 and 2016. The Company had a net change in unrealized depreciation on portfolio investments for fiscal years ended October 31, 2018 and 2017 of approximately $14.5 million and $57.0 million, respectively, a decrease of approximately $42.5 million. The Company had a net change in unrealized appreciation on portfolio investments of $28.6 million for the fiscal year ended October 31, 2016.

For the Fiscal Year Ended October 31, 2018

The Company had a net change in unrealized depreciation on portfolio investments of approximately $14.5 million for the fiscal year ended October 31, 2018. The net change in unrealized depreciation for the fiscal year ended October 31, 2018 was the result of the reversal of the unrealized appreciation on the Centile equity interest of approximately $3.3 million (as a result of the Company s sale of the Centile equity interest) and the Valuation Committee determination to decrease the fair value of the Company s investments in: Advantage preferred stock by approximately $61,000, Dukane loan by approximately $29,000, Folio*fn* preferred stock by $414,000, HTI loan by approximately $80,000, Initials loan by approximately $2.5 million, JSC Tekers preferred stock by approximately $117,000, MVC Environmental loan and letter of credit by a total of approximately $6.4 million, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $3.7 million, Security

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Holdings equity interest and letter of credit by a total of $685,000, Trientis loan and warrant by a total of approximately $932,000, Turf loans by approximately $319,000, U.S. Gas loan by approximately $1.1 million, SCSD common stock by approximately $134,000 and the U.S. Tech loan by $55,000. The market values of Crius and Equus decreased by approximately $5.3 million and $2.1 million, respectively. 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: Centile equity interest by $491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letter of credits by a total of approximately $6.0 million, Highpoint loan by approximately $150,000, Legal Solutions loan by approximately $3,500, MVC Automotive equity interest by approximately $1.5 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 $2.2 million.

For the Fiscal Year Ended October 31, 2017

The Company had a net change in unrealized depreciation on portfolio investments of approximately $57.0 million for the fiscal year ended October 31, 2017. The primary components of the net change in unrealized depreciation for the fiscal year ended October 31, 2017 were the reversal of the unrealized appreciation on the U.S. Gas convertible series I preferred stock of approximately $88.9 million (due to the sale of U.S. Gas), the general partnership interest and limited partnership interest in the PE Fund by a total of approximately $6.5 million, the Turf equity interest of approximately $456,000 and the Vestal common stock and warrant totaling approximately $750,000. These reversals were partially offset by the reversal of the unrealized depreciation on the Tekers common stock and loan of approximately $2.3 million, the Biogenic loan and warrant totaling approximately $1.3 million, the Actelis common stock of $5.0 million, the Mainstream common stock of approximately $3.8 million and the SGDA Europe common equity interest by approximately $27.7 million. The net change is also a result of the Valuation Committee determination to decrease the fair value of the Company s investments in: BAC common stock by approximately $55,000, Foliofn preferred stock by $533,000, HTI loan by approximately $112,000, Initials loan by approximately $444,000, MVC Environmental common stock by approximately $1.7 million, loan by approximately $2.0 million and letter of credit by approximately 9,000, RuMe series C preferred stock by approximately $619,000, common stock by approximately $137,000, series B-1 preferred stock by approximately $9,000 and letter of credit by approximately $345,000, Security Holdings equity interest by approximately $3.0 million, Turf loan by approximately $14,000, SCSD common stock by $1.1 million, Vestal loan by approximately $57,000, common stock by approximately $54,000 and warrant by approximately $62,000, SGDA Europe common equity interest by approximately $431,000 and the Crius equity units by approximately $4.8 million. These changes in unrealized depreciation were partially off-set by the Valuation Committee determination to increase the fair value of the Company s investments in: Advantage preferred stock by approximately $592,000, Centile equity interest by $1.4 million, Custom Alloy second lien and unsecured loans by a total of approximately $732,000, Dukane loan by approximately $73,000, JSC Tekers preferred stock by approximately $466,000, Legal Solutions loan by approximately $244,000, Morey s loan by approximately $2.7 million, MVC Automotive equity interest by approximately $3.9 million, Pride loan by approximately $51,000, Quantum loan by approximately $323,000 and warrant by approximately $1.0 million, U.S. Tech loan by $5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.7 million, RuMe warrants by approximately $348,000 and guarantee by approximately $81,000, Turf guarantee by approximately $3,000 and the Equus common stock by approximately $2.5 million.

For the Fiscal Year Ended October 31, 2016

The Company had a net change in unrealized appreciation on portfolio investments of approximately $28.6 million for the fiscal year ended October 31, 2016. The change in unrealized appreciation for the fiscal year ended October 31, 2016 primarily resulted from the reversal of the unrealized depreciation on the Ohio Medical common and preferred stock, Inland senior secured loan and warrants, the Biovation bridge loan and warrant, G3K loan and the NPWT common and preferred stock by a total of approximately $45.4 million. The net change is also a result of the Valuation Committee determination to increase the fair value of the Company s investments in: Turf guarantee by approximately $27,000, RuMe series B-1 preferred stock by $349,000 and warrant by approximately $718,000, Agri-Carriers loan by approximately $95,000, Thunderdome loan by $30,000, Equus common stock by approximately $667,000, U.S. Tech loan by $50,000, Vestal loan by approximately $57,000, common stock by approximately $427,000 and warrants by approximately $438,000, U.S. Gas preferred stock series I by $5.7 million, Advantage preferred stock by approximately $289,000, Folio*fn* preferred stock by approximately $344,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $3.3 million, NPWT preferred stock by $4,000, Centile equity interest by $474,000, RX loan by approximately $230,000 and SCSD common stock by $750,000. These changes in unrealized appreciation were partially off-set by the Valuation Committee determination to decrease the fair value of the Company s investments in: Custom Alloy second lien and unsecured loans by a total of approximately $6.5 million, MVC Automotive equity interest by approximately $2.7 million, RuMe common stock by approximately $384,000, series C preferred stock by $632,000 and guarantee by approximately $278,000, SGDA Europe equity interest by approximately $4.8 million, Tekers common stock by $342,000 and loan by approximately $28,000, Initials loan by approximately $65,000, Turf loan by approximately $107,000, MVC Environmental common stock by $1.5 million, Security Holdings equity interest by $10.4 million, JSC Tekers preferred stock by approximately $1.3 million and common stock by $4,000, Biogenic warrant and loans by a total of approximately $2.4 million, Morey s loan by approximately $323,000, Legal Solutions loan by approximately $129,000 and BAC common stock by approximately $500,000.

PORTFOLIO INVESTMENTS

For the Fiscal Years Ended October 31, 2018 and October 31, 2017. The cost of the portfolio investments held by the Company at October 31, 2018 and at October 31, 2017 was $409.6 million and $363.2 million, respectively, a decrease of $46.4 million. The aggregate fair value of portfolio investments at October 31, 2018 and at October 31, 2017 was $324.5 million and $292.5 million, respectively, an increase of approximately $32.0 million. The cost and fair value of cash, restricted cash and cash equivalents held by the Company at October 31, 2018 and October 31, 2017 was $15.9 million and $106.7 million, respectively, representing a decrease of approximately $90.8 million.

For the Fiscal Year Ended October 31, 2018

During the fiscal year ended October 31, 2018, the Company made six new investments, committing capital that totaled approximately $41.5 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 Essner ($3.7 million investment for the Company), Black Diamond ($7.5 million investment for the Company), Apex ($15.0 million investment for the Company) and Array ($6.0 million investment for the Company), Tuf-Tug ($5.6 million investment for the Company) and Tin Roof ($3.7 million investment for the Company).

During the fiscal year ended October 31, 2018, the Company made follow-on investments in eight portfolio companies that totaled approximately $20.8 million. On November 8, 2017, the Company loaned an additional $1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately $526,000 to Initials increasing the senior subordinated loan amount to approximately $5.3 million. On December 22, 2017, the Company loaned $1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The funded amount as of October 31, 2018, net of repayments, was approximately $539,000 with no additional borrowings available on the commitment. On March 19, 2018, the Company invested approximately $68,000 in Trientis for a warrant. On March 22, 2018, the Company loaned approximately $2.3 million to MVC Automotive increasing the bridge loan amount to approximately $7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately $308,000 to Security Holdings, increasing the bridge loan amount to approximately $4.7 million. On May 30, 2018, the Company loaned an additional $4.8 million to Security Holdings in the form of a senior subordinated loan and provided a 3.3 million Euro letter of credit. The loan has an annual interest rate of 12.45% and a maturity date of May 31, 2020. During the fiscal year ended October 31, 2018, the Company loaned approximately $3.6 million to RuMe, increasing the subordinated loan amount to approximately $3.3 million and the revolver balance to approximately $1.5 million.

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

On November 29, 2017, the Company received a principal payment of $3.0 million from Dukane resulting in an outstanding balance of approximately $4.4 million as of October 31, 2018.

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

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

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

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

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

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On July 31, 2018, the Company sold its interest in Centile and received cash proceeds of approximately $5.8 million at closing. An additional $1.2 million of proceeds are held in escrow for 15 months from the closing. Assuming the full receipt of all escrow proceeds, the sale of Centile will result in a realized gain of approximately $3.5 million.

On October 31, 2018, the Custom Alloy $1.4 million letter of credit was drawn upon, which resulted in the Company receiving a $1.4 million term note with a 15% interest rate and a maturity date of October 31, 2021.

During the fiscal year ended October 31, 2018 Turf made principal payments totaling $210,000 on its third lien loan.

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

During the quarter ended April 30, 2018, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately $82,000, Centile equity interest by $196,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $3.0 million, Dukane loan by approximately $300, Legal Solutions loan by approximately $900, MVC Automotive equity interest by approximately $934,000, RuMe guarantee by approximately $28,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $167,000 and U.S. Gas loan by approximately $909,000. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials and Security Holdings were due to the capitalization of PIK interest totaling $635,592. The Valuation Committee also decreased the fair value of the Company s investments in: Folio*fn* preferred stock by $66,000, HTI loan by approximately $49,000, Initials loan by approximately $82,000, JSC Tekers Holdings preferred stock by approximately $176,000, MVC Environmental loan and letter of credit by a total of approximately $267,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $1.8 million, Security Holdings equity interest by approximately $2.3 million and Turf loans by approximately $288,000.

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During the quarter ended July 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $36,000, Dukane loan by approximately $300, HTI loan by approximately $242,000, Legal Solutions loan by approximately $800, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.9 million, Security Holdings equity interest and letter of credit by a total of approximately $1.6 million and Turf loans by approximately $53,000. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials, Array and Security Holdings were due to the capitalization of PIK interest totaling $893,912. The Valuation Committee also decreased the fair value of the Company s investments in: Folio*fn* preferred stock by $115,000, Initials loan by approximately $186,000, JSC Tekers Holdings preferred stock by $154,000, MVC Automotive equity interest by $819,000, MVC Environmental loan and letter of credit by a total of approximately $4.7 million, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $114,000, U.S. Gas loan by approximately $109,000, United States Technologies, Inc. (U.S. Tech) loan by $55,000 and the Centile escrow by approximately $257,000 that was recorded as a realized loss.

During the quarter ended October 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $2.4 million, Dukane loan by approximately $300, Folio*fn* preferred stock by $310,000, Highpoint loan by approximately $51,000, Legal Solutions loan by approximately $900, Turf loans by approximately $52,000 and the Centile escrow by approximately $34,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Array, Black Diamond, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling $927,705. The Valuation Committee also decreased the fair value of the Company s investments in: HTI loan by approximately $144,000, Initials loan by approximately $2.2 million, JSC Tekers Holdings preferred stock by $157,000, MVC Automotive equity interest by $442,000, MVC Environmental loan and letter of credit by a total of approximately $966,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $218,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $691,000, Security Holdings equity interest and letter of credit by a total of $747,000, Trientis loan and warrant by a total of approximately $932,000 and the U.S. Gas loan by approximately $179,000.

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Centile equity interest by $491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock and series C preferred stock by a total of approximately $6.0 million, Highpoint loan by approximately $150,000, Legal Solutions loan by approximately $3,500, MVC Automotive equity interest by approximately $1.5 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 $2.2 million. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials, Array, Trientis, Black Diamond, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling $3,172,533 The Valuation Committee also decreased the fair value of the Company s investments in: Advantage preferred stock by approximately $61,000, Dukane loan by approximately $29,000, Folio*fn* preferred stock by $414,000, HTI loan by approximately $80,000, Initials loan by approximately $2.5 million, JSC Tekers preferred stock by approximately $117,000, MVC Environmental loan and letter of credit by a total of approximately $6.4 million, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $3.7 million, Security Holdings equity interest and letter of credit by a total of $685,000, Trientis loan and warrant by a total of approximately $932,000, Turf loans by approximately $319,000, U.S. Gas loan by approximately $1.1 million, SCSD common stock by approximately $134,000, U.S. Tech loan by $55,000 and the Centile escrow by approximately $223,000 that was recorded as a realized loss.

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 investments made by the Company s former management team pursuant to the prior investment objective (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. At October 31, 2017, the fair value of all portfolio investments was $292.5 million with a cost basis of $363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was $5.4 million and $15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $287.1 million and $348.2 million, respectively.

For the Fiscal Year Ended October 31, 2017

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

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

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

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PE Fund totaling approximately $390,000 related to the sale, which were recorded as additional realized gains.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the quarter ended January 31, 2017, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately $136,000, Centile

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equity interest by $340,000, Custom Alloy unsecured loan by approximately $370,000, Dukane loan by approximately $71,000, Legal Solutions loan by approximately $112,000, Morey s loan by approximately $462,000, Pride loan by approximately $51,000, Quantum loan by approximately $323,000 and warrant by approximately $1.0 million, Security Holdings equity interest by approximately $1.5 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $99,000, Turf loan by approximately $7,000 and guarantee by approximately $3,000, RuMe guarantee by approximately $50,000 and the U.S. Tech loan by $5,000. The Valuation Committee also increased the Ohio Medical escrow by approximately $73,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling $511,649. The Valuation Committee also decreased the fair value of the Company s investments in: BAC common stock by approximately $55,000, Custom Alloy second lien loan by approximately $575,000, Foliofn preferred stock by $264,000, Initials loan by approximately $95,000, JSC Tekers preferred stock by approximately $43,000, MVC Automotive equity interest by $307,000, MVC Environmental common stock by approximately $517,000, RuMe series C preferred stock by approximately $186,000, series B-1 preferred stock by approximately $9,000, common stock by approximately $42,000 and warrant by approximately $66,000, SCSD common stock by $560,000, SGDA Europe common equity interest by approximately $252,000 and Vestal loan by approximately $57,000, common stock by approximately $54,000 and warrant by approximately $62,000.

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

During the quarter ended July 31, 2017, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately $139,000, Centile equity interest by $629,000, Custom Alloy unsecured loan by approximately $317,000, Dukane loan by approximately $1,000, JSC Tekers preferred stock by approximately $419,000, Legal Solutions loan by approximately $1,000, Morey s loan by approximately $1.0 million, MVC Automotive equity interest by approximately $1.4 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.1 million, Quantum warrant by approximately $1,000, RuMe series C preferred stock by approximately $129,000, series B-1 preferred stock by approximately $58,000, common stock by approximately

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$29,000 and warrant by approximately $66,000 and the Turf loan by approximately $154,000. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, MVC Environmental, RuMe, Dukane, Initials and U.S. Gas were due to the capitalization of PIK interest totaling $486,743. The Valuation Committee also decreased the fair value of the Company s investments in: Custom Alloy second lien loan by approximately $375,000, Foliofn preferred stock by $156,000, HTI loan by approximately $119,000, RuMe guarantee by approximately $81,000, Initials loan by approximately $248,000, MVC Environmental common stock by approximately $760,000 and loan by approximately $1.1 million, SGDA Europe common equity interest by approximately $73,000 and the SCSD common stock by approximately $316,000.

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

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

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stock by approximately $54,000 and warrant by approximately $62,000, Security Holdings equity interest by approximately $3.0 million and the SGDA Europe common equity interest by approximately $431,000.

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

Portfolio Companies

During the fiscal year ended October 31, 2018, the Company had investments in the following portfolio companies:

Advantage Insurance Inc.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the preferred stock by approximately $61,000.

At October 31, 2018, the Company s investment in Advantage consisted of 750,000 shares of preferred stock at a cost basis of $7.5 million and a fair value of approximately $8.8 million.

Apex Industrial Technologies, LLC

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

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

At October 31, 2018, the Company s investment in Apex consisted of a first lien loan with an outstanding amount of approximately $15.0 million, a cost basis of approximately $14.9 million and a fair value of approximately $15.0 million.

Array Information Technology, Inc.

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

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

At October 31, 2018, the Company s investment in Array consisted of a second lien loan with an outstanding amount of approximately $6.1 million, a cost basis of approximately $6.0 million and a fair value of approximately $6.1 million and a warrant with a cost basis and fair value of $0.

Black Diamond Equipment Rental

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

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

At October 31, 2018, the Company s investment in Black Diamond consisted of a second lien loan with an outstanding amount of approximately $7.5 million, a cost basis of approximately $7.1 million and a fair value of approximately $7.2 million and a warrant with a cost basis and fair value of approximately $401,000.

Centile Holding B.V.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the common equity interest by approximately $491,000.

On July 31, 2018, the Company sold its interest in Centile receiving cash proceeds of approximately $5.8 million at closing. An additional $1.2 million of proceeds are held in escrow for 15 months from the closing. Assuming the full receipt of all escrow proceeds, the sale of Centile will result in a realized gain of approximately $3.5 million

At October 31, 2018, the Company no longer held an investment in Centile.

Crius Energy Trust

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

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

During the fiscal year ended October 31, 2018, the Company sold 100 units resulting in a realized loss of approximately $300.

At October 31, 2018, the Company s investment in Crius consisted of 3,282,882 equity units at a cost of approximately $25.9 million and a market value of approximately $15.7 million.

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Custom Alloy Corporation

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

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

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

On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The funded amount as of October 31, 2018 was approximately $539,000 with no additional borrowings on the commitment.

On October 31, 2018, the Custom Alloy $1.4 million letter of credit was drawn upon, which resulted in a $1.4 million term note with a 15% interest rate and a maturity date of October 31, 2021.

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the second lien loan by approximately $425,000, the series A preferred stock by approximately $672,000, the series B preferred stock by approximately $1.1 million, the series C preferred stock by approximately $3.7 million and the $2.0 million letter of credit by approximately $108,000.

At October 31, 2018, the Company s investment in Custom Alloy consisted of a second lien loan with a cost basis of approximately $3.2 million, an outstanding balance and fair value of approximately $3.5 million, first lien loan with an outstanding balance, cost basis and fair value of approximately $539,000, term note with an outstanding balance, cost basis and fair value of approximately $1.4 million, series A preferred stock with a cost basis of $3.0 million and a fair value of approximately $3.7 million, series B preferred stock with a cost basis of approximately $5.7 million and a fair value of approximately $6.4 million, series C preferred stock with a cost basis of approximately $17.9 million and a fair value of approximately $13.9 million. The letter of credit had a fair value of approximately -$15,000 or a liability of approximately $15,000.

Dukane IAS, LLC

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

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by approximately $29,000.

At October 31, 2018, the Company s investment in Dukane consisted of a second lien loan with an outstanding amount of approximately $4.4 million, a cost basis of approximately $4.3 million and a fair value of approximately $4.4 million.

Essner Manufacturing LP

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

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

At October 31, 2018, the Company s investment in Essner consisted of a first lien loan with an outstanding amount of approximately $3.7 million, a cost basis of approximately $3.6 million and a fair value of approximately $3.7 million.

Equus Total Return, Inc.

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

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

At October 31, 2018, the Company s investment in Equus consisted of 4,444,644 shares of common stock with a cost of approximately $10.0 million and a market value of approximately $8.7 million.

FDS, Inc.

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

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

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

At October 31, 2018, the Company no longer held an investment in FDS.

Foliofn, Inc.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the preferred stock by $414,000.

At October 31, 2018, the Company s investment in Folio*fn* consisted of 5,802,259 shares of Series C preferred stock with a cost of $15.0 million and a fair value of approximately $5.0 million.

Chris Ferguson, a representative of the Company, serves as a director of Folio*fn*.

Highpoint Global, LLC

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the loan by approximately $150,000.

At October 31, 2018, the Company s investment in Highpoint 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.

HTI Technologies and Industries, Inc.

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

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

During the fiscal year ended October 31, 2018, the maturity was extended to June 21, 2019.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by approximately $80,000.

At October 31, 2018, the Company s investment in HTI consisted of a second lien loan with an outstanding amount and cost basis of approximately $10.1 million and a fair value of approximately $9.9 million.

Initials, Inc.

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

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by approximately $2.5 million.

At October 31, 2018, 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 $2.7 million. The Company reserved in full against all of the accrued interest starting June 23, 2018.

JSC Tekers Holdings

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the preferred stock by $117,000.

At October 31, 2018, the Company s investment in JSC Tekers consisted of 9,159,085 shares of preferred stock with a cost basis of $11.8 million and a fair value of $4.1 million and 3,201 shares of common stock with a cost basis of $4,500 and a fair value of $0.

Legal Solutions Holdings, Inc.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the loan by approximately $3,500.

During the fiscal year ended October 31, 2018, the maturity was extended to March 18, 2020.

At October 31, 2018, the Company s investment in Legal Solutions consisted of a senior subordinated loan with an outstanding balance and cost basis of approximately $11.8 million and a fair value of approximately $11.9 million.

Morey s Seafood International LLC

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

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

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

Effective October 1, 2018, the interest rate on the loan was reduced to 13%.

During the fiscal year ended October 31, 2018, the maturity was extended to August 12, 2022.

At October 31, 2018, the loan had an outstanding balance, cost basis and a fair value of $16.5 million.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the equity interest by approximately $1.5 million.

At October 31, 2018, the Company s investment in MVC Automotive consisted of an equity interest with a cost of approximately $51.2 million and a fair value of approximately $18.9 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 $6.2 million at October 31, 2018. This guarantee was taken into account in the valuation of MVC Automotive.

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

MVC Environmental, Inc.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by approximately $4.0 million and the letter of credit by approximately $2.4 million.

At October 31, 2018, the Company s investment in MVC Environmental consisted of common stock with a cost basis of approximately $3.1 million and a fair value of approximately $0, a senior secured loan with an outstanding balance and cost basis of $6.9 million and a fair value of approximately $875,000 and a letter of credit with a fair value of approximately -$2.4 million or a liability of $2.4 million. David Williams, representative of the Company, serve as a director of MVC Environmental.

MVC Private Equity Fund, L.P.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair values of the limited partnership and general partnership interests by a total of approximately $2.2 million.

At October 31, 2018, the limited partnership interest in the PE Fund had a cost of approximately $11.5 million and a fair value of approximately $20.0 million. The Company s general partnership interest in the PE Fund had a cost basis of approximately $292,000 and a fair value of approximately $501,000. As of October 31, 2018, the PE Fund had investments in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc. and Advanced Oilfield Services, LLC.

RuMe, Inc.

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

At October 31, 2017, the Company s investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately $924,000 and a fair value of $402,000, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately $1.0 million and a fair value of approximately $2.0 million, 23,896,634 shares of series C preferred stock with a cost basis of approximately $3.4 million and a fair value of approximately $5.2 million and a subordinated note with an outstanding balance, cost basis and a fair value of approximately $992,000. The warrants have a cost basis of approximately $336,000 and a fair value of approximately $1.4 million, the

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guarantee was fair valued at approximately -$197,000 or a liability of approximately $197,000 and the letter of credit was fair valued at approximately -$345,000 or a liability of approximately $345,000. The subordinated note has an interest rate of 10% PIK and a maturity date of September 22, 2019.

During the fiscal year ended October 31, 2018, the Company loaned approximately $3.6 million to RuMe, increasing the subordinated loan amount to approximately $3.3 million and the revolver balance to approximately $1.5 million. The new maturity date for the loan and revolver is March 31, 2020.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the common stock by approximately $402,000, the series B-1 preferred stock by approximately $267,000, the series C preferred stock by approximately $1.8 million and the warrants by a total or approximately $1.4 million. The Valuation Committee also increased the guarantee by approximately $90,000 and the letter of credit by approximately $72,000.

At October 31, 2018, the Company s investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis of approximately $924,000 and a fair value of $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 approximately $1.7 million, 23,896,634 shares of series C preferred stock with a cost basis and a fair value of approximately $3.4 million, a revolver with an outstanding balance, cost basis and fair value of approximately $1.5 million and a subordinated note with an outstanding balance, cost basis and a fair value of approximately $3.3 million. The warrants have a cost basis of approximately $336,000 and a fair value of $0, the guarantee was fair valued at approximately -$107,000 or a liability of approximately $107,000 and the letter of credit was fair valued at approximately -$273,000 or a liability of approximately $273,000.

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, 2017, the Company s investment in Security Holdings consisted of common equity interest with a cost basis of approximately $51.2 million and a fair value of approximately $31.9 million and a bridge loan with an outstanding balance, cost basis and fair value of approximately $4.2 million. The bridge loan has an interest rate of 5% and a maturity date of December 31, 2019.

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

On May 30, 2018, the Company loaned an additional $4.8 million to Security Holdings in the form of a senior subordinated loan and provided a 3.3 million Euro letter of credit. The loan has an annual interest rate of 12.45% and a maturity date of May 31, 2020.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the common equity interest and letter of credit by a total of $685,000.

At October 31, 2018, the Company s investment in Security Holdings consisted of common equity interest with a cost basis of approximately $51.2 million and a fair value of approximately $31.3 million, a bridge loan with an outstanding balance, cost basis and fair value of approximately $4.7 million, a senior subordinated loan with an outstanding balance, cost basis and fair value of approximately $5.0 million and a letter of credit with a fair value of approximately -$87,000 or a liability of $87,000.

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

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Tin Roof Software, LLC

Tin Roof, Atlanta, Georgia, provides enterprise software development solutions and services to a variety of Fortune 500 clients.

On October 2, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in second lien notes issued by Tin Roof. The Company and the Private Fund invested $3.7 million and $1.3 million, respectively, in such notes with an interest rate of 14.5% and a maturity date of April 1, 2024. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company s investment in the loan.

At October 31, 2018, the Company s investment in Tin Roof consisted of a second lien loan with an outstanding balance, a cost basis and a fair value of approximately $3.7 million.

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

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan and warrant by a total of $932,000.

At October 31, 2018, 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 $385,000 and a warrant with a cost basis of approximately $68,000 and a fair value of $0.

Tuf-Tug Inc.

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

On August 24, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in second lien notes and common stock issued by Tuf-Tug. The Company and the Private Fund invested approximately $4.9 million and approximately $1.6 million, respectively, in such notes, with an interest rate of 13% and a maturity date of February 24, 2024, and $750,000 and $250,000, respectively, in shares of common stock. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company s investment in the loan and common stock.

At October 31, 2018, the Company s investment in Tuf-Tug consisted of a second lien loan with an outstanding balance of approximately $4.9 million, a cost basis of approximately $4.8 million and a fair value of approximately $4.9 million and 24.6 shares of common stock with a cost basis and fair value of approximately $750,000.

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

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

During the fiscal year ended October 31, 2018, Turf made principal payments totaling $210,000 on its third lien loan.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the senior subordinated loan by approximately $266,000 and the fair value of the third lien loan by approximately $53,000.

At October 31, 2018, the senior subordinated loan had an outstanding balance and cost basis of approximately $7.7 million and a fair value of approximately $7.3 million, the third lien loan had an outstanding balance and cost basis of approximately $1.2 million and a fair value of approximately $1.1 million.

United States Technologies, Inc.

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

At October 31, 2017, the Company s investment in U.S. Technologies consisted of a senior term loan with an outstanding amount and cost basis of approximately $5.5 million and a fair value of approximately $5.6 million. The loan has an interest rate of 10.5% and matures on July 17, 2020.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by $55,000.

At October 31, 2018, the senior term loan had an outstanding amount, cost basis and fair value of approximately $5.5 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 (ESCO) that markets and distributes natural gas to small commercial and residential retail customers in the state of New York.

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

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

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the loan by approximately $1.1 million.

At October 31, 2018, the Company s investment in U.S. Gas, an indirect subsidiary of Crius, consisted of a second lien loan with an outstanding balance and cost basis of approximately $37.5 million and a fair value of approximately $39.5 million.

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U.S. Spray Drying Holding Company

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

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

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

During the fiscal year ended October 31, 2018, the maturity dates for the secured loan and senior secured loan were extended to April 30, 2020.

During the fiscal year ended October 31, 2018, the Valuation Committee decreased the fair value of the common stock by approximately $134,000.

At October 31, 2018, the Company s investment in SCSD consisted of 784 shares of class B common stock with a cost basis of approximately $5.5 million and a fair value of approximately $5.4 million. The secured loan and the senior secured loan each had an outstanding balance, cost basis and fair value of $1.5 million.

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

Vestal Manufacturing Enterprises, Inc.

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

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

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

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

At October 31, 2018, the Company no longer held an investment in Vestal.

LIQUIDITY AND CAPITAL RESOURCES

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

At October 31, 2018, the Company had investments in portfolio companies totaling $324.5 million. Also, on that date, the Company had approximately $783,000 in cash equivalents and approximately $15.1 million in 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

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or temporary investments, including in exchange-traded funds and private investment funds offering periodic liquidity.

During the fiscal year ended October 31, 2018, the Company made six new investments, committing capital that totaled approximately $41.5 million. Pursuant to the Order, that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and the Private Fund co-invested in Essner ($3.7 million investment for the Company), Black Diamond ($7.5 million investment for the Company), Apex ($15.0 million investment for the Company) and Array ($6.0 million investment for the Company), Tuf-Tug ($5.6 million investment for the Company) and Tin Roof ($3.7 million investment for the Company).

During the fiscal year ended October 31, 2018, the Company made follow-on investments in eight portfolio companies that totaled approximately $20.8 million. On November 8, 2017, the Company loaned an additional $1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately $526,000 to Initials increasing the senior subordinated loan amount to approximately $5.3 million. On December 22, 2017, the Company loaned $1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The funded amount as of October 31, 2018, net of repayments, was approximately $539,000 with no additional borrowings available on the commitment. On March 19, 2018, the Company invested approximately $68,000 in Trientis for a warrant. On March 22, 2018, the Company loaned approximately $2.3 million to MVC Automotive increasing the bridge loan amount to approximately $7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately $308,000 to Security Holdings, increasing the bridge loan amount to approximately $4.7 million. On May 30, 2018, the Company loaned an additional $4.8 million to Security Holdings in the form of a senior subordinated loan and provided a 3.3 million Euro letter of credit. The loan has an annual interest rate of 12.45% and a maturity date of May 31, 2020. During the fiscal year ended October 31, 2018, the Company loaned approximately $3.6 million to RuMe, increasing the subordinated loan amount to approximately $3.3 million and the revolver balance to approximately $1.5 million.

Current balance sheet resources, which include the additional cash resources from the Credit Facility, are believed to be sufficient to finance current commitments. Current commitments include:

Commitments to/for Portfolio Companies

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

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

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

Guarantees:

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

Guarantee		Amount Committed	Amount Funded at October 31, 2018
MVC Automotive	$	6.2 million	
RuMe	$	1.0 million	
Total	**$**	**7.2 million**	

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

ASC 460, *Guarantees*, requires the Company to estimate the fair value of the guarantee obligation at its inception and requires the Company to assess whether a probable loss contingency exists in accordance with the requirements of ASC 450, Contingencies. At October 31, 2018, the Valuation Committee estimated the combined fair values of the guarantee obligations noted above to be approximately -$107,000 or a liability of approximately $107,000.

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

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of October 31, 2018 is approximately 5.5 million Euro (equivalent to approximately $6.2 million).

The Company agreed to cash collateralize a $300,000 third party letter of credit for RuMe, which is still a commitment of the Company as of October 31, 2018. The Company also guaranteed $1.0 million of RuMe s indebtedness to Colorado Business Bank, which had a fair value of approximately -$107,000 or a liability of $107,000 as of October 31, 2018. On September 22, 2017, the Company provided RuMe an additional $2.0 million letter of credit, which was reduced to $1.5 million on February 1, 2018 and then increased to $2.0 million on May 7, 2018. The letter of credit had a fair value of approximately -$273,000 or a liability of $273,000 as of October 31, 2018. The $2.0 million letter of credit is collateralized by the Company s Credit Facility III (defined below).

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

Company as MVC Partners limited partnership interest in

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

During the fiscal year ended October 31, 2016, the Company agreed to cash collateralize a $500,000 working capital line of credit for an entity partially owned by MVC Environmental provided by Branch Banking and Trust Company (BB&T). During the fiscal year ended October 31, 2017, the cash collateral securing the MVC Environmental working capital line of credit was released and a new credit facility was entered into secured by a $1.0 million letter of credit. On February 16, 2018, the letter of credit was increased to $3.0 million. The $3.0 million letter of credit is collateralized by the Company s Credit Facility III (defined below) and had a fair value of approximately -$2.4 million or a liability of $2.4 million as of October 31, 2018.

On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The outstanding amount as of October 31, 2018, net of repayments, was approximately $539,000 with no additional borrowings available.

During the fiscal year ended October 31, 2018, the Company provided Custom Alloy a $2.0 million and a $1.4 million letter of credit as part of a restructuring. The $2.0 million letter of credit had a fair value of approximately -$15,000 or a liability of $15,000 as of October 31, 2018. On October 31, 2018, the $1.4 million letter of credit was drawn, which resulted in the Company receiving a $1.4 million term note with a 15% interest rate and a maturity date of October 31, 2021. The $2.0 million letter of credit is collateralized by the Company s Credit Facility III (defined below).

During the fiscal year ended October 31, 2018, the Company provided Security Holdings a 3.3 million Euro letter of credit. The letter of credit had a fair value of approximately -$87,000 or a liability of $87,000. The letter of credit is collateralized by the Company s Credit Facility III.

As of October 31, 2018, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -$2.9 million or a liability of $2.9 million.

Commitments of the Company

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

proceeds to the Company from the sale of the Senior Notes, after offering expenses, were approximately $77.4 million. The offering expenses incurred are amortized over the term of the Senior Notes.

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

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

On July 31, 2013, the Company entered into a one-year, $50 million revolving credit facility (Credit Facility II) with BB&T. On January 31, 2014, Credit Facility II was increased to a $100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed 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. The Company incurred closing costs associated with this transaction of $50,000 with no change in terms other than the expiration date. At October 31, 2017 and October 31, 2018, respectively, there was no balance 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. As of October 31, 2018, the Company was in compliance with all covenants related to Credit Facility II.

On December 9, 2015, the Company entered into a three-year, $50 million revolving borrowing base credit facility (Credit Facility III) with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. Credit Facility III expires on December 9, 2018. See Subsequent Events . Credit Facility III can, under certain conditions, be increased up to $85 million. The facility bears an interest rate of LIBOR plus 3.75% or the prime rate plus 1% (at the Company s option), and includes a 1% closing fee of the commitment amount and a 0.75% unused fee. The compensating balance for the revolving credit facility is $5.0 million, which is reflected as restricted cash on the Company s Consolidated Balance Sheets. On February 26, 2018, in connection with the U.S. Gas Sale, Credit Facility III was amended, effective as of July 5, 2017, to exclude from pledged collateral the U.S. Gas second lien loan. On May 7, 2018, the terms of Credit Facility III were amended to, among other things: (i) increase the limit for unsecured indebtedness and certain unsecured guaranty obligations of portfolio companies of the Company to $10,000,000 and (ii) increase the limit on permitted investments of the Company with respect to certain debt, equity and follow-on investments to $28,500,000. All other material terms of Credit Facility III remained unchanged. As of October 31, 2018 and October 31, 2017, there was no outstanding balance on Credit Facility III and the Company was in compliance with all covenants related to Credit Facility III.

On November 15, 2017, the Company completed a public offering of $100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 (Senior Notes II). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional $15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the Offering). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately $111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. As of October 31, 2018, the Senior Notes II had a total outstanding amount of $115.0 million, net of deferred financing fees the balance was approximately $112.0 million, with a market value of approximately $117.6 million.

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

SUBSEQUENT EVENTS

On 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 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. As of January 14, 2019, the Company has repurchased a total of approximately $9.2 million of stock since September 2018.

On December 7, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in second lien notes and common stock issued by GTM Intermediate Holdings, Inc. The Company and the Private Fund invested approximately $1.5 million and approximately $6.2 million, respectively, in such notes, with a cash interest rate of 11% plus 1% PIK and a maturity date of June 7, 2024, and $346,000 and approximately $1.4 million, respectively, in shares of common stock, which are held through a holding company. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company s investment in the loan and common stock.

On December 7, 2018, Credit Facility III was renewed until March 9, 2019. See the Company s Current Report on Form 8-K, filed on December 7, 2018 for more information.

On December 27, 2019, the Company received proceeds of approximately $7.8 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 $5.3 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.

SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Company in the preparation of its consolidated financial statements:

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 that defers the effective date of ASU 2014-09 for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is not permitted for public business entities. On December 27, 2016, the FASB issued ASU 2016-20 to make various amendments to Topic 606, going into effect for years beginning after December 15, 2017. We anticipate the standard to impact the fair value of the PE Fund s LP interest due to the exclusion of the Company s portion of the carried interest associated with the PE Fund. The Company does not expect the standard, when adopted, to have a material impact on our financial statements.

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. This update has had no impact on our financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, which updated consolidation standards under ASC Topic 810, Consolidation . Under this update, a new consolidation analysis is required for variable interest entities (VIEs) and will limit the circumstances in which investment managers and similar entities are required to consolidate the entities that they manage. The FASB decided to eliminate some of the criteria under which their fees are considered a variable interest and limit the circumstances in which variable interests in a VIE held by related parties of a reporting enterprise require the reporting enterprise to consolidate the VIE. The guidance is effective for public business entities for annual and interim periods in

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fiscal years beginning after December 15, 2015. This update has had no impact on our financial statements.

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

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

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

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

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 (VIE). 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.

Tax Status and Capital Loss Carryforwards

As a RIC, the Company is not subject to federal income tax to the extent that it distributes all of its investment company taxable income and net realized capital gains for its taxable year (see Notes 12 Tax Matters and Note 13 Income Taxes of our notes to the consolidated financial statements). This allows us to attract different kinds of investors than other publicly held corporations. The Company is also exempt from excise tax if it distributes at least (1) 98% of its ordinary income during each calendar year, (2) 98.2% of its capital gains realized in the period from November 1 of the prior year through October 31 of the current year, and (3) all such ordinary income and capital gains for previous years that were not distributed during those years. On October 31, 2018, the Company did not have a capital loss carryforward. The Company also had approximately $85.1 million in unrealized losses as of October 31, 2018.

Valuation of Portfolio Securities

Pursuant to the requirements of the 1940 Act and in accordance with the Accounting Standards Codification (ASC), *Fair Value Measurements and Disclosures* (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 its 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. In this regard, the Company has engaged an independent valuation firm to perform valuation services for certain portfolio debt investments.

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

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Currently, our NAV per share is calculated and published on a quarterly basis. The Company calculates our NAV per share by subtracting all liabilities from the total value of our portfolio securities and other assets and dividing the result by the total number of outstanding shares of our common stock on the date of valuation. Fair values of foreign investments reflect exchange rates, as applicable, in effect on the last business day of the quarter end. Exchange rates fluctuate on a daily basis, sometimes significantly. Exchange rate fluctuations following the most recent fiscal year end are not reflected in the valuations reported in this Annual 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 October 31, 2018, approximately 86.45% 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, or the recapitalization of a portfolio company or by a public offering of its securities.

Valuation Methodology

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 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.

ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy, which 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.

Our investments are carried at fair value in accordance with ASC 820. 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 the 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 October 31, 2018, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest, but did own two securities in which we have a minority interest.

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

For equity securities of Portfolio Companies, the Valuation Committee estimates the fair value based on market and/or income approach with value then attributed to equity or equity like securities using the enterprise value waterfall (Enterprise Value Waterfall) valuation methodology. Under the Enterprise Value Waterfall valuation methodology, the Valuation Committee estimates the enterprise fair value of the portfolio company and then waterfalls the enterprise value over the portfolio company s securities in order of their preference relative to one another. To assess the enterprise value of the portfolio company, the Valuation Committee weighs some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value. The methodologies for performing assets may be based on, among other things: valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, third party valuations of the portfolio company, considering offers from third parties to buy the company, estimating the value to potential strategic buyers and considering the value of recent investments in the equity securities of the portfolio company, and third-party asset and real estate appraisals. For non-performing assets, the Valuation Committee may estimate the liquidation or collateral value of the portfolio company s assets. The Valuation Committee also takes into account historical and anticipated financial results.

The Company does not utilize hedge accounting and instead, 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

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

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

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

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

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

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

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

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

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

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

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

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

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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.

Investment Classification

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 the 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 or have greater than 50% representation on its board. 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 date the order to buy or sell is executed). 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 recorded as income at the time that the investment is made 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 portfolio company indicates a value of the PIK notes or securities that is not sufficient to cover the contractual interest or dividend, we will not accrue interest or dividend income on the notes or securities.

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 October 31, 2018, the Company had approximately $783,000 in cash equivalents, approximately $5.3 million in restricted cash and approximately $9.8 million in cash totaling approximately $15.9 million. Of the $9.8 million in cash, approximately $1.1 million was held by MVC Cayman. As of October 31, 2017, the Company had approximately $1.0 million in cash equivalents, approximately $5.3 million in restricted cash and approximately $100.4 million in cash totaling approximately $106.7 million. Of the $100.4 million in cash, approximately $1.1 million was held by MVC Cayman.

Restricted Cash and Cash Equivalents

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

Restricted Securities

The Company invests in privately-placed restricted securities that may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and a prompt sale at an acceptable price may be difficult.

Distributions to Shareholders

Distributions to shareholders are recorded on the ex-dividend date.

Income Taxes

It is the policy of the Company to meet the requirements for qualification as a RIC under Subchapter M of the Code. As a RIC, the Company is not subject to income tax to the extent that it distributes all of its investment company taxable income and net realized capital gains for its taxable year. The Company is also exempt from excise tax if it distributes at least 98% of its income and 98.2% of its capital gains during each calendar year.

Our consolidated operating subsidiary, MVCFS, is subject to federal and state income tax. We use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported

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amounts in the financial statements, using statutory tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company s tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions deemed to meet a more-likely-than-not threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. During the fiscal year ended October 31, 2018, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2014, 2015, 2016 and 2017 for the Company and MVCFS remain subject to examination by federal, state and local tax authorities.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS

MVC Capital, Inc.

Consolidated Balance Sheets

	October 31, 2018	October 31, 2017
ASSETS		
Assets		
Cash	$ 9,803,800	$ 100,354,340
Restricted cash (cost $5,300,629 and $5,300,329)	5,300,629	5,300,329
Cash equivalents (cost $783,271 and $924,287)	783,271	1,019,899
Investments at fair value		
Non-control/Non-affiliated investments (cost $203,068,014 and $164,581,094)	188,919,833	149,246,812
Affiliate investments (cost $116,062,640 and $114,158,346)	70,489,501	81,908,631
Control investments (cost $90,501,322 and $84,478,27)	65,097,978	61,370,030
Total investments at fair value (cost $409,631,976 and $363,217,715)	324,507,312	292,525,473
Escrow receivables, net of reserves	969,000	
Dividends and interest receivables, net of reserves	2,913,910	1,806,335
Deferred financing fees	87,850	600,379
Fee and other receivables	2,382,463	1,483,793
Prepaid expenses	330,071	318,847
Total assets	$ 347,078,306	$ 403,409,395
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Senior notes II	$ 111,958,650	$
Senior notes		112,626,045
Provision for incentive compensation (Note 5)1		2,060,992
Incentive compensation payable1	2,502,961	4,387,266
Professional fees payable	166,522	118,403
Management fee payable	934,813	1,001,770
Accrued expenses and liabilities	220,447	562,473
Interest payable	656,847	345,612
Management fee payable - Asset Management	107,079	89,192
Consulting fees payable	154,443	347,863
Portfolio fees payable - Asset Management	664,462	458,566
Guarantees/Letters of Credit	2,866,516	551,349
Payable for shares repurchased	62,898	
Transaction fees payable	57,166	1,368,742
Taxes payable	2,056	2,054

Total liabilities		120,354,860		123,920,327
Commitments and Contingencies (Note 10)				
Shareholders equity				
Common stock, $0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued and 18,192,804 and 21,114,105 shares outstanding as of October 31, 2018 and October 31, 2017, respectively		283,044		283,044
Additional paid-in-capital		408,583,787		418,208,458
Accumulated earnings		135,596,655		122,455,573
Dividends paid to stockholders		(168,616,544)		(157,414,605)
Accumulated net realized gain		38,778,647		38,434,807
Net unrealized depreciation		(85,459,198)		(70,965,264)
Treasury stock, at cost, 10,111,644 and 7,190,343 shares held, respectively		(102,442,945)		(71,512,945)
Total shareholders equity		226,723,446		279,489,068
Total liabilities and shareholders equity	$	347,078,306	$	403,409,395
Net asset value per share	$	12.46	$	13.24

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

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1 Amounts from prior year have been reclassified to conform to current year presentation.

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MVC Capital, Inc.

Consolidated Schedule of Investments

October 31, 2018

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments- 83.33% (a, c, f, g)					
Apex Industrial Technologies, LLC	Supply Chain Equipment Manufacturer	First Lien Loan 12.0000% Cash, 03/09/2023 (k, n)	$ 15,000,000	$ 14,869,274	$ 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)	6,121,682	6,014,408	6,121,682
		Warrants (d, n)	1		
				6,014,408	6,121,682
Black Diamond Equipment Rentals, LLC	Equipment Rental	Second Lien Loan 12.5000% Cash, 06/27/2022 (k, n)	7,500,000	7,052,478	7,174,342
		Warrants (d, n)	1	400,847	400,847
				7,453,325	7,575,189
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 10.0000% Cash, 12/31/2020 (k, n)	3,533,055	3,203,755	3,479,582
		First Lien Loan 10.0000% Cash, 10/31/2018 (k, n)	538,913	538,913	538,913
		Second Lien Loan 15.0000% Cash, 10/31/2021 (k, n)	1,404,500	1,404,500	1,404,500
		Series A Preferred Stock (3,617 shares) 12.0000% PIK, 04/30/2020 (b, d, n)		3,000,000	3,683,908
		Series B Preferred Stock (6,500 shares) 10.0000% PIK, 12/31/2020 (b, d, n)		5,683,254	6,410,727
		Covertible Series C Preferred Stock (17,935 shares) (d, n)		17,935,482	13,914,992
				31,765,904	29,432,622
Dukane IAS,LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, n)	4,377,174	4,316,872	4,420,942
Essner Manufacturing, LP	Defense/Aerospace Parts Manufacturing	First Lien Loan 11.5000% Cash, 12/20/2022 (k, n, o)	3,666,700	3,606,059	3,666,700
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, i, n)		15,000,000	4,993,000
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k, n)	5,097,086	5,017,981	5,148,057
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 2.0000% PIK, 06/21/2019 (b, k, n)	10,079,874	10,079,874	9,887,754
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	2,675,452
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 03/18/2020 (b, k, n)	11,809,381	11,809,381	11,927,474
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 3.0000% PIK, 08/12/2022 (b, k, n, q)	16,493,186	16,493,186	16,493,186
Tin Roof Software, LLC	Software	Second Lien Loan 11.0000% Cash, 3.5000% PIK, 04/01/2024 (b, k, n)	3,750,000	3,676,136	3,750,000
Trientis GmbH	Environmental Services	First Lien Note 5.0000% PIK, 10/26/2024 (b, e, h, m, n, r)	1,248,632	1,248,632	384,520
		Warrants (d, o, r, n)	1	67,715	
				1,316,347	384,520
Tuf-Tug Inc.			4,885,295	4,838,190	4,885,295

	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)		750,000	750,000
				5,588,190	5,635,295
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, n)	7,717,056	7,717,056	7,296,363
		Third Lien Loan 10.0000% Cash, 08/07/2020 (k, n)	1,190,000	1,190,000	1,137,399
				8,907,056	8,433,762
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, n)	37,527,881	37,527,881	39,474,198
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, n)		5,488,000	5,400,000
		Secured Loan 12.0000% Cash, 04/30/2021 (k, n)	1,500,000	1,500,000	1,500,000
		Senior Secured Loan 12.0000% Cash, 04/30/2021 (k, n)	1,500,000	1,500,000	1,500,000
				8,488,000	8,400,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, n)	5,500,000	5,495,227	5,500,000
Sub Total Non-control/Non-affiliated investments				**$ 203,068,014**	**$ 188,919,833**
Affiliate investments - 31.09% (c, f, g)					
Advantage Insurance, Inc.	Insurance	Preferred Stock (750,000 shares) (a, d, e, n)		7,500,000	8,835,361
Crius Energy Trust	Energy Services	Equity Unit (3,282,882 shares) (e)		25,864,439	15,745,460
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (a, d, e, n)		4,500	
		Preferred Stock (9,159,085 shares) (a, d, e, n)		11,810,188	4,079,000
				11,814,688	4,079,000
MVC Environmental, Inc.	Environmental Services	Senior Secured Loan 9.0000% PIK, 12/22/2020 (a, b, h, k, n)	6,869,353	6,869,353	875,165
		Common Stock (980 shares) (a, d, n)		3,140,375	
				10,009,728	875,165
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (a, d, e, n)		51,204,270	31,285,000
		Bridge Loan 5.0000% PIK, 12/31/2019 (a, b, e, k, n)	4,703,037	4,703,037	4,703,037
		Senior Subordinated Loan 12.4500% PIK, 05/31/2020 (a, b, e, k, n)	4,966,478	4,966,478	4,966,478
				60,873,785	40,954,515
Sub Total Affiliate investments				**$ 116,062,640**	**$ 70,489,501**

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

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MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

October 31, 2018

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control investments - 28.71% (c, f, g)					
Equus Total Return, Inc.	Registered Investment Company	Common Stock (4,444,644 shares) (d, k)		$ 10,030,272	$ 8,711,502
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a, d, e, n)		51,185,015	18,901,000
		Bridge Loan 6.0000% Cash, 06/30/2019 (a, e, k, n)	$ 7,149,166	7,149,166	7,149,166
				58,334,181	26,050,166
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a, d, j, k, n)		11,452,452	19,971,526
		General Partnership Interest (a, d, j, k, n)		292,154	501,050
				11,744,606	20,472,576
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a, d, n)		924,475	
		Series C Preferred Stock (23,896,634 shares) (a, d, n)		3,410,694	3,401,486
		Series B-1 Preferred Stock (4,999,076 shares) (a, d, n)		999,815	1,741,362
		Subordinated Debt 10.0000% PIK, 3/31/2020 (a, b, k, n)	3,270,886	3,270,886	3,270,886
		Revolver 10.0000% PIK, 3/31/2020 (a, b, k, n)	1,450,000	1,450,000	1,450,000
		Warrants (a, d, n)	2	336,393	
				10,392,263	9,863,734
Sub Total Control investments				**$ 90,501,322**	**$ 65,097,978**
TOTAL PORTFOLIO INVESTMENTS - 143.13% (f)				**$ 409,631,976**	**$ 324,507,312**
Cash equivalents 0.34% (f, g)					
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (686,270 shares)		$ 686,270	$ 686,270
Morgan Stanley Institutional Liquidity Government Portfolio	Money Market Fund	Beneficial Shares (97,001 shares)		97,001	97,001
Total Cash equivalents				**783,271**	**783,271**
TOTAL INVESTMENT ASSETS - 143.47%				**$ 410,415,247**	**$ 325,290,583**

(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, Canada, and Puerto Rico which represents approximately 28% of the total assets. The remaining portfolio companies are located in United States which represents approximately 66% of the total assets.

(f) Percentages are based on net assets of $226,723,446 as of October 31, 2018.

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

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

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds four investments, three located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company s proportional share of Plymouth Rock Energy membership interest, the Gibdock Limited equity interest and loan, Advanced Oil Field Services, LLC common stock, preferred stock, and loan and Focus Pointe preferred stock is $7,768,116, $4,577,362, $4,256,956 and $2,991,585, respectively. The Company s partnership interests in the MVC Private Equity Fund, LP are not redemmable.

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

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

(m) 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 October 1, 2018.

(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.

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.

Consolidated Schedule of Investments

October 31, 2017

Company	**Industry**	**Investment**	**Principal**	**Cost**	**Fair Value/Market Value**
Non-control/Non-affiliated investments- 53.40% (a, c, f, g)					
Custom Alloy Corporation	Manufacturer of Pipe Fittings and Forgings	Second Lien Loan 10.1000% Cash, 04/30/2020 (h, k, o)	$ 24,425,298	24,425,298	$ 18,471,704
		Unsecured Subordinated Loan 12.0000% Cash, 03/31/2018 (h, k, o)	3,000,000	3,000,000	3,012,165
				27,425,298	21,483,869
Dukane IAS,LLC	Welding Equipment Manufacturer	Second Lien Note 10.5000% Cash, 2.5000% PIK, 11/17/2020 (b, k, o)	7,255,747	7,165,971	7,328,296
FDS, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 11/30/2017 (k, o)	2,353,156	2,353,156	2,353,156
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d, l, o)		15,000,000	5,407,000
Highpoint Global LLC	Government Services	Second Lien Note 12.0000% Cash, 2.0000% PIK, 09/30/2022 (b, k)	5,000,000	4,900,699	4,900,699
HTI Technologies and Industries, Inc.	Electronic Component Manufacturing	Second Lien Note 12.0000% Cash, 2.0000% PIK, 06/21/2018 (b, k, o)	9,878,042	9,849,998	9,766,317
Initials, Inc.	Consumer Products	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 06/23/2020 (b, k, o)	4,818,874	4,818,874	4,310,277
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK, 09/12/2018 (b, k, o)	11,456,144	11,459,396	11,570,745
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 4.0000% PIK, 08/12/2018 (b, k, o)	17,236,157	17,236,157	17,800,661
SGDA Europe B.V.	Environmental Services	First Lien Note 5.0000% Cash, PIK, 10/26/2024 (a, b, e, m)	1,197,244	1,197,244	1,197,244
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 10.0000% Cash, 08/07/2020 (k, o)	7,717,056	7,717,056	7,562,620
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 9.5000% Cash, 07/05/2025 (l, k, o)	40,526,745	40,526,745	40,526,745
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d, o)		5,488,000	5,534,183
		Secured Loan 12.0000% Cash, 04/30/2019 (k, o)	1,500,000	1,500,000	1,500,000
				6,988,000	7,034,183
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (k, o)	5,500,000	5,492,500	5,555,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Second Lien Loan 12.0000% Cash, 08/21/2022 (k, o)	2,450,000	2,450,000	2,450,000
Sub Total Non-control/Non-affiliated investments				**164,581,094**	**149,246,812**
Affiliate investments - 29.31% (c, f, g)					

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

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

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MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

October 31, 2017

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

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

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

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

(d) Non-income producing assets.

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

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

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

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

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds four investments, three located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company s proportional share of Plymouth Rock Energy membership interest and loan, the Gibdock Limited equity interest and Focus Pointe preferred stock is $7,257,919, $4,499,681, $2,888,839, respectively.

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

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

(m) PIK toggle at borrower s option

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

(o) These securities are valued using unobservable inputs.

PIK - Payment-in-kind

• Denotes zero cost or fair value.

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

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Year Ended October 31, 2018	For the Year Ended October 31, 2017	For the Year Ended October 31, 2016
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$	$ 39,019	$ 284
Affiliate investments	2,126,023	663,185	13,110,006
Control investments			97,101
Total dividend income	2,126,023	702,204	13,207,391
Interest income			
Non-control/Non-affiliated investments	15,432,262	12,845,063	12,032,621
Affiliate investments		1,202,458	2,297,112
Control investments	380,999	353,887	345,611
Total interest income	15,813,261	14,401,408	14,675,344
Payment-in-kind/Deferred interest income			
Non-control/Non-affiliated investments	2,865,418	1,343,365	4,044,844
Affiliate investments	499,488	681,067	607,751
Control investments	216,914	145,137	162,399
Total payment-in-kind/Deferred interest income	3,581,820	2,169,569	4,814,994
Fee income			
Non-control/Non-affiliated investments	280,273	438,170	173,200
Affiliate investments		1,192,485	625,500
Control investments		52,420	2,456,250
Total fee income	280,273	1,683,075	3,254,950
Fee income - Asset Management 1			
Portfolio fees	705,320	811,441	988,627
Management fees	378,256	326,403	425,578
Total fee income - Asset Management	1,083,576	1,137,844	1,414,205
Other income		10,000	
Total operating income	22,884,953	20,104,100	37,366,884
Operating Expenses:			
Interest and other borrowing costs 2	10,739,651	10,287,810	10,212,347
Loss on extinguishment of debt	1,782,705		
Management fee	5,889,766	6,238,409	7,589,841
Consulting fees	891,667	1,089,755	1,361,617
Legal fees	786,531	638,536	838,474
Audit & tax preparation fees	774,000	818,000	471,381
Other expenses	726,897	752,671	457,152
Portfolio fees - Asset Management 1	528,990	608,580	741,470
Directors fees	328,100	423,514	421,000

Management fee - Asset Management [1]		283,692		244,802		319,183
Insurance		268,961		275,188		296,708
Administration		171,534		201,236		211,304
Public relations fees		134,785		184,000		181,908
Printing and postage		60,785		50,320		12,541
Net Incentive compensation (Note 5)		(2,060,992)		5,597,783		(2,030,212)
Total operating expenses		21,307,072		27,410,604		21,084,714
Less: Voluntary expense waiver by Adviser [3]		(150,000)		(150,000)		(150,000)
Less: Voluntary management fee waiver by Adviser [4]		(2,032,286)		(1,559,602)		(1,897,460)
Less: Voluntary incentive fee waiver by Adviser [5]						(1,000,000)
Total waivers		(2,182,286)		(1,709,602)		(3,047,460)
Net operating income (loss) before taxes		3,760,167		(5,596,902)		19,329,630
Tax Expenses:						
Current tax expense		1,922		1,920		1,884
Total tax expense		1,922		1,920		1,884
Net operating (loss) income		3,758,245		(5,598,822)		19,327,746
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
U.S. Treasury obligations		(95,355)		229,812		125,116
Non-control/Non-affiliated investments		(2,901,617)		(9,615,451)		(14,267,957)
Affiliate investments		3,214,526		89,179,047		(5,542)
Control investments				10,097,674		(31,009,032)
Foreign currency		(15,035)		4,549		
Total net realized gain (loss) on investments		202,519		89,895,631		(45,157,415)
Net unrealized (depreciation) appreciation on investments		(14,493,934)		(56,972,810)		28,627,844
Net realized and unrealized gain (loss) on investments		(14,291,415)		32,922,821		(16,529,571)
Net increase (decrease) in net assets resulting from operations	$	(10,533,170)	$	27,323,999	$	2,798,175
Net increase (decrease) in net assets per share resulting from operations	$	(0.55)	$	1.22	$	0.12
Dividends declared per share [6]	$	0.600	$	0.555	$	0.710
Weighted average number of shares outstanding		19,127,636		22,271,902		22,673,539

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

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

2 Interest and other borrowing costs includes $869,959 of interest associated with installment sale treatment on the USG&E note. Please see Note 12 Tax Matters for more information.

3 Reflects the TTG Advisers voluntary waiver of $150,000 of expenses for the 2018, 2017 and 2016 fiscal years, that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement (the Voluntary Waiver). Please see Note 4 Management for more information.

4 Reflects TTG Advisers voluntary waiver of the management fee for the fiscal years ended October 31, 2018, 2017 and 2016. Please see Note 4 Management for more information.

5 Reflects TTG Advisers voluntary waiver of the Incentive Fee associated with pre-incentive fee net operationg income for the fiscal years ended October 31, 2018, 2017 and 2016. Please see Note 4 Management for more information.

6 Please see Note 6 Dividends and Distributions to Shareholders for more information.

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

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MVC Capital, Inc.

Consolidated Statements of Cash Flows

	For the Year Ended October 31, 2018	For the Year Ended October 31, 2017	For the Year Ended October 31, 2016
Cash flows from Operating Activities:			
Net increase (decrease) in net assets resulting from operations	$ (10,533,170)	$ 27,323,999	$ 2,798,175
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net realized (gain) loss	(202,519)	(89,895,631)	45,157,415
Net change in unrealized depreciation (appreciation)	14,493,934	56,972,810	(28,627,844)
Amortization of discounts and fees	(349,851)	(666,172)	(69,075)
Increase in accrued payment-in-kind dividends and interest	(3,172,533)	(1,875,578)	(7,100,750)
Amortization of deferred financing fees	1,294,129	1,179,682	1,026,635
Loss on extinguishment of debt	1,782,705		
Changes in operating assets and liabilities:			
Restricted cash	(300)	500,198	199,507
Restricted cash equivalents			5,503,000
Dividends, interest and fees receivable	(1,107,575)	1,789,022	809,243
Fee and other receivables	(898,670)	614,832	(402,345)
Escrow receivables, net of reserves	(969,000)	9,151,805	(8,859,061)
Prepaid expenses	(11,224)	(126,135)	416,805
Incentive compensation (Note 5)	(3,945,297)	4,501,703	(3,030,212)
Other liabilities	(1,267,942)	716,659	(1,803,183)
Purchases of equity investments	(1,218,562)	(1,187,101)	(1,992,242)
Purchases of debt instruments	(61,784,048)	(11,462,419)	(41,975,490)
Purchases of short-term investments	(24,996,182)	(49,954,511)	(154,856,468)
Proceeds from equity investments (1)	6,723,191	66,702,991	38,904,810
Proceeds from debt instruments	15,873,051	49,309,147	36,200,444
Sales/maturities of short-term investments	24,901,266	85,183,355	209,805,021
Net cash (used in) provided by operating activities	(45,388,597)	148,778,656	92,104,385
Cash flows from Financing Activities:			
Borrowings from senior notes	115,000,000		
Repayments from senior notes	(114,408,750)		
Borrowings from revolving credit facility II		50,000,000	155,000,000
Repayments from revolving credit facility II		(85,000,000)	(210,000,000)
Borrowings from revolving credit facility III			16,300,000
Repayments from revolving credit facility III			(16,300,000)
Restricted cash withdrawl (deposit)		5,000,000	(10,000,000)
Repayments from bridge loan			(8,000,000)
Repurchase of common stock	(31,030,513)	(15,090,244)	(1,216,746)
Financing fees paid	(3,757,369)	(225,868)	(1,885,808)
Distributions paid to shareholders	(10,860,702)	(12,019,345)	(15,770,729)
Repurchases of common stock under dividend reinvestment plan	(341,237)	(283,120)	(328,509)
Net cash used in financing activities	(45,398,571)	(57,618,577)	(92,201,792)
Net change in cash and cash equivalents for the year	(90,787,168)	91,160,079	(97,407)
Cash and cash equivalents, beginning of year	$ 101,374,239	$ 10,214,160	$ 10,311,567

Cash and cash equivalents, end of year	$	10,587,071	$	101,374,239	$	10,214,160

(1) For the year ended October 31, 2018, October 31, 2017 and October 31, 2016, proceeds from equity investments includes $969,000, $1.0 milion and $173,667 from escrow receivables, net of reserves, respectively.

During the year ended October 31, 2018, 2017 and 2016 MVC Capital, Inc. paid $8,685,657, $8,391,138 and $8,508,648 in interest expense, respectively.

During the year ended October 31, 2018, 2017 and 2016 MVC Capital, Inc. paid $ 1,920, $1,278 and $1,655 in income taxes, respectively.

Non-cash activity:

During the year ended October 31, 2018, 2017 and 2016, MVC Capital, Inc. recorded payment in kind dividend and interest of $3,172,533, $1,875,578 and $7,100,750, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the year ended October 31, 2018, 2017 and 2016, the Plan Agent purchased 34,698, 29,335 and 41,737 shares of common stock in the open market in order to satisfy the reinvestment portion of our dividends.

On December 24, 2015, as part of Inland s restructuring, the Company obtained a $6.0 million senior secured loan to MVC Environmental, Inc. and received 950 common shares in MVC Environmental, Inc., with a cost basis of $3.1 million.

On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company which owned the Company s LLC interest in Turf, for approximately $3.8 million of additional subordinated debt in Turf.

On July 5, 2017, the Company received gross consideration for its investment in U.S. Gas valued at approximately $127.4 million, including approximately $11.0 million for the repayment of its two outstanding loans from the Company. The fair value of the consideration received by the Company for its equity investment in U.S. Gas was $116.4 million. As a result of the gross consideration received, the Company realized a gain of approximately $115.9 million. The $116.4 million is comprised of: (i) cash of approximately $50.0 million; (ii) 9.5% second-lien callable notes due in July 2025 with a face amount of approximately $40.5 million (before certain post-closing and indemnification adjustments, if any); and (iii) 3,282,982 Crius trust units valued at approximately $25.9 million at the time of closing.

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

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

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

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

MVC Capital, Inc.

Consolidated Statements of Changes in Net Assets

	For the Year Ended October 31, 2018	For the Year Ended October 31, 2017	For the Year Ended October 31, 2016
Operations:			
Net operating (loss) gain	$ 3,758,245	$ (5,598,822)	$ 19,327,746
Net realized gain (loss) on investments	202,519	89,895,631	(45,157,415)
Net change in unrealized (depreciation) appreciation on investments	(14,493,934)	(56,972,810)	28,627,844
Net increase (decrease) in net assets from operations	(10,533,170)	27,323,999	2,798,175
Shareholder Distributions from:			
Income	(415,006)	(9,738,519)	(16,099,238)
Realized gain	(2,407,047)		
Return of capital	(8,379,886)	(2,563,946)	
Net decrease in net assets from shareholder distributions	(11,201,939)	(12,302,465)	(16,099,238)
Capital Share Transactions:			
Issuance of common stock under dividend reinvestment plan	341,237	283,120	328,509
Repurchase of common stock under dividend reinvestment plan	(341,237)	(283,120)	(328,509)
Provision for share exchange			
Repurchase expenses	(100,513)	(90,251)	
Repurchase of common stock	(30,930,000)	(14,999,993)	(1,216,746)
Net decrease in net assets from capital share transactions	(31,030,513)	(15,090,244)	(1,216,746)
Total decrease in net assets	(52,765,622)	(68,710)	(14,517,809)
Net assets, beginning of year	279,489,068	279,557,778	294,075,587
Net assets, end of year	$ 226,723,446	$ 279,489,068	$ 279,557,778
Common shares outstanding, end of year	18,192,804	21,114,105	22,556,412

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

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MVC Capital, Inc.

Consolidated Selected Per Share Data and Ratios

	For the Year Ended October 31, 2018	For the Year Ended October 31, 2017	For the Year Ended October 31, 2016	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014
Net asset value, beginning of year	$ 13.24	$ 12.39	$ 12.95	$ 15.15	$ 16.63
Income from operations:					
Net operating (loss) income	0.20	(0.25)	0.85	0.41	0.07
Net realized and unrealized gain (loss) on investments	(0.75)	1.47	(0.73)	(2.07)	(0.95)
Total gain (loss) from investment operations	(0.55)	1.22	0.12	(1.66)	(0.88)
Less distributions from:					
Income		(0.44)	(0.71)	(0.41)	(0.07)
Realized gain				(0.13)	(0.47)
Return of capital	(0.60)	(0.12)			
Total distributions	(0.60)	(0.56)	(0.71)	(0.54)	(0.54)
Capital share transactions					
Dilutive effect of share issuance					(0.10)
Anti-dilutive effect of share repurchase program	0.37	0.19	0.03		0.04
Total capital share transactions	0.37	0.19	0.03		(0.06)
Net asset value, end of year	$ 12.46	$ 13.24	$ 12.39	$ 12.95	$ 15.15
Market value, end of year	$ 9.05	$ 10.70	$ 8.69	$ 8.32	$ 11.27
Market discount	(27.37)%	(19.18)%	(29.86)%	(35.75)%	(25.61)%
Total Return - At NAV (a)	(1.46)%	11.54%	1.26%	(11.08)%	(5.75)%
Total Return - At Market (a)	(10.06)%	30.39%	14.32%	(21.85)%	(14.97)%
Ratios and Supplemental Data:					
Portfolio turnover ratio	7.21%	4.26%	13.74%	15.19%	14.16%
Net assets, end of year (in thousands)	$ 226,723	$ 279,489	$ 279,558	$ 294,076	$ 343,903
Ratios to average net assets:					
Expenses including tax expense	7.70%	9.03%	6.35%	4.54%	5.04%

Expenses excluding tax expense	7.70%	9.03%	6.35%	4.54%	5.04%
Net operating (loss) income before tax expense	1.51%	(1.97)%	6.81%	2.93%	0.44%
Net operating (loss) income after tax expense	1.51%	(1.97)%	6.81%	2.93%	0.44%
Ratios to average net assets excluding waivers:					
Expenses including tax expense	8.58%	9.63%	7.43%	4.59%	5.08%
Expenses excluding tax expense	8.57%	9.63%	7.43%	4.59%	5.08%
Net operating (loss) income before tax expense	0.63%	(2.57)%	5.74%	2.89%	0.40%
Net operating (loss) income after tax expense	0.63%	(2.57)%	5.74%	2.89%	0.40%

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

(b) Supplemental Ratio information

Ratios to average net assets: (b)					
Expenses excluding incentive compensation	8.53%	7.07%	7.07%	7.62%	6.35%
Expenses excluding incentive compensation, interest and other borrowing costs	4.20%	3.45%	3.47%	4.39%	3.75%
Net operating income (loss) before incentive compensation	0.68%	0.00%	6.09%	(0.15)%	(0.87)%
Net operating income before incentive compensation, interest and other borrowing costs	5.00%	3.62%	9.69%	3.08%	1.73%
Ratios to average net assets excluding waivers: (b)					
Expenses excluding incentive compensation	9.40%	7.67%	8.15%	7.67%	6.40%
Expenses excluding incentive compensation, interest and other borrowing costs	5.08%	4.05%	4.55%	4.44%	3.79%
Net operating income (loss) before incentive compensation	(0.20)%	(0.60)%	5.02%	(0.19)%	(0.92)%
Net operating income before incentive compensation, interest and other borrowing costs	4.13%	3.02%	8.62%	3.04%	1.69%

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

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MVC Capital, Inc.

Notes to Consolidated Financial Statements

October 31, 2018

1. Organization and Business Purpose

MVC Capital, Inc. and its wholly-owned subsidiaries, MVC Financial Services, Inc. and MVC Cayman (the Company), formerly known as meVC Draper Fisher Jurvetson Fund I, Inc., is a Delaware corporation organized on December 2, 1999 which commenced operations on March 31, 2000. On December 2, 2002, the Company announced that it would begin doing business under the name MVC Capital, Inc. The Company s investment objective is to seek to maximize total return from capital appreciation and/or income, though our current focus is more yield generating investments. The Company seeks to achieve its investment objective by providing debt and equity financing to companies that are, for the most part, privately owned (Portfolio Companies). The Company s current investments in Portfolio Companies consist principally of senior and subordinated loans, venture capital, mezzanine and preferred instruments and private equity investments.

The Company has elected to be treated as a business development company under the 1940 Act. The shares of the Company commenced trading on the NYSE under the symbol MVC on June 26, 2000.

The Company had entered into an advisory agreement with meVC Advisers, Inc. (the Former Advisor), which had entered into a sub-advisory agreement with Draper Fisher Jurvetson MeVC Management Co., LLC (the Former Sub-Advisor). On June 19, 2002, the Former Advisor resigned without prior notice to the Company as its investment advisor. This resignation resulted in the automatic termination of the advisory agreement between the Former Advisor and the Former Sub-Advisor to the Company. As a result, the Company s board internalized the Company s operations, including management of the Company s investments.

At the February 28, 2003 Annual Meeting of Shareholders, a new board of directors (the Board) replaced the former board of directors of the Company (the Former Board) in its entirety. On March 6, 2003, the results of the election were certified by the Inspector of Elections, whereupon the Board terminated John M. Grillos, the Company s previous CEO. Shortly thereafter, other members of the Company s senior management team, who had previously reported to Mr. Grillos, resigned. With these significant changes in the Board and management of the Company, the Company operated in a transition mode and, as a result, no portfolio investments were made from early March 2003 through the end of October 2003 (the end of the Fiscal Year). During this period, the Board explored various alternatives for a long-term management plan for the Company. Accordingly, at the September 16, 2003 Special Meeting of Shareholders, the Board voted and approved the Company s revised business plan.

On November 6, 2003, Michael Tokarz assumed his position as Chairman, Portfolio Manager and Director of the Company.

On March 29, 2004 at the Annual Shareholders meeting, the shareholders approved the election of Emilio Dominianni, Robert S. Everett, Gerald Hellerman, Robert C. Knapp and Michael Tokarz to serve as members of the Board of Directors of the Company and adopted an amendment to the

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Company s Certificate of Incorporation authorizing the changing of the name of the Company from meVC Draper Fisher Jurvetson Fund I, Inc. to MVC Capital, Inc.

On July 7, 2004, the Company s name change from meVC Draper Fisher Jurvetson Fund I, Inc. to MVC Capital, Inc. became effective.

On July 16, 2004, the Company commenced the operations of 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 and the Company s Portfolio Companies. 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.

On September 7, 2006, the stockholders of MVC Capital approved the adoption of the investment advisory and management agreement (the Advisory Agreement). The Advisory Agreement, which was entered into on October 31, 2006, provides for external management of the Company by TTG Advisers, which is led by Michael Tokarz. The agreement took effect on November 1, 2006. Upon the effectiveness of the Advisory Agreement, Mr. Tokarz s employment agreement with the Company terminated. All of the individuals (including the Company s investment professionals) that had been previously employed by the Company as of the fiscal year ended October 31, 2006 became employees of TTG Advisers.

On December 11, 2008, our Board of Directors, including all of the directors who are not interested persons, as defined under the 1940 Act, of the Company (the Independent Directors), at their in-person meeting approved an amended and restated investment advisory and management agreement (also, the Advisory Agreement), which was approved by stockholders of the Company on April 14, 2009. The renewal of the Advisory Agreement was last approved by the Independent Directors at their in-person meeting held on October 30, 2018.

2. Consolidation

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

On October 14, 2011, the Company formed a wholly-owned subsidiary, MVC Cayman, an exempted company incorporated in the Cayman Islands, to hold certain of its investments and to make certain future investments. The results of MVCFS and MVC Cayman are consolidated into the Company and all inter-company accounts have been eliminated in consolidation.

During fiscal year ended October 31, 2012 and thereafter, MVC Partners, LLC (MVC Partners) was consolidated with the operations of the Company as MVC Partners limited partnership interest in the 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 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, Inc. (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. On March 7, 2017, the Company exchanged its shares of MVC Turf, the holding company that owned the Company s LLC interest in Turf Products, for approximately $3.8 million of additional subordinated debt in Turf Products. Prior to the exchange, the Company also received a distribution from MVC Turf of approximately $323,000. The impact of the deconsolidation of MVC Turf on the Company s financial condition and results of operations was immaterial. As of October 31, 2017, MVC Turf is no longer consolidated with the Company.

3. **Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Company in the preparation of its consolidated financial statements:

The preparation of consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 addresses the reporting of revenue by most entities and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14 that defers the effective date of ASU 2014-09 for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is not permitted for public business entities. On December 27, 2016, the FASB issued ASU 2016-20 to make various amendments to Topic 606, going into effect for years beginning after December 15, 2017. We anticipate the standard to impact the fair value of the PE Fund s LP interest due to the exclusion of the Company s portion of the carried interest associated with the PE Fund. The Company does not expect the standard, when adopted, to have a material impact on our financial statements.

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. This update has had no impact on our financial statements.

In February 2015, the FASB issued Accounting Standards Update 2015-02, which updated consolidation standards under ASC Topic 810, *Consolidation*. Under this update, a new

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

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

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

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

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

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.

Valuation of Investments The Accounting Standards Codification (ASC), *Fair Value Measurements and Disclosures* (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 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.

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 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

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valuation are recorded in the consolidated statements of operations as Net unrealized appreciation (depreciation) on investments.

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

At October 31, 2018 and October 31, 2017, approximately 86.45% and 64.61%, respectively, of total assets represented investments in portfolio companies recorded at fair value (Fair Value Investments).

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

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

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

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

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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.

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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.

Investment Classification 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 or have greater than 50% representation on its board. 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 portfolio company indicates a value of the PIK notes or securities that 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.

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 October 31, 2018, the Company had approximately $783,000 in cash equivalents, approximately $5.3 million in restricted cash and approximately $9.8 million in cash totaling approximately $15.9 million. Of the $9.8 million in cash, approximately $1.1 million was held by MVC Cayman. As of October 31, 2017, the Company had approximately $1.0 million in cash equivalents, approximately $5.3 million in restricted cash and approximately $100.4 million in cash totaling approximately $106.7 million. Of the $100.4 million in cash, approximately $1.1 million was held by MVC Cayman.

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

Restricted Securities The Company may invest in privately placed restricted securities. These securities may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and a prompt sale at an acceptable price may be difficult.

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

Distributions to Shareholders Distributions to shareholders are recorded on the ex-dividend date.

Income Taxes To be taxed as a regulated investment company (RIC), the Company is required (amongst other things) to distribute to its shareholders, in a timely manner, at least 90% of its investment company taxable income and 90% of its net tax-exempt income each year. If the Company distributes, in a calendar year, at least 98% of its ordinary income and 98.2% of its capital gain net income for the one year period ending October 31st of such calendar year (as well as any undistributed amounts from previous years), it will not be liable for to the 4% non-deductible federal excise tax on certain undistributed income of RICs.

Our consolidated operating subsidiary, MVCFS, is subject to federal and state income tax. We use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company s tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions deemed to meet a more-likely-than-not threshold would be recorded as a tax benefit or expense in the current period. There were no uncertain tax positions as of October 31, 2018 that needed to be recorded or disclosed on the financial statements. 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 fiscal year ended October 31, 2018, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2015, 2016, 2017 and 2018 for the Company and MVCFS remain subject to examination by the federal, state and local tax authorities.

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4. **Management**

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

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

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

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

On various dates, TTG Advisers and the Company entered into annual agreements to extend the expense cap of 3.5% to the 2011, 2012, 2013 and 2014 fiscal years (Expense Limitation Agreement). The Company and the Adviser agreed to continue the expense cap into fiscal year 2015 and fiscal year 2016, though they lowered the expense cap to 3.25% and modified the methodology so that the cap is applied to limit the Company s ratio of expenses to total assets less cash (the Modified Methodology), consistent with the asset level used to calculate the base management fee. (The expenses covered by the cap remain unchanged.) On October 28, 2016, the Board of Directors, including all of the Independent Directors, approved the renewal of the Advisory Agreement for the 2017 fiscal year. Further, the Adviser agreed to continue to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2017. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first $1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the $1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. Furthermore, the Company and the Adviser, similar to fiscal year 2016, agreed on an expense cap for fiscal years 2017 through 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 2018, 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 October 31, 2018, the Company did not have an investment in an exchange traded fund. In addition, the Adviser has agreed, effective November 1, 2017, to a revised management fee structure that ties management fees to the NAV discount[4] 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 October 31, 2018, 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

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

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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.

5. 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.

At October 31, 2015, the provision for estimated incentive compensation was approximately $5.0 million. During the fiscal year ended October 31, 2016, this provision for incentive compensation was decreased by a net amount of approximately $3.0 million to approximately $1.9 million, including both the net operating income portion of the incentive fee and the capitals gains portion of the incentive fee. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2016 primarily reflects the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Custom Alloy, MVC Automotive, Security Holdings, SGDA Europe, Tekers, Turf, JSC Tekers, RuMe, BAC, Biogenics, Morey s, Ohio Medical, Equus, Legal Solutions, MVC Environmental and Initials by a total of approximately $32.0 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of ten of the Company s portfolio investments (NPWT, Centile, SCSD, Agri-Carriers, RX, U.S. Gas, Advantage, Thunderdome, U.S. Tech and Vestal) by a total of approximately $8.5 million. For the fiscal year ended October 31, 2016, no incentive compensation was paid. For the quarter ended April 30, 2016, a $2.1 million provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income exceeded the hurdle rate. In March 2016, the Adviser agreed to modify its prior agreement to waive, effective November 1, 2015, the first $1.0 million of capital gains incentive fee due under the Advisory Agreement, such that the $1.0 million waiver of incentive fee would be applied to any incentive fee due under the agreement, whether it is a capital gains incentive fee or net operating income incentive fee. As such, a $1.0 million incentive fee waiver was recorded during the quarter ended April 30, 2016 resulting in a net $1.1 million provision being recorded for the net operating income portion of the incentive fee. Also, for the quarter ended October 31, 2016, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate.

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

At October 31, 2017, the provision for estimated incentive compensation was approximately $2.1 million. During the fiscal year ended October 31, 2018, the provision for incentive compensation was decreased by a net amount of approximately $2.1 million to $0, including both the pre-incentive fee net operating income and the capital gain incentive fee. The net decrease in the provision for incentive compensation reflects the realized loss on the U.S. Gas loan, the realized gain on the Centile equity and the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Advantage, Dukane, Equus, HTI, Initials, JSC

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Tekers, MVC Environmental, RuMe, Security Holdings, Trientis, Turf, U.S. Gas, SCSD, U.S. Tech, Centile escrow and Crius) by a total of approximately $23.7 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of five of the Company s portfolio investments (Centile, Custom Alloy, Highpoint, Legal Solutions and MVC Automotive) by a total of approximately $8.1 million. Also, for the quarter ended October 31, 2018, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income for the quarter did not exceed the hurdle rate. 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.

6. Dividends and Distributions to Shareholders

As a RIC, the Company is required to distribute to its shareholders, in a timely manner, at least 90% of its investment company taxable income and tax-exempt income each year. The Company did meet this requirement for the fiscal years ended October 31, 2016 and October 31, 2015. If the Company distributes, in a calendar year, at least 98% of its income and 98.2% of its capital gains 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 which may differ from U.S. generally accepted accounting principles. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Company, differing treatments of expenses paid by the Company, timing differences and differing characterizations of distributions made by the Company. Key examples of the primary differences in expenses paid are the accounting treatment of MVCFS (which is consolidated for GAAP purposes, but not income tax purposes) and the variation in treatment of incentive compensation expense. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications and may affect the allocation between net operating income, net realized gain (loss) and paid-in capital.

All of our shareholders who hold shares of common stock in their own name will automatically be enrolled in our dividend reinvestment plan (the Plan). All such shareholders will have any cash dividends and distributions automatically reinvested by the Plan Agent in additional 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 seeking to pay 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

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elected to receive dividends and distributions in cash. To receive your dividends and distributions in cash, shareholders must notify the Plan Agent, broker or other entity that holds the shares.

For the Fiscal Year Ended October 31, 2018

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

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

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

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

On July 16, 2018, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on July 31, 2018 to shareholders of record on July 26, 2018 and totaled approximately $2.8 million.

During the quarter ended July 31, 2018, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 9,024 shares of our common stock at an average price of $9.52, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 15, 2018, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on October 31, 2018 to shareholders of record on October 25, 2018 and totaled approximately $2.7 million.

During the quarter ended October 31, 2018, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 9,655 shares of our common stock at an average price of $9.10, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Fiscal Year Ended October 31, 2017

On December 20, 2016, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on January 6, 2017 to shareholders of record on December 30, 2016 and totaled approximately $3.0 million.

During the quarter ended January 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,676 shares of our common stock at

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an average price of $8.56, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On April 13, 2017, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on April 28, 2017 to shareholders of record on April 24, 2017 and totaled approximately $3.0 million.

During the quarter ended April 30, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,451 shares of our common stock at an average price of $9.01, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On July 14, 2017, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on July 31, 2017 to shareholders of record on July 24, 2017 and totaled approximately $3.0 million.

During the quarter ended July 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 6,597 shares of our common stock at an average price of $10.32, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 10, 2017, the Company s Board of Directors declared a dividend of $0.15 per share. The dividend was paid on October 31, 2017 to shareholders of record on October 24, 2017 and totaled approximately $3.2 million.

During the quarter ended October 31, 2017, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,611 shares of our common stock at an average price of $10.80, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Fiscal Year Ended October 31, 2016

On December 21, 2015, the Company s Board of Directors declared a dividend of $0.135 per share. Additionally, due to the realization of capital gains, the Company s Board of Directors declared a special dividend of $0.17 per share. The dividends were paid on January 8, 2016 to shareholders of record on December 31, 2015 and totaled approximately $6.9 million.

During the quarter ended January 31, 2016, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 17,843 shares of our common stock at an average price of $7.65, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On April 15, 2016, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on April 29, 2016 to shareholders of record on April 25, 2016 and totaled approximately $3.1 million.

During the quarter ended April 30, 2016, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 8,337 shares of our common stock at an average price of $7.55, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

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On July 15, 2016, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on July 29, 2016 to shareholders of record on July 25, 2016 and totaled approximately $3.1 million.

During the quarter ended July 31, 2016, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,915 shares of our common stock at an average price of $8.09, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 14, 2016, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on October 31, 2016 to shareholders of record on October 24, 2016 and totaled approximately $3.0 million.

During the quarter ended October 31, 2016, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,642 shares of our common stock at an average price of $8.51, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

7. Transactions with Other Parties

The Company has procedures in place for the review, approval and monitoring of transactions involving the Company and certain persons related to the Company. For example, the Company has a Code of Ethics that generally prohibits, among others, any officer or director of the Company from engaging in any transaction where there is a conflict between such individual s personal interest and the interests of the Company. As a business development company, the 1940 Act also imposes regulatory restrictions on the Company s ability to engage in certain related-party transactions. However, the Company is permitted to co-invest in certain portfolio companies with its affiliates to the extent consistent with applicable law or regulation and, if necessary, subject to specified conditions set forth in an exemptive order obtained from the SEC. On August 28, 2017, the Company received an exemptive order from the SEC (the Order) that allows it to co-invest, subject to certain conditions, with certain affiliated private funds in first lien, second lien, mezzanine, structured debt and structured equity investments in small and middle market businesses and to undertake certain follow-on investments in companies in which the Fund has already co-invested pursuant to the Order. The Adviser has formed the TTGA C-I MMF LP (the Private Fund) & TTGA C-1 LP funds, which were co-applicants for the granted exemptive relief. For the fiscal year ended October 31, 2018, there were 6 investments made pursuant to the Order. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, Portfolio Investments for more information. As a matter of policy, our Board has required that any related-party transaction (as defined in Item 404 of Regulation S-K) must be subject to the advance consideration and approval of the Independent Directors, in accordance with applicable procedures set forth in Section 57(f) of the 1940 Act.

The Company has receivables from portfolio companies for costs incurred by the Company related to its monitoring activities, which are expected to be collected and amounted to approximately $882,000 for 2018 and approximately $469,000 for 2017, net of allowance. The Company also pays TTG Advisers for costs incurred by TTG Advisers associated with monitoring activities related to the Company s portfolio companies in accordance with the Advisory Agreement.

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The principal equity owner of TTG Advisers is Mr. Tokarz, our Chairman. Our senior officers and Mr. Holtsberg, a Director of the Company, have other financial interests in TTG Advisers (i.e., based on TTG Advisers performance). In addition, our officers and the officers and employees of TTG Advisers may serve as officers, directors or principals of entities that operate in the same or related line of business as we do or of investment funds managed by TTG Advisers or our affiliates. However, TTG Advisers intends to allocate investment opportunities in a fair and equitable manner. Our Board of Directors has approved a specific policy in this regard that is set forth in this Form 10-K.

8. Concentration of Market and Credit 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 93.8% and 72.5% of the Company s total assets at October 31, 2018 and October 31, 2017, respectively. As discussed in Note 9, 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 October 31, 2018, the fair value of our largest investment, Crius Energy Trust (Crius), including its wholly-owned indirect subsidiary U.S. Gas & Electric, Inc. (U.S. Gas), comprised 15.9% of our total assets and 24.4% 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 October 31, 2018 and October 31, 2017.

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	October 31, 2018	October 31, 2017
Energy Services	24.36%	22.02%
Electrical Engineering	18.06%	12.92%
Manufacturer of Pipe Fittings	12.98%	7.69%
Automotive Dealerships	11.49%	7.96%
Private Equity	9.03%	6.53%
Food Services	7.27%	6.37%
Supply Chain Equipment Manufacturer	6.62%	0.00%
Consumer Products	5.53%	5.13%
Business Services	5.26%	4.14%
Electronics Component Manufacturing	4.36%	3.49%
Insurance	3.90%	3.19%
Regulated Investment Company	3.84%	3.88%
Distributor - Landscaping and Irrigation Equipment	3.72%	2.71%
Specialty Chemicals	3.70%	2.52%
Equipment Rental	3.34%	0.00%
Information Technology Products and Services	2.70%	0.00%
Safety Equipment Manufacturer	2.49%	0.00%
Electronics Manufacturing and Repair	2.43%	1.99%
Government Services	2.27%	1.75%
Technology Investment - Financial Services	2.20%	1.93%
Welding Equipment Manufacturer	1.95%	2.62%
Real Estate Management	1.80%	1.50%
Software	1.65%	3.28%
Defense/Aerospace Parts Manufacturing	1.62%	0.00%
Environmental Services	0.56%	2.17%
Iron Foundries	0.00%	0.88%
	143.13%	104.67%

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

	October 31, 2018	October 31, 2017
Southeast	21.46%	15.48%
Northeast	20.81%	14.85%
Europe	20.59%	17.49%
Midwest	13.45%	7.44%
West	6.28%	5.35%
Canada	4.54%	5.21%
Southwest	3.82%	4.48%
Puerto Rico	2.55%	2.21%
	93.50%	72.51%

The Company is classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of portfolio companies in a limited number of industries. 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.

9. 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 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 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 two of our investments using Level 1 inputs as of October 31, 2018.

- ***Level 2:*** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or other inputs that are observable or can be corroborated by observable market data. Additionally, the Company s interests in Investment Vehicles that can be withdrawn by the Company at the net asset value reported by such Investment Vehicle as of the measurement date or within six months of the measurement date are generally categorized as Level 2 investments.

- ***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 3 Significant Accounting Policies 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 2 or 3 of the fair value hierarchy. In determining the appropriate level, the Company considers the length of time

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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 table sets forth our investment portfolio by level as of October 31, 2018 and 2017 (in thousands):

	October 31, 2018				
	Level 1	Level 2	Level 3	Investment measured at NAV	Total
Senior/Subordinated Loans and credit facilities	$	$	$ 175,781	$	$ 175,781
Common Stock	24,457		6,150		30,607
Preferred Stock			47,060		47,060
Warrants			401		401
Common Equity Interest			50,186		50,186
LP Interest of the PE Fund				19,972	19,972
GP Interest of the PE Fund				501	501
Guarantees and letters of credit			(2,867)		(2,867)
Escrow Receivable			969		969
Total	$ 24,457	$	$ 277,680	$ 20,473	$ 322,610

[redacted]

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

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

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

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[redacted]									
Senior/Subordinated Loans and credit facilities	$ 153,271	$ (2,999)	$ 2,999	$ (8,284)	$ 65,128	$ (34,334)	$	$ 175,781	$ (8,284)
[redacted]									
Preferred Stock	25,725			2,749	18,586			47,060	2,749
[redacted]									
Common Equity Interest	56,068	3,455	(3,756)	1,399		(6,980)		50,186	908
[redacted]									
Escrow Receivable		(223)			1,192			969	
[redacted]									

[redacted]									
Senior/Subordinated Loans and credit facilities	$ 141,893	$ (28)	$ 497	$ 1,374	$ 58,736	$ (49,201)	$	$ 153,271	$ 899
[redacted]									
Preferred Stock	115,195	110,874	(85,161)	(103)		(115,080)		25,725	(103)
[redacted]									
Common Equity Interest	53,811	(27,545)	27,288	2,716	1,128	(1,330)		56,068	3,147
[redacted]									
Guarantees and letters of credit	(291)		13	(273)				(551)	(274)
[redacted]									
Total	$ 335,162	$ 79,107	$ (51,769)	$ 2,006	$ 59,923	$ (182,576)	$	$ 241,853	$ 1,103

(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 fiscal year ended October 31, 2018 and October 31, 2017, respectively.

(3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statements of Operations related to securities held during the fiscal year ended October 31, 2018 and October 31, 2017, 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 fiscal year ended October 31, 2018 and October 31, 2017, a total of approximately $3.2 million and $1.9 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 table summarizes information about the Company s Level 3 fair value measurements as of October 31, 2018 and October 31, 2017 (Fair Value is disclosed in thousands):

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Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2018	Valuation technique	Unobservable input	Range Low	Range High	Weighted average (a)
Common Stock (c) (d)	$ 6,150	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Forward EBITDA Multiple	7.0x	7.0x	7.0x
Senior/Subordinated loans and credit facilities (b) (d)	$ 175,781	Market Approach	EBITDA Multiple	8.5x	8.5x	8.5x
			Forward EBITDA Multiple	5.0x	7.5x	7.0x
			Revenue Multiple	1.6x	1.6x	1.6x
		Income Approach	Required Rate of Return	8.9%	26.8%	13.0%
			Discount Rate	12.6%	16.0%	14.9%
			Perpetual Growth Rate of Free Cash Flow	2.0%	3.0%	2.7%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
			Discount on Liquidation of Assets	17.5%	82.5%	45.6%
Common Equity Interest	$ 50,186	Market Approach	Forward EBITDA Multiple	6.5x	7.5x	7.1x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	16.0%	16.0%	16.0%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	$ 47,060	Adjusted Net Asset Approach	Discount to Net Asset Value	1.0%	20.0%	7.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.6x	1.6x	1.6x
			Forward EBITDA Multiple	7.0x	7.0x	7.0x
			% of AUM	0.70%	0.70%	0.70%
			Illiquidity Discount	45.0%	45.0%	45.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	13.5x	13.5x	13.5x
		Income Approach	Discount Rate	12.6%	14.6%	13.6%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.5%	2.2%
			Required Rate of Return	16.4%	18.4%	17.1%
Warrants	$ 401	Market Approach	EBITDA Multiple	7.1x	7.1x	7.1x
Guarantees / Letters of Credit	$ (2,867)	Income Approach	Discount Rate	6.5%	20.0%	17.6%
Escrows	$ 969	Income Approach	Discount Rate	18.9%	18.9%	18.9%
Total	**$ 277,680**					

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.

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Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2017	Valuation technique	Unobservable input	Range Low	Range High	Weighted average (a)
Common Stock (c) (d)	$ 5,937	Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
			Forward EBITDA Multiple	5.8x	7.0x	7.0x
Senior/Subordinated loans and credit facilities (b) (d)	$ 153,271	Market Approach	EBITDA Multiple	5.5x	8.5x	7.3x
			Forward EBITDA Multiple	5.8x	7.0x	6.6x
			Revenue Multiple	1.3x	1.3x	1.3x
		Income Approach	Required Rate of Return	8.5%	22.5%	13.3%
			Discount Rate	15.3%	19.1%	17.3%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
Common Equity Interest	$ 56,068	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			Forward EBITDA Multiple	6.0x	6.0x	6.0x
			EBITDA Multiple	5.5x	7.0x	6.5x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	13.0%	17.6%	13.8%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	$ 25,725	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
			% of AUM	0.73%	0.73%	0.73%
			Illiquidity Discount	30.0%	30.0%	30.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	14.0x	14.0x	14.0x
			Discount to Letter of Intent	0.0%	0.0%	0.0%
		Income Approach	Discount Rate	15.7%	15.7%	15.7%
			Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
Warrants	$ 1,403	Market Approach	Revenue Multiple	1.3x	1.3x	1.3x
Guarantees / Letters of Credit	$ (551)	Income Approach	Discount Rate	19.1%	20.0%	20.0%
Total	**$ 241,853**					

Notes:

(a) Calculated based on fair values.

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

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

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

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

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

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

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 Fiscal Year Ended October 31, 2018

During the fiscal year ended October 31, 2018, the Company made six new investments, committing capital that totaled approximately $41.5 million. Pursuant to the Order, that allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds as described in the Order, each of the Company and the Private Fund co-invested in Essner ($3.7 million investment for the Company), Black Diamond ($7.5 million investment for the Company), Apex ($15.0 million investment for the Company) and Array ($6.0 million investment for the Company), Tuf-Tug ($5.6 million investment for the Company) and Tin Roof ($3.7 million investment for the Company).

During the fiscal year ended October 31, 2018, the Company made follow-on investments in eight portfolio companies that totaled approximately $20.8 million. On November 8, 2017, the Company loaned an additional $1.5 million to SCSD in the form of a senior secured loan. The loan has an interest rate of 12% and a maturity date of November 7, 2020. On December 21, 2017, the Company loaned approximately $526,000 to Initials increasing the senior subordinated loan amount to approximately $5.3 million. On December 22, 2017, the Company loaned $1.4 million to Turf in the form of a third lien loan. The loan has an interest rate of 10% and a maturity date of August 7, 2020. On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The funded amount as of October 31, 2018, net of repayments, was approximately $539,000 with no additional borrowings available on the commitment. On March 19, 2018, the Company invested approximately $68,000 in Trientis for a warrant. On March 22, 2018, the Company loaned approximately $2.3 million to MVC Automotive increasing the bridge loan amount to approximately $7.1 million and extending the maturity date to June 30, 2019. On April 10, 2018, the Company loaned approximately $308,000 to Security Holdings, increasing the bridge loan amount to approximately $4.7 million. On May 30, 2018, the Company loaned an additional $4.8 million to Security Holdings in the form of a senior subordinated loan and provided a 3.3 million Euro letter of credit. The loan has an annual interest rate of 12.45% and a maturity date of May 31,

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2020. During the fiscal year ended October 31, 2018, the Company loaned approximately $3.6 million to RuMe, increasing the subordinated loan amount to approximately $3.3 million and the revolver balance to approximately $1.5 million.

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

On November 29, 2017, the Company received a principal payment of $3.0 million from Dukane resulting in an outstanding balance of approximately $4.4 million as of October 31, 2018.

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

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

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

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

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

On July 31, 2018, the Company sold its interest in Centile and received cash proceeds of approximately $5.8 million at closing. An additional $1.2 million of proceeds are held in escrow for 15 months from the closing. Assuming the full receipt of all escrow proceeds, the sale of Centile will result in a realized gain of approximately $3.5 million.

On October 31, 2018, the Custom Alloy $1.4 million letter of credit was drawn upon, which resulted in the Company receiving a $1.4 million term note with a 15% interest rate and a maturity date of October 31, 2021.

During the fiscal year ended October 31, 2018 Turf made principal payments totaling $210,000 on its third lien loan.

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

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

During the quarter ended April 30, 2018, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately $82,000, Centile equity interest by $196,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $3.0 million, Dukane loan by approximately $300, Legal Solutions loan by approximately $900, MVC Automotive equity interest by approximately $934,000, RuMe guarantee by approximately $28,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $167,000 and U.S. Gas loan by approximately $909,000. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials and Security Holdings were due to the capitalization of PIK interest totaling $635,592. The Valuation Committee also decreased the fair value of the Company s investments in: Folio*fn* preferred stock by $66,000, HTI loan by approximately $49,000, Initials loan by approximately $82,000, JSC Tekers Holdings preferred stock by approximately $176,000, MVC Environmental loan and letter of credit by a total of approximately $267,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $1.8 million, Security Holdings equity interest by approximately $2.3 million and Turf loans by approximately $288,000.

During the quarter ended July 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $36,000, Dukane loan by approximately $300, HTI loan by approximately $242,000, Legal Solutions loan by approximately $800, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.9 million, Security Holdings equity interest and letter of credit by a total of approximately $1.6 million and Turf loans by approximately $53,000. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials, Array and Security Holdings were due to the capitalization of PIK interest totaling $893,912. The Valuation Committee also decreased the fair value of the Company s investments in: Folio*fn* preferred stock by $115,000, Initials loan by approximately $186,000, JSC Tekers Holdings preferred stock by $154,000, MVC Automotive equity interest by $819,000, MVC Environmental loan and letter of credit by a total of approximately $4.7 million, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $114,000, U.S. Gas loan by approximately $109,000, United States Technologies, Inc. (U.S. Tech) loan by $55,000 and the Centile escrow by approximately $257,000 that was recorded as a realized loss.

During the quarter ended October 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy second lien loan, series A preferred stock, series B preferred stock, series C preferred stock and letters of credit by a total of approximately $2.4 million, Dukane loan by approximately $300, Folio*fn* preferred stock by $310,000, Highpoint loan

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by approximately $51,000, Legal Solutions loan by approximately $900, Turf loans by approximately $52,000 and the Centile escrow by approximately $34,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Trientis, HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Array, Black Diamond, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling $927,705. The Valuation Committee also decreased the fair value of the Company s investments in: HTI loan by approximately $144,000, Initials loan by approximately $2.2 million, JSC Tekers Holdings preferred stock by $157,000, MVC Automotive equity interest by $442,000, MVC Environmental loan and letter of credit by a total of approximately $966,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $218,000, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $691,000, Security Holdings equity interest and letter of credit by a total of $747,000, Trientis loan and warrant by a total of approximately $932,000 and the U.S. Gas loan by approximately $179,000.

During the fiscal year ended October 31, 2018, the Valuation Committee increased the fair value of the Company s investments in: Centile equity interest by $491,000, Custom Alloy second lien loan, series A preferred stock, series B preferred stock and series C preferred stock by a total of approximately $6.0 million, Highpoint loan by approximately $150,000, Legal Solutions loan by approximately $3,500, MVC Automotive equity interest by approximately $1.5 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 $2.2 million. In addition, increases in the cost basis of the loans to HTI, Legal Solutions, RuMe, Dukane, Morey s, Highpoint, Initials, Array, Trientis, Black Diamond, Tuf-Tug and Security Holdings were due to the capitalization of PIK interest totaling $3,172,533. The Valuation Committee also decreased the fair value of the Company s investments in: Advantage preferred stock by approximately $61,000, Dukane loan by approximately $29,000, Folio*fn* preferred stock by $414,000, HTI loan by approximately $80,000, Initials loan by approximately $2.5 million, JSC Tekers preferred stock by approximately $117,000, MVC Environmental loan and letter of credit by a total of approximately $6.4 million, RuMe series B-1 preferred stock, series C preferred stock, common stock, letters of credit and warrants by a total of approximately $3.7 million, Security Holdings equity interest and letter of credit by a total of $685,000, Trientis loan and warrant by a total of approximately $932,000, Turf loans by approximately $319,000, U.S. Gas loan by approximately $1.1 million, SCSD common stock by approximately $134,000, U.S. Tech loan by $55,000 and the Centile escrow by approximately $223,000 that was recorded as a realized loss.

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 investments made by the Company s former management team pursuant to the prior investment objective (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. At October 31, 2017, the fair value of all portfolio investments was $292.5 million with a cost basis of $363.2 million. At October 31, 2017, the fair value and cost basis of Legacy Investments was $5.4 million and $15.0 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $287.1 million and $348.2 million, respectively.

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For the Fiscal Year Ended October 31, 2017

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

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

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

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

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

On March 22, 2017, the Company sold its common stock and warrant in Vestal receiving proceeds of approximately $687,000 and approximately $413,000, respectively. This resulted in realized gains of approximately $437,000 and approximately $413,000 related to the common stock and warrant, respectively. The Company also received a principal payment of approximately $4.1 million on its senior subordinated loan as part of Vestal s refinancing resulting in an outstanding

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balance of approximately $2.5 million. The new loan has an interest rate of 12% and a maturity date of August 21, 2022.

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

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

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

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

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

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

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

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

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been made, the excess proceeds will be split amongst the non-legacy U.S. Gas selling shareholders on a pro-rata basis.

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

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

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

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

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

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

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

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

During the quarter ended January 31, 2017, the Valuation Committee increased the fair value of the Company s investments in: Advantage preferred stock by approximately $136,000, Centile equity interest by $340,000, Custom Alloy unsecured loan by approximately $370,000, Dukane loan by approximately $71,000, Legal Solutions loan by approximately $112,000, Morey s loan by approximately $462,000, Pride loan by approximately $51,000, Quantum loan by approximately $323,000 and warrant by approximately $1.0 million, Security Holdings equity interest by approximately $1.5 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $99,000, Turf loan by approximately $7,000 and guarantee by approximately $3,000, RuMe guarantee by approximately $50,000 and the U.S. Tech loan by $5,000. The Valuation Committee also increased the Ohio Medical escrow by approximately $73,000 that was recorded as a realized gain. In addition, increases in the cost basis of the loans to Vestal, HTI, Legal Solutions, MVC Environmental, FDS, RuMe, Dukane and U.S. Gas were due to the capitalization of PIK interest totaling $511,649. The Valuation Committee also decreased the fair value of the Company s investments in: BAC common stock by approximately $55,000, Custom Alloy second lien loan by approximately $575,000, Folio*fn* preferred stock by $264,000, Initials loan by approximately $95,000, JSC Tekers preferred stock by approximately $43,000, MVC Automotive equity interest by $307,000, MVC Environmental common stock by approximately $517,000, RuMe series C preferred stock by approximately $186,000, series B-1 preferred stock by approximately $9,000, common stock by approximately $42,000 and warrant by approximately $66,000, SCSD common stock by $560,000, SGDA Europe common equity interest

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by approximately $252,000 and Vestal loan by approximately $57,000, common stock by approximately $54,000 and warrant by approximately $62,000.

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

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

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

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

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

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10. Commitments and Contingencies

Commitments to/for Portfolio Companies

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

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

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

Guarantees:

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

Guarantee	Amount Committed	Amount Funded at October 31, 2018
MVC Automotive	$ 6.2 million	
RuMe	$ 1.0 million	
Total	**$ 7.2 million**	

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

ASC 460, *Guarantees*, requires the Company to estimate the fair value of the guarantee obligation at its inception and requires the Company to assess whether a probable loss contingency exists in accordance with the requirements of ASC 450, Contingencies. At October 31, 2018, the Valuation Committee estimated the combined fair values of the guarantee obligations noted above to be approximately -$107,000 or a liability of approximately $107,000.

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

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Over time, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. The balance of the guarantee as of October 31, 2018 is approximately 5.5 million Euro (equivalent to approximately $6.2 million).

The Company agreed to cash collateralize a $300,000 third party letter of credit for RuMe, which is still a commitment of the Company as of October 31, 2018. The Company also guaranteed $1.0 million of RuMe s indebtedness to Colorado Business Bank, which had a fair value of approximately -$107,000 or a liability of $107,000 as of October 31, 2018. On September 22, 2017, the Company provided RuMe an additional $2.0 million letter of credit, which was reduced to $1.5 million on February 1, 2018 and then increased to $2.0 million on May 7, 2018. The letter of credit had a fair value of approximately -$273,000 or a liability of $273,000 as of October 31, 2018.

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The $2.0 million letter of credit is collateralized by the Company s Credit Facility III (defined below).

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

During the fiscal year ended October 31, 2016, the Company agreed to cash collateralize a $500,000 working capital line of credit for an entity partially owned by MVC Environmental provided by Branch Banking and Trust Company (BB&T). During the fiscal year ended October 31, 2017, the cash collateral securing the MVC Environmental working capital line of credit was released and a new credit facility was entered into secured by a $1.0 million letter of credit. On February 16, 2018, the letter of credit was increased to $3.0 million. The $3.0 million letter of credit is collateralized by the Company s Credit Facility III and had a fair value of approximately -$2.4 million or a liability of $2.4 million as of October 31, 2018.

On February 28, 2018, the Company committed $6.0 million to Custom Alloy in the form of a first lien loan with an interest rate of 10% and a maturity date of October 31, 2018. The outstanding amount as of October 31, 2018, net of repayments, was approximately $539,000 with no additional borrowings available.

During the fiscal year ended October 31, 2018, the Company provided Custom Alloy a $2.0 million and a $1.4 million letter of credit as part of a restructuring. The $2.0 million letter of credit had a fair value of approximately -$15,000 or a liability of $15,000 as of October 31, 2018. On October 31, 2018, the $1.4 million letter of credit was drawn, which resulted in the Company receiving a $1.4 million term note with a 15% interest rate and a maturity date of October 31, 2021. The $2.0 million letter of credit is collateralized by the Company s Credit Facility III.

During the fiscal year ended October 31, 2018, the Company provided Security Holdings a 3.3 million Euro letter of credit. The letter of credit had a fair value of approximately -$87,000 or a liability of $87,000. The letter of credit is collateralized by the Company s Credit Facility III.

As of October 31, 2018, the total fair value associated with potential obligations related to guarantees and letters of credit was approximately -$2.9 million or a liability of $2.9 million.

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Commitments of the Company

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

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

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

On July 31, 2013, the Company entered into a one-year, $50 million revolving credit facility (Credit Facility II) with BB&T. On January 31, 2014, Credit Facility II was increased to a $100 million revolving credit facility. On December 1, 2015, Credit Facility II was renewed and expired on May 31, 2016, at which time all outstanding amounts under it were due and repaid. On June 30, 2016, Credit Facility II was renewed 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. The Company incurred closing costs associated with this transaction of $50,000 with no change in terms other than the expiration date. At October 31, 2017 and October 31, 2018, respectively, there was no balance 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. As of October 31, 2018, the Company was in compliance with all covenants related to Credit Facility II.

On December 9, 2015, the Company entered into a three-year, $50 million revolving borrowing base credit facility (Credit Facility III) with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. Credit Facility III expires on December 9,

2018. See Subsequent Events . Credit Facility III can, under certain conditions, be increased up to $85 million. The new facility bears an interest rate of LIBOR plus 3.75% or the prime rate plus 1% (at the Company s option), and includes a 1% closing fee of the commitment amount and a 0.75% unused fee. The compensating balance for the revolving credit facility is $5.0 million, which is reflected as restricted cash on the Company s Consolidated Balance Sheets. On February 26, 2018, in connection with the U.S. Gas Sale, Credit Facility III was amended, effective as of July 5, 2017, to exclude from pledged collateral the U.S. Gas second lien loan. On May 7, 2018, the terms of Credit Facility III were amended to, among other things: (i) increase the limit for unsecured indebtedness and certain unsecured guaranty obligations of portfolio companies of the Company to $10,000,000 and (ii) increase the limit on permitted investments of the Company with respect to certain debt, equity and follow-on investments to $28,500,000. All other material terms of Credit Facility III remained unchanged. As of October 31, 2018 and October 31, 2017, there was no outstanding balance on Credit Facility III and the Company was in compliance with all covenants related to Credit Facility III.

On November 15, 2017, the Company completed a public offering of $100,000,000 aggregate principal amount of its 6.25% senior notes due November 30, 2022 (Senior Notes II). In addition, on November 20, 2017, the underwriters exercised an over-allotment option to purchase an additional $15 million in aggregate principal amount of Senior Notes II (together with the offering on November 15, the Offering). The Senior Notes II have an interest rate of 6.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. After deducting underwriting fees and discounts and expenses, the Offering resulted in net proceeds to the Company of approximately $111.4 million. The Offering expenses incurred are amortized over the term of the Senior Notes II. Proceeds from the offering were used to repay the Senior Notes in full, including all accrued interest. As of October 31, 2018, the Senior Notes II had a total outstanding amount of $115.0 million, net of deferred financing fees the balance was approximately $112.0 million, with a market value of approximately $117.6 million.

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

11. Certain Issuances of Equity Securities by the Issuer and 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 is to be completed by the end of the 2018 calendar year, will consist of an issuer tender offer and/or open market repurchases. The offer price of any tender offer would be determined prior to the commencement of the offer based upon market and other factors. 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

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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.

The following table represents open-market purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 through fiscal year ended October 31, 2018.

Period *	Total Number of Shares Purchased		Average Price Paid per Share including commission	Total Number of Shares Purchased as Part of Publicly Announced Program		Approximate Dollar Value of Shares Purchased Under the Program
For the Year Ended October 31, 2013	1,299,294	$	12.83	1,299,294	$	16,673,207
For the Year Ended October 31, 2014	310,706	$	13.24	1,610,000	$	4,114,967
For the Year Ended October 31, 2015				1,610,000		
For the Year Ended October 31, 2016	146,409	$	8.31	1,756,409	$	1,216,746
For the Year Ended October 31, 2017						
For the Year Ended October 31, 2018	627,724	$	9.45	2,384,133		5,930,011
Total	2,384,133	$	11.72	2,384,133	$	27,934,931

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

TENDER OFFERS

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

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

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at or below the purchase price, at an aggregate cost of approximately $25.0 million, excluding fees and expenses relating to the TO.

12. Tax Matters

Return of Capital Statement of Position (ROCSOP) Adjustment: During the year ended October 31, 2018, the Company recorded a reclassification for permanent book to tax differences. These differences were primarily due to net investment losses, return of capital distributions, reclassification of dividends, maturity of amendment fee and investments in partnerships. These differences resulted in a net increase in accumulated income of $9,382,837, an increase in accumulated net realized gain of $141,321, and a net decrease in accumulated paid in capital of $9,524,158. This reclassification had no effect on net assets.

Distributions to Shareholders: The table presented below includes MVC Capital, Inc. only. The Company s wholly-owned subsidiary MVC Financial Services, Inc. (MVCFS) has not been included. As of October 31, 2018, the components of accumulated earnings/ (deficit) on a tax basis were as follows:

Tax Basis Accumulated Earnings (Deficit)		
Accumulated capital losses		
Other Accumulated Losses		(1,852,856)
Undistributed Net investment Income		
Undistributed Long-Term Capital Gain		
Gross unrealized appreciation		55,206,059
Gross unrealized depreciation		(107,039,037)
Net unrealized depreciation	$	(51,832,978)
Total tax basis accumulated earnings		(53,685,834)
Tax cost of investments		376,622,511
Current year distributions to shareholders on a tax basis:		
Ordinary income		415,006
Return of Capital		8,379,886
Long Term Capital Gain		2,407,047

The Company designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Company related to net capital gain to zero for the tax year ended October 31, 2018.

Prior year distributions to shareholders on a tax basis:	
Ordinary income	12,302,465
Long Term Capital Gain	

Qualified Dividend Income Percentage

The Company designated 1.67% of dividends declared and paid during the year ending October 31, 2018 from net investment income as qualified dividend income under the Jobs Growth and Tax Relief Reconciliation Act of 2003.

Corporate Dividends Received Deduction Percentage

Corporate shareholders may be eligible for the dividends received deduction for certain ordinary income distributions paid by the Company. The Company designated 1.67% of dividends declared and paid during the year ending October 31, 2018 from net investment income as qualifying for the dividends received deduction. The deduction is a pass through of dividends paid by domestic corporations (i.e. only equities) subject to taxation.

Qualified Interest Related Dividends Percentage

The Company designated 97.03% of dividends declared and paid during the year ending October 31, 2018 from net investment income as interest related dividends under Internal Revenue Code Section 871(k)(1)(c).

Short-Term Capital Gain Dividends Percentage

The Company designated 0% of dividends declared and paid during the year ending October 31, 2018 from ordinary income as short-term capital gain dividends under Internal Revenue Code Section 871(k)(2)(c).

13. Income Taxes

The Company s wholly-owned subsidiary MVCFS is subject to federal and state income tax. For the fiscal year ended October 31, 2018, the Company recorded a tax provision of $1,922. For the fiscal year ended October 31, 2017, the Company recorded a tax provision of $1,920. For the fiscal year ended October 31, 2016, the Company recorded a tax provision of $1,884. The provision for income taxes was comprised of the following:

		Fiscal Year ended	
	October 31, 2018	October 31, 2017	October 31, 2016
Current tax (benefit) expense:			
Federal	$	$	$
State	1,922	1,920	1,884
Total current tax (benefit) expense	1,922	1,920	1,884
Deferred tax expense (benefit):			
Federal			
State			
Total deferred tax expense (benefit)			

Total tax (benefit) provision	$	1,922	$	1,920	$	1,884

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The following table summarizes the significant differences between the U.S. federal statutory tax rate and the Company s effective tax rate for financial statement purposes for the fiscal years ended October 31, 2018, 2017 and 2016:

	Fiscal Year Ended October 31, 2018	October 31, 2017	October 31, 2016
Federal income tax (benefit) at statutory rate	$ 12,591	$ (666,741)	$ (453,199)
State income taxes	6,523	(161,235)	(106,937)
Other	(23,972)	(537)	(413)
Net change to valuation allowance	6,780	830,433	562,433
	1,922	1,920	1,884

The Company generated an immaterial net operating loss in the current year for federal and New York state purposes. The net operating loss will be carried forward to offset federal taxable income in future years. As of October 31, 2018, the Company has the following NOL available to be carried forward:

NOL - Federal	NOL New York State	Fiscal Year of NOL	Expiration
$ 1,411,365	$ 2,284,298	October 31, 2008	October 31, 2028
$ 2,585,262	$ 2,780,861	October 31, 2009	October 31, 2029
$ 3,969,891	$ 3,968,135	October 31, 2010	October 31, 2030
$ 5,287,728	$ 5,284,207	October 31, 2011	October 31, 2031
$ 3,659,424	$ 3,656,073	October 31, 2012	October 31, 2032
$ 2,639,679	$ 2,637,924	October 31, 2013	October 31, 2033
$ 4,385,935	$ 4,384,181	October 31, 2014	October 31, 2034
$ 3,834,053	$ 3,832,297	October 31, 2015	October 31, 2035
$ 1,025,839	$ 1,023,955	October 31, 2016	October 31, 2036
$ 1,903,162	$ 1,901,242	October 31, 2017	October 31, 2037
$ 58,397	$ 56,475	October 31, 2018	October 31, 2038

Due to the uncertainty surrounding the ultimate utilization of these net operating losses, the Company has recorded a 100% valuation allowance against its federal and state net deferred tax assets totaling approximately $7,063,140 and $2,669,081 respectively.

Deferred income tax balances for MVCFS reflect the impact of temporary difference between the carrying amount of assets and liabilities and their tax bases and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. The components of our deferred tax assets and liabilities for MVCFS as of October 31, 2018, October 31, 2017 and October 31, 2016 were as follows:

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	October 31, 2018	October 31, 2017	October 31, 2016
Deferred tax assets:			
Deferred revenues	$ 67,162	$ 120,094	$ 190,018
Net operating loss	9,671,270	13,080,659	12,228,831
Others	(6,211)	(22,016)	(117,383)
Total deferred tax assets	$ 9,732,221	$ 13,178,737	$ 12,301,466
Valuation allowance on Deferred revenues and Net operating loss	$ (9,732,221)	$ (13,178,737)	$ (12,301,466)
Net deferred tax assets	$	$	$
Deferred tax liabilities:			
Deferred tax liabilities			
Total deferred tax liabilities			
Net deferred taxes	$	$	$

14. Segment Data

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

The following table presents book basis segment data for the fiscal year ended October 31, 2018:

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	MVC	MVCFS	Consolidated
Interest and dividend income	$ 21,518,386	$ 2,718	$ 21,521,104
Fee income	199,832	80,441	280,273
Fee income - asset management		1,083,576	1,083,576
Total operating income	21,718,218	1,166,735	22,884,953
Total operating expenses	19,953,334	1,353,738	21,307,072
Less: Waivers by Adviser	(1,993,361)	(188,925)	(2,182,286)
Total net operating expenses	17,959,973	1,164,813	19,124,786
Net operating income before taxes	3,758,245	1,922	3,760,167
Tax expense		1,922	1,922
Net operating income	3,758,245		3,758,245
Net realized gain on investments	202,519		202,519
Net unrealized (depreciation) appreciation on investments	(14,547,194)	53,260	(14,493,934)
Net (decrease) increase in net assets resulting from operations	$ (10,586,430)	$ 53,260	$ (10,533,170)

The following table presents book basis segment data for the fiscal year ended October 31, 2017:

	MVC	MVCFS	Consolidated
Interest and dividend income	$ 17,269,250	$ 3,931	$ 17,273,181
Fee income	167,823	1,515,252	1,683,075
Fee income - asset management		1,137,844	1,137,844
Other Income		10,000	10,000
Total operating income	17,437,073	2,667,027	20,104,100
Total operating expenses	21,619,559	5,791,045	27,410,604
Less: Waivers by Adviser	(676,838)	(1,032,764)	(1,709,602)
Total net operating expenses	20,942,721	4,758,281	25,701,002
Net operating loss before taxes	(3,505,648)	(2,091,254)	(5,596,902)
Tax expense		1,920	1,920
Net operating loss	(3,505,648)	(2,093,174)	(5,598,822)
Net realized gain on investments	89,642,778	252,853	89,895,631
Net unrealized depreciation on investments	(56,850,208)	(122,602)	(56,972,810)
Net increase (decrease) in net assets resulting from operations	$ 29,286,922	$ (1,962,923)	$ 27,323,999

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The following table presents book basis segment data for the fiscal year ended October 31, 2016:

	MVC	MVCFS	Consolidated
Interest and dividend income	$ 32,692,958	$ 4,771	$ 32,697,729
Fee income	50,117	3,204,833	3,254,950
Fee income - asset management		1,414,205	1,414,205
Total operating income	32,743,075	4,623,809	37,366,884
Total operating expenses	13,780,668	7,304,046	21,084,714
Less: Waivers by Adviser	(1,779,408)	(1,268,052)	(3,047,460)
Total net operating expenses	12,001,260	6,035,994	18,037,254
Net operating income (loss) before taxes	20,741,815	(1,412,185)	19,329,630
Tax expense		1,884	1,884
Net operating income (loss)	20,741,815	(1,414,069)	19,327,746
Net realized loss on investments	(45,157,415)		(45,157,415)
Net unrealized appreciation on investments	28,548,598	79,246	28,627,844
Net increase (decrease) in net assets resulting from operations	$ 4,132,998	$ (1,334,823)	$ 2,798,175

15. Selected Quarterly Data (unaudited)

	2018				2017				2016			
	Qtr 4	Qtr 3	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	5,967	6,211	5,500	5,207	5,490	7,305	3,929	3,380	5,417	8,005	15,855	8,090
Management fee	1,496	1,487	1,496	1,411	1,335	1,393	1,696	1,814	1,721	1,932	1,958	1,979
Portfolio fees - asset management	122	112	148	147	148	146	138	177	183	185	186	187
Management fee - asset management	81	70	66	67	67	67	49	62	72	60	86	101
Administrative	922	1,070	856	1,295	983	804	1,172	1,474	802	1,319	1,174	958
Interest, fees and other borrowing costs	2,238	2,403	2,981	3,117	2,495	2,649	2,606	2,538	2,598	2,488	2,497	2,629
Loss on extinguishment of debt				1,783								
Net Incentive compensation		(1,316)	(1,012)	267	(1,224)	5,077	985	760	577	(1,512)	1,135	(2,230)
Total waiver by adviser	(598)	(595)	(599)	(390)	(372)	(386)	(461)	(491)	(467)	(521)	(1,527)	(532)
Tax expense	1		1		1			1	1		1	
Net operating income (loss) before net realized and unrealized gains	1,705	2,980	1,563	(2,490)	2,057	(2,445)	(2,256)	(2,955)	(70)	4,054	10,345	4,998
Net (decrease) increase in net assets resulting from operations	(2,220)	(5,870)	(3,393)	950	(4,028)	23,906	3,069	4,377	5,279	(3,536)	6,046	(4,991)
Net (decrease) increase in net assets resulting from operations per share	(0.10)	(0.32)	(0.18)	0.05	(0.17)	1.06	0.14	0.19	0.23	(0.16)	0.26	(0.21)
Net asset value per share	12.46	12.62	13.09	13.42	13.24	13.38	12.45	12.45	12.39	12.27	12.56	12.43

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16. Significant Subsidiaries (unaudited)

We have determined that the following unconsolidated portfolio companies met the applicable conditions of significant subsidiary for the periods indicated: RuMe, MVC Automotive and Equus for the fiscal year ended October 31, 2018; MVC Automotive for the fiscal year ended October 31, 2017; and MVC Automotive, Tekers, Turf and Equus for the fiscal year ended October 31, 2016. During the fiscal year ended October 31, 2017, the Company sold its controlling stakes in Turf and Tekers and it no longer had a controlling stake in Turf or Tekers as of October 31, 2017; as a result, only September 30, 2016 financial information is included below with respect to these entities.

The financial information presented below for RuMe and MVC Automotive as well as for Tekers and Equus, where applicable, includes summarized balance sheets as of September 30, 2018 (the last calendar quarter-end prior to October 31, 2018 for each of these companies), September 30, 2017 and September 30, 2016, and income statements for the period October 1, 2017 to September 30, 2018, October 1, 2016 to September 30, 2017 and October 1, 2015 to September 30, 2016. The financial information presented below for Turf is based on their fiscal year ended October 31, 2016. The financial information below is based on unaudited financial statements and has been prepared and furnished by each portfolio company or derived from publicly available filings which, in any case, were not prepared by the Company.

Balance Sheet **All numbers in thousands**	**RuMe** **As of September 30, 2018**	**MVC Automotive** **As of September 30, 2018**	**RuMe** **As of September 30, 2017**	**MVC Automotive** **As of September 30, 2017**	**MVC Automotive** **As of September 30, 2016**	**Tekers** **As of September 30, 2016**	**RuMe** **As of September 30, 2016**
Assets:							
Total current assets	$ 1,860	$ 68,102	$ 2,555	$ 48,217	$ 44,954	$ 27	$ 2,312
Tota non-current assets	398	24,226	596	24,938	23,953	1,015	582
Total Assets	$ 2,258	$ 92,328	$ 3,151	$ 73,155	$ 68,907	$ 1,042	$ 2,894
Liabilities and Sharholders Equity:							
Current Liabilities	$ 6,794	$ 74,974	$ 5,485	$ 54,859	$ 50,637	$ 623	$ 4,685
Long-term liablities	3,454	14,965	2,648	16,319	16,497	0	1,721
Shareholders Equity	(7,990)	2,389	(4,982)	1,977	1,773	419	(3,512)
Total Liablities and Shareholders Equity	$ 2,258	$ 92,328	$ 3,151	$ 73,155	$ 68,907	$ 1,042	$ 2,894

Balance Sheet **All numbers in thousands**	**Equus** **As of September 30, 2018**	**Equus** **As of September 30, 2017**	**Equus** **As of September 30, 2016**
Assets:			
Investments in portfolio securities at fair value	$ 37,192	$ 29,274	$ 27,665
Cash, cash equivilents, tempory cash investments and restricted cash	25,371	30,561	42,915
Other assets	1,224	1,106	1,156
Total assets	$ 63,787	$ 60,941	$ 71,736
Liabilities:			
Borrowing under margin account	$ 16,995	$ 17,992	$ 29,998
Other liabilites	221	950	232

Total Liabilities	$	17,216	$	18,942	$	30,230
Net Assets	$	46,571	$	41,999	$	41,506

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Balance Sheet All numbers in thousands		Turf As of October 31, 2016
Assets:		
Total current assets	$	11,283
Tota non-current assets		2,712
Total Assets	$	13,995
Liabilities and Sharholders Equity:		
Current Liabilities	$	8,517
Long-term liablities		6,141
Shareholders Equity		(663)
Total Liablities and Shareholders Equity	$	13,995

Income Statement All numbers in thousands	RuMe For the Period from October 1, 2017 to September 30, 2018	MVC Automotive For the Period from October 1, 2017 to September 30, 2018	RuMe For the Period from October 1, 2016 to September 30, 2017	MVC Automotive For the Period from October 1, 2016 to September 30, 2017	MVC Automotive For the Period from October 1, 2015 to September 30, 2016	Tekers For the Period from October 1, 2015 to September 30, 2016	RuMe For the Period from October 1, 2015 to September 30, 2016
Net Sales & Revenue	$ 8,500	$ 193,719	$ 13,031	$ 173,687	$ 165,790	$	$ 12,479
Cost of Sales	5,647	176,017	7,811	159,183	149,531	104	7,582
Gross Margin	2,853	17,702	5,220	14,504	16,259	(104)	4,896
Operating Expenses	4,835	15,483	6,633	14,612	17,142	6	7,420
Operating Income	(1,982)	2,219	(1,413)	(108)	(883)	(110)	(2,524)
Income Tax (Benefit)	0	115	0	210	89	0	
Interest Expense	619	1,613	677	1,366	1,485	43	104
Other Expenses (Income), Net	(24)	73	(34)	(611)	(2,452)	7	(134)
Net Income (Loss)	**$ (2,577)**	**$ 418**	**$ (2,056)**	**$ (1,073)**	**$ (5)**	**$ (160)**	**$ (2,494)**

Income Statement All numbers in thousands		Equus For the Period from October 1, 2017 to September 30, 2018		Equus For the Period from October 1, 2016 to September 30, 2017		Equus For the Period from October 1, 2015 to September 30, 2016
Investment income	$	436	$	631	$	778
Total expenses		3,845		4,581		2,846
Net investment loss		(3,409)		(3,950)		(2,068)
Net realized gain (loss)		4		(9)		(9)
Net change in unrealized appreciation (depreciation) of portfolio securities		7,813		2,535		5,648
Net change in unrealized depreciation of portfolio securities - related party		(193)		821		283
Net increase (decrease) in net assets resulting from operations	**$**	**4,215**	**$**	**(603)**	**$**	**3,854**

Income Statement	Turf For the Year Ended

All numbers in thousands		**October 31, 2016**
Net Sales & Revenue	$	37,833
Cost of Sales		26,385
Gross Margin		11,448
Operating Expenses		10,466
Operating Income		982
Income Tax (Benefit)		22
Interest Expense		857
Other Expenses (Income), Net		0
Net Income (Loss)	**$**	**103**

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17. Subsequent Events

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 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. As of January 14, 2019, the Company has repurchased a total of approximately $9.2 million of stock since September 2018.

On December 7, 2018, pursuant to the Order, each of the Company and the Private Fund co-invested in second lien notes and common stock issued by GTM Intermediate Holdings, Inc. The Company and the Private Fund invested approximately $1.5 million and approximately $6.2 million, respectively, in such notes, with a cash interest rate of 11% plus 1% PIK and a maturity date of June 7, 2024, and $346,000 and approximately $1.4 million, respectively, in shares of common stock, which are held through a holding company. In accordance with the conditions of the Order, the Board, including a majority of the Independent Directors, approved, in advance, the Company s investment in the loan and common stock.

On December 7, 2018, Credit Facility III was renewed until March 9, 2019. See the Company s Current Report on Form 8-K, filed on December 7, 2018 for more information.

On December 27, 2019, the Company received proceeds of approximately $7.8 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 $5.3 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

MVC Capital, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of MVC Capital, Inc. (a Delaware corporation) and subsidiaries (the Company), including the consolidated schedule of investments, as of October 31, 2018 and 2017, the related consolidated statements of operations, cash flows and changes in net assets for each of the three years in the period ended October 31, 2018, and the related notes and selected per share data and ratios (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2018 and 2017, and the results of its operations, its cash flows and changes in net assets for each of the three years in the period ended October 31, 2018, and its selected per share data and ratios for each of the four years in the period ended October 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company s internal control over financial reporting as of October 31, 2018, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 14, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included verification by confirmation of securities as of October 31, 2018 and 2017, by correspondence with the portfolio companies and custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company s auditor since 2015

New York, New York

January 14, 2019

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management has conducted an evaluation, under the supervision of, and with the participation of, the individual who performs the functions of a Principal Executive Officer (the CEO) and the individual who performs the functions of a Principal Financial Officer (the CFO), of 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 (the Exchange Act)) as of October 31, 2018. Based upon that evaluation, management has concluded that the Company s disclosure controls and procedures are effective as of October 31, 2018. Disclosure controls and procedures are designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed under the Exchange Act is accumulated and communicated to management, including the Company s CEO and CFO as appropriate, to allow timely decisions regarding required disclosure.

Management s Report on Internal Control Over Financial Reporting

General. The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. The Company s internal control over financial reporting is designed 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.

Scope of Management s Report on Internal Control Over Financial Reporting. The Company s internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company s receipts and expenditures are being made only in accordance with authorizations of the Company s management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s financial statements.

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Management, including the Company s CEO and CFO, assessed the effectiveness of the Company s internal control over financial reporting as of October 31, 2018. In making this assessment, management used the criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management s assessment, management concluded that the Company maintained effective internal control over financial reporting as of October 31, 2018.

Management does not expect that the Company s disclosure controls and procedures or the Company s internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Independent Registered Public Accounting Firm

The Company s financial statements have been audited by Grant Thornton LLP (Grant Thornton), an independent registered public accounting firm. Grant Thornton s attestation report on the Company s internal control over financial reporting is included herein.

Changes in Internal Control over Financial Reporting

There has been no change in the Company s internal control over financial reporting that occurred during the fiscal quarter ended October 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

MVC Capital, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of MVC Capital, Inc. (a Delaware corporation) and subsidiaries (the Company) as of October 31, 2018, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2018, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company as of and for the year ended October 31, 2018, and our report dated January 14, 2019 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements

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in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

New York, New York

January 14, 2019

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ITEM 9B. **OTHER INFORMATION**

None.

PART III

Item 10. **DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information regarding the directors and the officers of the Company, including brief biographical information, as of January 1, 2019, is set forth below.

(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
Independent Directors					
Emilio Dominianni 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 87	Director	1 year/15 years, 9 months	Mr. Dominianni is a retired Partner of, and was Special Counsel to, Coudert Brothers LLP, a law firm. He is currently a director of Stamm International Corporation, Powrmatic Inc. and Powrmatic of Canada Ltd., manufacturers and distributors of heating, ventilating, and air conditioning equipment. Mr. Dominianni was previously a director of Powrmatic Ltd. and SF Ltd.	None(1)	See column 4

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
Phillip Goldstein 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 73	Director	1 year/6 years, 2 months	Mr. Goldstein is a principal of Bulldog Holdings, LLC, the owner of several entities serving as the general partner of several investment partnerships in the Bulldog Investors group of private funds, and the owner of Kimball & Winthrop, LLC, the managing general partner of Bulldog Investors General Partnership, since 2012; additionally, Mr. Goldstein is a principal of Bulldog Investors, LLC, the investment adviser for Special Opportunities Fund, several private investment funds, and separately managed accounts, since 2009. Mr. Goldstein is (or was previously) a Director or Trustee of the following closed-end funds: Mexico Equity and Income Fund since 2000; Special Opportunities Fund since 2009; High Income Securities Fund since 2018; and Swiss Helvetia Fund, Inc. since 2018. Mr. Goldstein also is (or was previously) a Director or Trustee of the following companies: Brookfield DTLA Fund Office Trust Investor, Inc., a subsidiary of a large commercial real estate company, since 2017; Chairman and Director of Emergent Capital, Inc. (formerly known as Imperial	None(1)	See column 4

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
Gerald Hellerman 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 81	Director	1 year/15 years, 9 months	Mr. Hellerman owned and served as Managing Director of Hellerman Associates, a financial and corporate consulting firm, from the firm s inception in 1993 until it ceased operations in 2013. Mr. Hellerman currently serves as a director and chief compliance officer for The Mexico Equity and Income Fund, Inc. and for Special Opportunities Fund, Inc. Mr. Hellerman currently serves as Trustee of Crossroads Liquidating Trust (formerly BDCA Venture, Inc.). Mr. Hellerman also serves as a Trustee and member of the audit committee of Fiera Capital Series Trust, as a director and member of the audit committee of The Swiss Helvetia Fund, Inc., and as trustee and chair of the audit committee of High Income Securities Fund. Mr. Hellerman was previously a director of Brantley Capital Corporation, Ironsides Partners Opportunity Offshore Fund Ltd. and director and chairman of the audit committee of Emergent Capital, Inc. (formerly known as Imperial Holdings Inc.)	None(1)	See column 4

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
Robert Knapp Ironsides Partners LLC 100 Summer Street 27th Floor Boston, MA 02108 Age: 52	Director	1 year/15 years, 9 months	Mr. Knapp is the Founder and CIO of Ironsides Partners LLC, a Boston based investment manager specializing in closed-end funds, holding companies, and asset value investing generally. Ironsides and related entities serve as the manager and general partner to various funds and managed accounts for institutional clients. Mr. Knapp is director of Okeanis Eco Tankers (OSE: OET-ME NO), a director of Emergent Capital (Nasdaq OTC: EMGC), as well as the Pacific Alliance Asia Opportunity Fund and its related entities and Pacific Alliance Group Asset Management Ltd., based in Hong Kong. Mr. Knapp is also a principal and director of Africa Opportunity Partners Limited (AOP), a Cayman Islands company that serves as the investment manager to Africa Opportunity Fund Limited (AOF), a closed-end investment company incorporated in the Cayman Islands that trades on the London Stock Exchange and related entities. Mr. Knapp serves on the Boards of Directors of AOF. Mr. Knapp also serves as a member of the Board of Managers of Veracity Worldwide LLC. In addition to his directorships named above, Mr. Knapp serves as	None(1)	See column 4

	a director of the Massachusetts Eye and Ear Infirmary, and is a Trustee of the Children s School of Science and the Sea Education Association, both of Woods Hole, MA. Mr. Knapp was formerly an independent, non-executive director of Castle Private Equity AG (SWX: CPEN) and was formerly a director of MPC Container Ships (XOSL:MPCCME). Prior to founding Ironsides, Mr. Knapp was a managing director for over ten years with Millennium Partners, based in New York.

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
Scott D. Krase Oak Hill Advisors 1114 Avenue of the Americas, 27th Floor New York, NY 10036 Age: 51	Director	2 months	Mr. Krase, CFA, serves as the Senior Advisor on the Investment Team of Oak Hill Advisors, L.P. (Oak Hill), an investment manager which he co-founded in 1993. At Oak Hill, Mr. Krase was a Senior Partner with portfolio management responsibilities in the U.S. and Europe. Prior to founding Oak Hill, Mr. Krase worked at TSA Capital Management, an investment manager, where he was a portfolio manager responsible for global asset allocation, from 1992 to 1993. He also worked in the mergers and acquisitions departments for several investment banks including Gleacher & Co. Ltd. (OTCMKTS: GLCH) from 1990 to 1991 and Salomon Brothers, Inc. (formerly NYSE: SB) from 1989 to 1990. During his career, Mr. Krase has served as a lead participant on numerous creditor committees. In addition, Mr. Krase served two terms as Chairman of Loan Syndications and Trading Association, an industry organization, from 2005 to 2007. Mr. Krase also serves on the board of directors of Bulk Maritime, a private holding company, since 2012. Previously, he served on the board of Grove Industries, one of the world s leading producers of mobile	None(1)	See Column 4

	hydraulic cranes, from largest alternative telecommunications network in Ireland from 2013 to 2017. Mr. Krase also serves on the boards of several non-profit organizations, including The Third Option Foundation beginning January 2017, Venture for America beginning January 2016 and Castle Athletics beginning 2009, and he founded the non-profit, one2one USA Foundation, in October 2016. Mr. Krase received a B.S. from The Wharton School of the University of Pennsylvania.	

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
William Taylor 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 76	Director	1 year/12 years, 10 months	Mr. Taylor is a Certified Public Accountant and retired Partner of Deloitte & Touche. Mr. Taylor is currently a director of Northern Illinois University Foundation and has served as an Assistant Treasurer since July 2016 (Mr. Taylor was previously the Treasurer from 2007 to 2011), and President and a director of The William & Dian Taylor Foundation. Mr. Taylor was previously a trustee of Writers Theatre. From 1976 through May 2005, Mr. Taylor was a Partner at Deloitte & Touche. From 1997 to 2001, Mr. Taylor was a director of Deloitte & Touche USA and from 1999 to 2003 Mr. Taylor was a director of Deloitte Touche Tohmatsu.	None(1)	See column 4
Officer and Nominees for Interested Directors					
Warren Holtsberg(2) 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 68	Director	1 year/11 years, 8 months	Mr. Holtsberg currently serves as Co-Head of Portfolio Management of TTG Advisers, the investment adviser to the Fund. Mr. Holtsberg founded Motorola Ventures, the venture capital and private equity investment arm for Motorola, Inc. where he led the worldwide fund for eight years. He was also Corporate Vice President and Director of Equity Investments at	None(1)	See column 4

	Motorola. Mr. Holtsberg served as a member of the Board of Directors of the Illinois Venture Capital

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
			Association until 2014 and as a member of the Board of Sportvision until December 2016. Mr. Holtsberg currently serves as a member of the Board of the Big Shoulders Fund, and Advanced Oilfield Services, a portfolio company of the MVC Private Equity Fund, L.P. Mr. Holtsberg serves as an Emeritus Board Member of the Chicagoland Entrepreneurship Center, the Illinois Emerging Technology Funds and as Chairman of the Board of UI Labs. Previously, Mr. Holtsberg served as a board member of Illinois Ventures, the venture investment arm for the University of Illinois through 2015. Mr. Holtsberg also serves as a director for MVC Partners LLC and is on the board of managers of MVC Cayman. Mr. Holtsberg previously served as director of U.S. Gas & Electric, Inc.		
Michael Tokarz(3) 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 69	Director/ Principal Executive Officer	1 year/15 years, 1 month	Mr. Tokarz currently serves as Chairman and Portfolio Manager of the Fund and as Manager of the Adviser. Mr. Tokarz is also the Managing Member of The Tokarz Group, a private merchant bank, since 2002. In addition, Mr. Tokarz is a principal and investment team member of PPC Enterprises LLC, a	None(1)	See column 4

	registered investment adviser. Prior to this, Mr.

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
			Tokarz was a senior General Partner and Administrative Partner at Kohlberg Kravis Roberts & Co., a private equity firm specializing in management buyouts. He also currently serves on the corporate board of Mueller Water Products, Inc. He is Chairman Emeritus and is a member of the Board of the University of Illinois Foundation, and serves on its executive committee, investment policy committee and finance committee. He is also a member of the Board of Managers for Illinois Ventures, LLC and Illinois Emerging Technology Fund LLC. Mr. Tokarz serves as a director for the following portfolio companies of the Fund: Custom Alloy Corporation, MVC Automotive Group GmbH, and MVC Partners LLC. He also serves as a director of Focus Pointe Global, Gibdock Limited, and Plymouth Rock Energy, LLC, all portfolio companies of MVC Private Equity Fund, L.P. He was previously on the board of CNO Financial, Walter Investment Management, Walter Energy, IDEX Corporation, RJR Nabisco, Beatrice Foods, Con Agra Corporation, Safeway, Lomonosov, and Athleta, Inc. Additionally, he was on the boards of Turf		

	Products, LLC, until the asset was converted to debt, Timberland Machines & Irrigation, Inc., Dakota Growers Pasta Company,

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
			Harmony Health and Beauty, Inc., Harmony Pharmacy & Health Centers, Inc., Summit Research Labs, Inc., Ohio Medical Corporation, and Huamei Capital Company, formerly portfolio companies of the Fund.		
Executive Officers					
Scott Schuenke 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 39	Chief Financial Officer	Indefinite term/ 5 years,2 months	Mr. Schuenke currently serves as the Chief Financial Officer of the Adviser, in addition to his service as Chief Financial Officer of the Company. Mr. Schuenke also serves as the CFO of PPC Enterprises, LLC, a registered investment adviser. He previously served as the Chief Compliance Officer to the Company and the Adviser. Prior to joining the Company in June 2004, Mr. Schuenke served as a compliance officer with U.S. Bancorp Fund Services, LLC, from 2002 until he joined the Company in 2004. Mr. Schuenke also served as the secretary of The Mexico Equity & Income Fund, Inc. and assistant secretary of Tortoise Energy Infrastructure Corporation during his tenure at U.S. Bancorp Fund Services, LLC. He previously served on the Boards of NPWT Corporation when it was a portfolio company of the	N/A	N/A

	Company, and Vestal Manufacturing Enterprises, Inc. through

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(1) Name, Address and Age	(2) Positions(s) Held with the Company	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Company Complex Overseen by Director or Nominee for Director	(6) Other Directorships Held by Director or Nominee for Director During Past 5 Years
			2015. Mr. Schuenke is a Certified Public Accountant.		
Kevin Byrne 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 59	Chief Compliance Officer	Indefinite/3 years, 10 months	Mr. Byrne currently serves as Chief Compliance Officer of the Adviser, in addition to his service as Chief Compliance Officer of the Company. He also currently serves as Financial, Administrative and Compliance Consultant/Member at Fisher Capital Corp, LLC and as Deputy Chief Compliance Officer for PPC Enterprises, LLC. He previously served as a Compliance Consultant to the Adviser from November 2013 to December 2014.	N/A	N/A
Jaclyn Rothchild 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 40	Vice President/ Secretary	Indefinite term/14 years, 1 month; Indefinite term/14 years, 10 months	Ms. Rothchild currently serves as Vice President and Secretary of the Adviser, in addition to her service as Vice President and Secretary of the Company. Prior to joining the Company in June 2002, she was an Associate and Business Manager with Draper Fisher Jurvetson meVC Management Co. LLC, the former investment sub-adviser to the Company, and an Associate at The Bank Companies (acquired by Newmark & Co. Real Estate), a commercial real estate company. Ms. Rothchild serves as Vice President and Chief Operating Officer of	N/A	N/A

	Eleventh Street Partners, Inc. Ms. Rothchild serves on the Board of MVC Partners LLC, a portfolio company of the Company. Ms. Rothchild was formerly an Advisory Board member of Forward Health.

(1)Other than the Company.

(2)Mr. Holtsberg is an interested person, as defined in the 1940 Act, of the Company (an Interested Director) because of his employment with the Adviser.

(3)Mr. Tokarz is an Interested Director because he serves as an officer of the Company.

Mr. Scott Krase was elected as a Director at the 2018 Annual Meeting. He was nominated for such election based on the recommendation of West Family Investments, Inc. (WFI), a significant shareholder of the Company, following discussions with WFI and other larger shareholders. In particular, the Nominating Committee and the Board considered Mr. Krase s background and experience in debt financing and investments. In determining whether each of the other Directors should continue to serve as a Director, the Nominating Committee and the Board considered a variety of factors, including each of the other Directors performance as current Directors and their professional background and experience. The Board noted the other Directors collective knowledge and experience in financial services, legal and financial analysis, corporate finance, asset management, portfolio management and accounting, all of which strengthen the Board s collective qualifications. The Nominating Committee members considered that Messrs. Tokarz and Holtsberg are not Independent Directors but recognized that they represent the Adviser, and, as such, help foster the Board s direct access to information regarding the Adviser, which is the Company s most significant service provider.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the 1934 Act, and Section 30(h) of the 1940 Act, taken together, require that the Directors, officers of the Company and beneficial owners of more than 10% of the equity securities of the Company (collectively, Reporting Persons) file with the SEC reports of their beneficial ownership and changes in their beneficial ownership of the Company s securities. Based solely on its review of the copies of such reports, the Company believes that each of the Reporting Persons who was a Reporting Person during the fiscal year ended October 31, 2018 has complied with applicable filing requirements.

Code of Ethics.

The Board has also adopted a Code of Ethics, which applies to, among others, all of the Company s officers and directors, as well as a Code of Ethics for Principal Executive and Senior Financial Executives that applies to and has been signed by the Principal Executive Officer and the Chief Financial Officer of the Company. You may read and copy the Codes of Ethics at the SEC s Public Reference Room located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the Codes of Ethics are available on the EDGAR Database on the SEC s website at *http://www.sec.gov*. These materials can also be found on the Company s website at

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www.mvccapital.com. Waivers, if any, of the Company s Code of Ethics or Code of Ethics for Principal Executive and Senior Financial Executives will be promptly disclosed on the Company s website.

Audit Committee.

The Company has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the 1934 Act. The members of the Audit Committee are Emilio Dominianni, Gerald Hellerman and William Taylor. Each of the current members of the Audit Committee, is considered an independent director. Each member of the Audit Committee meets the applicable independence and experience requirements, and the Board has determined that Mr. Hellerman is an audit committee financial expert, as defined under Item 407(d)(5) of Regulation S-K of the 1934 Act. Mr. Hellerman is the Chairman of the Audit Committee. The Board has determined that Mr. Hellerman s service on the audit committees of 3 other funds will not impair his ability to serve on the Audit Committee.

Item 11. EXECUTIVE COMPENSATION

Director and Executive Officer Compensation

The Company s officers do not receive any direct compensation from the Company. The Company does not currently have any employees and does not expect to have any employees. Services necessary for its business are provided by individuals who are employees of the Adviser, and the Company s administrator, U.S. Bancorp Fund Services, LLC (the Administrator), pursuant to the terms of the Company s amended and restated investment advisory and management agreement (the Advisory Agreement) and administration agreement. Each of the Company s executive officers is an employee of the Adviser. The Company s day-to-day investment operations are managed by the Adviser.

The following table sets forth compensation paid by the Company in all capacities during the fiscal year ended October 31, 2018 to all of our Directors. Our Directors have been divided into two groups Interested Directors and Independent Directors. The Interested Directors are interested persons, as defined in the 1940 Act, of the Company. No compensation is paid to the Interested Directors. (The Company is not part of any Fund Complex.) No information has been provided with respect to executive officers of the Company because the Company s executive officers do not receive any direct compensation from the Company.

Name of Person, Position	Fees Earned or Paid in Cash	Stock Awards	All Other Compensation(1)	Total
Interested Directors				
Warren Holtsberg, *Director*	None	None	None	None
Michael Tokarz, *Chairman and Portfolio Manager*	None	None	None	None
Independent Directors				
Emilio Dominianni, *Director*	$ 56,666.67	None	None	$ 56,666.67
Phillip Goldstein, *Director*	$ 49,583.00	None	None	$ 49,583.00
Gerald Hellerman, *Director*	$ 63,750.00	None	None	$ 63,750.00
Robert Knapp, *Director*	$ 63,750.00	None	None	$ 63,750.00
William Taylor, *Director*	$ 49,583.33	None	None	$ 49,583.33
Scott Krase, *Director*(2)	$ 0	None	None	$ 0

(1)Directors do not receive any pension or retirement benefits from the Company.

(2)Mr. Krase commenced service as a Director following the conclusion of the Fiscal Year.

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Effective May 1, 2014, the fees payable to Independent Directors and the fees payable to the Chairman of the Audit Committee, Valuation Committee, and Nominating Committee are as follows: Each Independent Director is paid an annual retainer of $70,000 ($80,000 for the Chairman of the Audit Committee and the non-Chairman members of the Valuation Committee and $90,000 for the Chairman of the Valuation Committee) for up to five in-person Board meetings and committee meetings per year. In the event that more than five in-person Board meetings and committee meetings occur, each Director will be paid an additional $1,000 for an in-person meeting. More recently, however, effective November 2017, the Board approved a 25% reduction in the compensation of each of the Independent Directors (calculated pursuant to the foregoing structure then reduced by 25%) until the Company s NAV discount is 10% or less. Each Independent Director is also reimbursed by the Company for reasonable out-of-pocket expenses. The Directors do not receive any pension or retirement benefits from the Company.

Compensation Committee.

The Compensation Committee, the principal purpose of which is to oversee the compensation of the Independent Directors, is currently comprised of Messrs. Hellerman and Knapp. Mr. Hellerman is the Chairman of the Compensation Committee. The Compensation Committee was established in March 2003. The Compensation Committee annually reviews the overall compensation principles of the Company governing the compensation and benefits of the Directors and officers, including developing and recommending, for the Board s adoption, compensation for members of the Board.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Director Equity Ownership

The following table sets forth, as of January 1, 2019 with respect to each Director, certain information regarding the dollar range of equity securities beneficially owned in the Company. The Company does not belong to a family of investment companies.

(1) Name of Director or Nominee	(2) Dollar Range of Equity Securities in the Company	(3) Aggregate Dollar Range of Equity Securities of All Funds/Companies Overseen or to be Overseen by Director or Nominee in Family of Investment Companies
Independent Directors		
Emilio Dominianni	Over $100,000	Over $100,000
Phillip Goldstein	Over $100,000	Over $100,000
Gerald Hellerman	Over $100,000	Over $100,000
Robert Knapp	Over $100,000	Over $100,000
Scott D. Krase	None	None
William Taylor	Over $100,000	Over $100,000
Interested Directors		
Warren Holtsberg(1)	$50,001-$100,000	$50,001-$100,000
Michael Tokarz(2)	Over $100,000	Over $100,000

(1)Mr. Holtsberg is an Interested Director because of his employment with the Adviser.
(2)Mr. Tokarz is an Interested Director because he serves as an officer of the Company and controls the Adviser.

The following table sets forth, as of January 1, 2019, each stockholder who owned more than 5% of the Company s outstanding shares of common stock, each current director, the

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Company s executive officers, and the directors and executive officers as a group. Unless otherwise indicated, the Company believes that each beneficial owner set forth in the table has sole voting and investment power.

Shareholder Name and Address	Amount of Shares Owned	Percentage of Company Held
Wynnefield Partners Small Cap Value, L.P. I 450 7th Avenue, Suite 509 New York, NY 10123	1,587,023(1)	8.43%
Leon G. Cooperman St. Andrew s Country Club 7118 Melrose Castle Lane Boca Raton, FL 33496	1,470,445(2)	7.81%
West Family Investments Inc. 1603 Orrington Avenue Suite 810 Evanston, IL 60201	1,211,629(3)	6.44%
Interested Directors		
Warren Holtsberg	8,000	*
Michael Tokarz	984,931.56	5.23%
Independent Directors		
Emilio Dominianni	59,670	*
Phillip Goldstein	284,806**	1.51%
Gerald Hellerman	65,000	*
Robert Knapp	368,746	1.96%
Scott D. Krase	0.0	0.0
William Taylor	50,568.91	*
Executive Officers		
Scott Schuenke	3,450.57	*
Jaclyn Shapiro-Rothchild	3,622.52	*
Kevin Byrne	0	*
All directors and executive officers as a group (10 in total)* **	1,828,796.00	9.72%

(1) Based on information contained in the Form 13F filed with the SEC on November 14, 2018.

(2) Based on information contained in the Schedule 13D filed with the Commission on August 2, 2018.

(3) Based on information contained in the Schedule 13F filed with the Commission on November 13, 2018.

* Less than 1%.

** 262,657 of these shares are owned by funds and accounts managed by Bulldog Investors, LLC over which Mr. Goldstein has voting authority. Mr. Goldstein is a principal of Bulldog Investors. Mr. Goldstein disclaims all beneficial ownership in these shares except to the extent of his pecuniary interest therein. For purposes of calculating the percentages set forth in the table, however, all of Mr. Goldstein s shares have been counted as being beneficially owned. Based on information provided by Bulldog Investors, LLC.

*** Unless indicated by footnote above, none of the Directors or Executive Officers Shares are pledged as security.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company has procedures in place for the review, approval and monitoring of transactions involving the Company and certain persons related to the Company. For example, the Company has a Code of Ethics that generally prohibits, among others, any officer or director of the Company from engaging in any transaction where there is a conflict between such individual s personal interest and the interests of the Company. As a business development company, the 1940 Act also imposes regulatory restrictions on the Company s ability to engage in certain related party transactions. However, the Company is permitted to co-invest in certain portfolio companies with its affiliates to the extent consistent with applicable law or regulation and, if necessary, subject to specified conditions set forth in an exemptive order obtained from the SEC (the Order). The Order allows the Company to co-invest, subject to certain conditions, with certain affiliated private funds in first lien, second lien, mezzanine, structured debt and structured equity investments in small and middle market businesses and to undertake certain follow-on investments in companies in which the Company has already co-invested pursuant to the Order. The Adviser has formed the Private Fund & TTGA C-1 LP, which were co-applicants for the granted exemptive relief. TTGA C-I LP has not yet commenced operations. For the fiscal year ended October 31, 2018, there were 6 investments made pursuant to the Order. See Item 7 - Management s Discussion and Analysis of Financial Condition and Results Of Operations, Portfolio Investments for more information. As a matter of policy, our Board has required that any related-party transaction (as defined in Item 404 of Regulation S-K) must be subject to the advance consideration and approval of the Independent Directors, in accordance with applicable procedures set forth in Section 57(f) of the 1940 Act.

The principal equity owner of the Adviser is Mr. Tokarz, our Chairman. Our senior officers and Mr. Holtsberg have other financial interests in the Adviser (i.e., based on the Adviser s performance). In addition, our officers and the officers and employees of the Adviser may serve as officers, directors or principals of entities that operate in the same or related line of business as we do or of investment funds managed by the Adviser or our affiliates. These related businesses currently include the PE Fund, the establishment of which was authorized by our Board. As previously disclosed in our 10-K reports for the last three fiscal years, an indirect wholly-owned subsidiary of the Company serves as the general partner and the Adviser serves as the portfolio manager of the PE Fund, and both entities receive a portion of the carried interest and management fees generated from the PE Fund. Our Board has approved a specific policy regarding the allocation of investment opportunities, which was set forth in the reports. 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 have been non-diversified investments (investments that represent more than 5% of the Company s total assets or more than 10% of the outstanding voting securities of an issuer) for the Company during the PE Fund s investment period, which ended on October 28, 2014.

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 and pursuant to a shared services arrangement with PPC, 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.

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Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees:

The aggregate fees billed (or expected to billed with respect to completion of the fiscal 2018 audit) as of the day immediately prior to the date of this filing for professional services rendered by Grant Thornton LLP for the audit of the Company s annual financial statements and review of financial statements in the Form 10-Qs for the fiscal years ended October 31, 2018 and October 31, 2017 were $865,800 and $888,025, respectively.

Audit-Related Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing by Grant Thornton LLP for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements for the fiscal years ended October 31, 2018 and October 31, 2017 were $0 and $15,750, respectively.

Tax Fees:

The aggregate fees billed (or expected to billed with respect to completion of the fiscal 2018 audit) as of the day immediately prior to the date of this filing by Grant Thornton LLP for services rendered with respect to tax compliance, tax advice and tax planning for the fiscal years ended October 31, 2018 and October 31, 2017 were $30,000 and $28,560, respectively.

All Other Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing by Grant Thornton LLP for any other products or services for the fiscal years ended October 31, 2018 and October 31, 2017 were $0 and $0, respectively.

The Audit Committee Charter requires that the Audit Committee pre-approve all audit and non-audit services to be provided to the Company by the independent accountants; provided, however, that the Audit Committee may specifically authorize its Chairman to pre-approve the provision of any non-audit services to the Company. Further, the foregoing pre-approval policy may be waived, with respect to the provision of any non-audit services, consistent with the exceptions provided for in the federal securities laws. All of the audit and tax services provided by Grant Thornton LLP for the fiscal years ended October 31, 2017 and October 31, 2018 were pre-approved by the Audit Committee or its Chairman. For the fiscal years ended October 31, 2017 and October 31, 2018, the Company s Audit Committee did not waive the pre-approval requirement with respect to any non-audit services provided to the Company by Grant Thornton LLP.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES

In addition, there may be additional information not provided in a schedule because (i) such information is not required or (ii) the information required has been presented in the aforementioned financial statements.

(a)(3) The following exhibits are filed herewith or incorporated by reference as set forth below:

Exhibit Number	Description
3.1	Certificate of Incorporation. *(Incorporated by reference to Exhibit 99.a filed with the Registrant s initial Registration Statement on Form N-2 (File No. 333-92287) filed on December 8, 1999)*

Exhibit Number	Description
3.2	Certificate of Amendment of Certificate of Incorporation. *(Incorporated by reference to Exhibit 99.a.2 filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on November 23, 2004)*
3.3	Fifth Amended and Restated Bylaws. *(Incorporated by reference to Exhibit 99.b. filed with Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-125953) filed on August 29, 2005)*
3.4	Sixth Amended and Restated Bylaws. *(Incorporated by reference to Exhibit 3.(A) filed with the Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on March 12, 2014)*
3.5	Eighth Amended and Restated Bylaws. *(Incorporated by reference to Exhibit 3.1 filed with the Registrant s Quarterly Report on Form 8-K (File No. 814-00201) filed on November 5, 2018)*
4.1	Form of Share Certificate. *(Incorporated by reference to Exhibit 99.d.1 filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on November 23, 2004)*
4.2	Form of Indenture, dated February 26, 2013, between Registrant and U.S. Bank National Association, as trustee. (*Incorporated by reference to Exhibit d.2 filed with Registrant s Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-184803) filed on February 26, 2013)*
4.3	Form of First Supplemental Indenture relating to the 7.25% Senior Unsecured Notes due 2023, dated February 26, 2013, between the Registrant and U.S. Bank National Association, as trustee. (*Incorporated by reference to Exhibit d.3 filed with Registrant s Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-184803) filed on February 26, 2013)*
4.4	Second Supplemental Indenture relating to the 6.25% Senior Unsecured Notes due 2022, dated November 15, 2017, between the Registrant and U.S. Bank National Association, as trustee. (*Incorporated by reference to Exhibit 4.2 filed with Registrant s Current Report on Form 8-K (File No. 814-00201) filed on November 15, 2017)*
4.5	Form of 7.25% Senior Unsecured Notes due 2023. (*Incorporated by reference to Exhibit d.4 filed with Registrant s Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-184803) filed on February 26, 2013)*
10.1	Dividend Reinvestment Plan, as amended. *(Incorporated by reference to Exhibit 99.e filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on November 23, 2004)*
10.2	Amended and Restated Investment Advisory and Management Agreement between the Registrant and The Tokarz Group Advisers LLC. (*Incorporated by reference to Exhibit 10.1 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 4, 2009)*
10.3	Form of Custody Agreement between Registrant and U.S. Bank National Association. *(Incorporated by reference to Exhibit 99.j.1 filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on November 23, 2004)*
10.4	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association. *(Incorporated by reference to Exhibit 99.j.2 filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on February 21, 2006)*

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Exhibit Number	Description
10.5	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association. *(Incorporated by reference to Exhibit 10.3 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2012)*
10.6	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association. *(Incorporated by reference to Exhibit 10.3 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2018)*
10.7	Form of Transfer Agency Letter Agreement with Registrant and EquiServe Trust Company, N.A. *(Incorporated by reference to Exhibit 99.k.2 filed with the Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on November 23, 2004)*
10.8	Form of Fee and Service Schedule Amendment to Transfer Agency Agreement with Registrant and Computershare Trust Company, N.A. (*Incorporated by reference to Exhibit10.1 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 8, 2009)*
10.9	Form of Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. *(Incorporated by reference to Exhibit 99.k.6 filed with the Registrant s Post-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-125953) filed on February 21, 2006)*
10.10	Form of First Amendment to Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. (*Incorporated by reference to Exhibit10.2 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 4, 2009)*
10.11	Form of Second Amendment to Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. (*Incorporated by reference to Exhibit 10.2 with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2012)*
10.12	Form of Third Amendment to Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC *(Incorporated by reference to Exhibit 10.15 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.13	Form of Fourth Amendment to Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC *(Incorporated by reference to Exhibit 10.4 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2018)*
10.14	Form of Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. *(Incorporated by reference to Exhibit 99.k.7 filed with Registrant s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on February 21, 2006)*
10.15	Form of First Amendment to Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. (*Incorporated by reference to Exhibit10.3 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 4, 2009)*
10.16	Form of Second Amendment to Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC. *(Incorporated by reference to Exhibit 10.2 with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2012)*

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Exhibit Number	Description
10.17	Form of Third Amendment to Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC *(Incorporated by reference to Exhibit 10.18 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.18	Amendment to Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC *(Incorporated by reference to Exhibit 10.5 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2018)*
10.19	Form of Custody Agreement between Registrant and JP Morgan Chase Bank, N.A., *(Incorporated by reference to Exhibit 10 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on December 21, 2010).*
10.20	Form of Subscription Agreement, dated April 26, 2013. (*Incorporated by reference to Exhibit k.15 filed with Registrant s Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-184803) filed on April 26, 2013)*
10.21	Credit Agreement between MVC Capital Inc. and Branch Banking and Trust Company. *(Incorporated by reference to Exhibit 10.(A) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 9, 2013)*
10.22	Amended and Restated Custody Agreement between MVC Capital, Inc. and Branch Banking and Trust Company. *(Incorporated by reference to Exhibit 10.(B) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 9, 2013)*
10.23	Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10.(A) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on March 12, 2014.*
10.24	Second Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10. (A) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 6, 2014.*
10.25	Third Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10(A) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 9, 2014*
10.26	Fourth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10.26 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.27	Fifth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10.27 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015*
10.28	Sixth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10.28 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015*
10.29	Seventh Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company *(Incorporated by reference to Exhibit 10(A) filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on January 29, 2016)*

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Exhibit Number	Description
10.30	Eighth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company (*Incorporated by reference to Exhibit 10 filed with Registrant's Quarterly Report on Form 10-Q (File No. 814-00201) filed on August 29, 2016)*
10.31	Ninth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company (*Incorporated by reference to Exhibit 10 filed with Registrant's Quarterly Report on Form 10-Q (File No. 814-00201) filed on March 13, 2017)*
10.32	Tenth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company (*Incorporated by reference to Exhibit 10 filed with Registrant's Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 11, 2017*)
10.33	Eleventh Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company (*Incorporated by reference to Exhibit 10.1 filed with Registrant's Quarterly Report on Form 10-Q (File No. 814-00201) filed on September 10, 2018*)
10.34	Loan Agreement between MVC Capital, Inc. and Firstrust Bank *(Incorporated by reference to Exhibit 10.29 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.35	Amended and Restated Loan Agreement between MVC Capital, Inc. and Firstrust Bank *(Incorporated by reference to Exhibit 10.30 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.36	Amendment to the Amended and Restated Loan Agreement between MVC Capital, Inc. and Firstrust Bank (*Incorporated by reference to Exhibit 10(A) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on December 1, 2015)*
10.37	Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10(B) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on January 29, 2016)*

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Exhibit Number	Description
10.38	First Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10.35 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on January 17, 2017)*
10.39	Second Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 8, 2017)*
10.40	Third Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10.36 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on January 16, 2018)*
10.41	Fourth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10.1 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2018)*
10.42	Fifth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank *(Incorporated by reference to Exhibit 10.2 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 11, 2018)*
10.43	Stock Purchase Agreement and Plan of Merger, dated April 24, 2017, among Equus Total Return, Inc., ETR Merger Sub, Inc., and certain shareholders of U.S. Gas & Electric, Inc. (*incorporated by reference to Exhibit 2.1 of Equus Total Return, Inc. s Current Report on Form 8-K filed April 24, 2017*)
10.44*	Sixth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank
10.45	Amendment No. 1 to Share Exchange Agreement, dated April 24, 2017, between Equus Total Return, Inc. and MVC Capital, Inc. (*incorporated by reference to Exhibit 2.2 of Equus Total Return, Inc. s Current Report on Form 8-K filed April 24, 2017*)
10.46	Agreement and Plan of Merger, by and among Verengo, Inc., Mace Merger Sub., Inc., U.S. Gas & Electric, Inc., MVC Capital, Inc., James B. Wiser, Crius Energy Trust, and Crius Solar Fulfillment, LLC dated as of May 30, 2017 *(Incorporated by reference to Exhibit 2.1 filed with Registrant s Current Report on Form 8-K (File No. 814-00201) filed on June 1, 2017)*
12.2	Statement of Computation of Ratios of Earnings to Fixed Charges. (*Incorporated by reference to Exhibit 99.2 filed with Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form N-2 (File No. 333-184803) filed on April 26, 2013*)
16.1	Letter Regarding Change in Certifying Accountant *(Incorporated by reference to Exhibit 99.1 filed with Registrant s Current Report on Form 8-K (File No. 814-00201) filed on July 6, 2015)*
21.1	Financial Statements (as of 12/31/2013) of Velocitius B.V., (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company) *(Incorporated by reference to Exhibit 21.1 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
21.2	Financial Statements (as of 12/31/2013 and excludes financial information of a subsidiary dealership and the parent company) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company) *(Incorporated by reference to Exhibit 21.2 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*

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Exhibit Number	**Description**
21.3	Financial Statements (as of 12/31/2014) of Ohio Medical Corporation (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company) *(Incorporated by reference to Exhibit 21.3 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on May 16, 2016)*
21.4	Financial Statements (as of 12/31/2014 and excludes financial information of a subsidiary dealership and the parent company) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company) *(Incorporated by reference to Exhibit 21.4 filed with Registrant's Annual Report on Form 10-K (File No. 814-00201) filed on May 16, 2016)*
21.5	Financial Statements (as of 12/31/2015) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
21.6	Financial Statements (as of 12/31/2016) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
21.7*	Financial Statements (as of 12/31/2017) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
21.8*	Financial Statements (as of 12/31/2017) of RuMe Inc., a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
31*	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32*	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

*Filed herewith

(b) Exhibits

Exhibit No.	**Exhibit**
10.44	Sixth Amendment to the Credit Agreement between MVC Capital, Inc., Santander Bank, N.A. and Wintrust Bank
21.7	Financial Statements (as of 12/31/2017) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
21.8	Financial Statements (as of 12/31/2017) of RuMe Inc., a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
31	Certifications pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

(c) Financial Statement Schedules

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Schedule 12-14

MVC Capital, Inc. and Subsidiaries
Schedule of Invesments in and Advances to Affiliaties

Portfolio Company	Investment (1)	Net Realized Gain (Loss) for the Period (2)	Amount of Interest or Dividends Credited to Income (4)	October 31, 2017 Fair Value	Gross Additions (5)	Gross Reductions (6)	Net Unrealized Appreciation (Depreciation) for the Period (3)	October 31, 2018 Fair Value
Companies More than 25% owned								
Equus Total Return, Inc. (Regulated Investment Company)	Common Stock (4,444,644 shares)			10,844,931			(2,133,429)	8,711,502
MVC Automotive Group (Automotive Dealerships)	Common Equity Interest			17,395,000			1,506,000	18,901,000
	Bridge Loan		380,999	4,855,166	2,294,000			7,149,166
MVC Private Equity Fund LP (Private Equity Firm)	General Partnership Interest			447,790			53,260	501,050
	Limited Partnership Interest			17,804,933			2,166,593	19,971,526
RuMe Inc. (Consumer Products)	Common Stock (5,297,548 shares)			402,439			(402,439)	
	Series C Preferred Stock (23,896,634 shares)			5,216,844			(1,815,358)	3,401,486
	Series B-1 Preferred Stock (4,999,076 shares)			2,008,375			(267,013)	1,741,362
	Subordinated Loan		198,402	991,839	2,279,047			3,270,886
	Revolver		18,512		1,450,000			1,450,000
	Warrants			1,402,713			(1,402,713)	
Total companies more than 25% owned		**$**	**$ 597,913**	**$ 61,370,030**	**$ 6,023,047**	**$**	**$ (2,295,099)**	**$ 65,097,978**
Companies More than 5% owned, but less than 25%								

Advantage Insurance Holdings LTD (Insurance)	Preferred Stock (750,000 shares)			8,896,789			(61,428)	8,835,361
Centile Holding B.V. (Software)	Common Equity Interest	3,214,526		6,790,000		(7,281,000)	491,000	
Crius Energy Trust (Energy Services)	Equity Unit (3,282,982 shares)		2,126,023	21,024,145		(453)	(5,278,232)	15,745,460
JSC Tekers Holdings (Automotive Dealerships)	Common Stock (3,201 shares) Preferred Stock (9,159,085 shares)			4,196,000			(117,000)	4,079,000
MVC Environmental, Inc. (Environmental Services)	Common Stock (980 shares) Senior Secured Loan			4,878,640			(4,003,475)	875,165
Security Holdings, B.V. (Electrical Engineering)	Common Equity Interest			31,883,000			(598,000)	31,285,000
	Bridge Loan		229,766	4,240,057	462,980			4,703,037
	Senior Subordinated Loan		269,722		4,966,478			4,966,478
Total companies more than 5% owned, but less than 25%		**$ 3,214,526**	**$ 2,625,511**	**$ 81,908,631**	**$ 5,429,458**	**$ (7,281,453)**	**$ (9,567,135)**	**$ 70,489,501**

This schedule should be read in conjunction with the Company s consolidated statements as of and for the year ended October 31, 2018, including the consolidated schedule of investments.

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(1) Common stock, preferred stock, warrants, options and equity interests are generally non-income producing and restricted. The principal amount for loans and debt securities and the number of shares of common and preferred stock are shown in the consolidated schedule of investments as of October 31, 2018.

(2) Represents the total net amount of realized gain or loss credited to income for the fiscal year ended October 31, 2018.

(3) Represents the total net amount of unrealized appreciation or depreciation credited to income for the fiscal year ended October 31, 2018.

(4) Represents the total amount of interest or dividends income credited to income for the portion of the fiscal year ended October 31, 2018 an investment was a control or affiliate investment, as appropriate.

(5) Gross additions include increasees in investments resulting from portfolio investments, paid-in-kind interest and the exchange of one or more existing securities for one or more new one.

(6) Gross reductions include decreases in investments resulting from principal collections related to sales and the exchange of one or more existing securities for one or more new one.

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

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date	Signature	Title
Date: January 14, 2019	/s/ Michael Tokarz (Michael Tokarz)	Chairman (Principal Executive Officer) and Director
Date: January 14, 2019	/s/ Scott Schuenke (Scott Schuenke)	Principal Financial Officer
Date: January 14, 2019	/s/ Emilio Dominianni (Emilio Dominianni)	Director
Date: January 14, 2019	/s/ Gerald Hellerman (Gerald Hellerman)	Director
Date: January 14, 2019	/s/ Phillip F. Goldstein (Phillip F. Goldstein)	Director
Date: January 14, 2019	/s/ Warren Holtsberg (Warren Holtsberg)	Director
Date: January 14, 2019	/s/ Robert C. Knapp (Robert C. Knapp)	Director
Date: January 14, 2019	/s/ Scott D. Krase (Scott D. Krase)	Director
Date: January 14, 2019	/s/ William E. Taylor (William E. Taylor)	Director