MVC CAPITAL, INC.
Form 10-K
May 16, 2016
Table of Contents

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, 2015

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

o Large accelerated filer x Accelerated filer o Non-accelerated filer

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: $154,792,675 computed on the basis of $8.32 per share, closing price of the common stock on the New York Stock Exchange (the NYSE) on April 30, 2015. For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.

There were 22,702,821 shares of the registrant s common stock, $.01 par value, outstanding as of May 16, 2016.

Document Incorporated by Reference:

Proxy Statement for the Company s Annual Meeting of Shareholders 2015, incorporated by reference in Part III, Items 10, 11, 12, 13 and 14.

Table of Contents

MVC Capital, Inc.
(A Delaware Corporation)
Index

Table of Contents

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 29, 2015.

Fiscal year 2015 represented a year in which we continued the transition to our yielding strategy while allocating capital into new opportunities and supporting our existing portfolio companies. The Company made eight new investments: RX Innovations, Inc. (RX) ($10.3 million), Agri-Carriers Group, Inc. (Agri-Carriers) ($11.8 million), Legal Solutions Holdings, Inc. (Legal Solutions) ($8.7 million), The Results Companies, LLC (Results Companies) ($9.0 million), Vestal Manufacturing Enterprises, Inc. (Vestal) ($6.5 million), Thunderdome Restaurants, LLC (Thunderdome) ($2.0 million), Initials, Inc. (Initials) ($4.8 million) and United States Technologies, Inc. (U.S. Technologies) ($5.0 million) and made 5 follow-on investments in the following 4 existing portfolio companies: Biovation Acquisition Company (BAC), Centile Holdings B.V. (Centile), Biogenic Reagents (Biogenic), and MVC Automotive Group B.V. (MVC Automotive). The total capital committed in fiscal year 2015 was $62.4 million compared to $105.8 million and $95.7 million in fiscal years 2014 and 2013, respectively.

Table of Contents

During fiscal year 2014 four new investments were made in: G3K Displays, Inc. (G3K) ($6.0 million), Inland Environmental & Remediation LP (Inland) ($15.0 million), Equus Total Return, Inc. (Equus) ($4.4 million) and Custom Alloy Corporation (Custom Alloy) ($23.0 million) and made 20 follow-on investments in the following 13 existing portfolio companies: Security Holdings B.V. (Security Holdings), Centile, Biogenic, MVC Automotive, RuMe, Inc. (RuMe), Morey s Seafood International LLC (Morey s), Equus, U.S. Gas & Electric, Inc. (U.S. Gas), Ohio Medical Corporation (Ohio Medical), Inland, U.S. Spray Drying Holding Company (SCSD), Biovation Holdings, Inc. (Biovation) and the MVC Private Equity Fund L.P. (MVC PE Fund).

During fiscal year 2013 six new investments were made in: Summit Research Labs, Inc. (Summit) ($22.0 million), SCSD ($5.5 million), Prepaid Legal Services, Inc. (Prepaid Legal) ($9.9 million), Advantage Insurance Holdings LTD (Advantage) ($7.5 million), Morey s ($8.0 million) and Biogenic ($9.5 million) and nine follow-on investments were made in the following five existing portfolio companies: MVC PE Fund, JSC Tekers Holdings (JSC Tekers), Biovation, Ohio Medical and MVC Automotive.

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). More recently, 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, 2015, the value of our investments in portfolio companies was approximately $400.9 million and our total assets were approximately $516.8 million compared to the value of investments in portfolio companies of approximately $447.6 million and gross assets of approximately $577.7 million at October 31, 2014.

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

Table of Contents

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, LLC (MVC Turf) was consolidated with the Company as MVC Turf is an MVC wholly-owned holding company. The consolidation of MVC Turf has not had any material effect on the financial position or net results of operations of the Company. Of the $7.8 million in cash on the Company s Consolidated Balance Sheets as of October 31, 2015, approximately $360,000 was held by MVC Turf, an MVC wholly-owned holding company, and approximately $359,000 held by MVCFS. Also, as of October 31, 2015, approximately $1.0 million 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, 2015, the Company s investments in short-term securities, U.S. Government issued securities and cash and cash equivalents were valued at $106.5 million. Of that amount, approximately $5.5 million was restricted cash equivalents, which was related to the Company s agreement to collateralize a letter of credit being used as collateral for a project guarantee for Security Holdings of approximately $5.5 million and approximately $1.0 million was restricted cash related to Inland s working capital line of credit.

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

5

company. On December 4, 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 their in-person meeting held on October 29, 2015.

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.

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 (i.e., to maximize total return from capital appreciation and/or income) through making a broad range of private investments in a

Table of Contents

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, 2015, the Company made eight new investments and 5 follow-on investments in 4 existing portfolio companies, committing a total of $62.4 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, 2015, 1.1% 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, 2015, the fair value of portfolio investments of the Legacy Investments was $5.6 million. We generally seek to capitalize on opportunities to realize cash returns on these investments when presented with a potential liquidity event, i.e., a sale, public offering, merger or other reorganization.

Our new portfolio investments are made pursuant to our current objective and strategy. We are concentrating our investment efforts on small and middle-market companies that, in our view, provide opportunities to maximize total return from capital appreciation and/or income, though our current focus is more on yield generating investments. Under our investment approach, we have the authority to invest, without limit, in any one company, subject to any diversification limits that may be required in order 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 growth and 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 equity and/or long-term debt 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 equity and debt 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). 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, 2015, $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 is restricted in its ability to make Non-Diversified Investments. For services provided to the PE Fund, the GP and MVC Partners are together

Table of Contents

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 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. 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, which 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. For further discussion of this allocation policy, please see Our Investment Strategy Allocation of Investment Opportunities below.

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.

As of October 31, 2015 and October 31, 2014, 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:

Table of Contents

Type of Investment	Fair Value as a Percentage of Our Net Assets As of October 31, 2015	As of October 31, 2014
Senior/Subordinated Loans and Credit facilities	47.09%	37.55%
Common Stock	5.30%	9.98%
Warrants	0.56%	0.21%
Preferred Stock	50.68%	46.66%
Guarantees	(0.01)%	(0.02)%
Common Equity Interest	23.69%	28.67%
LP Interest of the PE Fund	7.46%	5.81%
GP Interest of the PE Fund	0.19%	0.14%
LLC Interest	1.36%	1.16%

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, 2015, these investments were valued at approximately $106.5 million or 36.2% 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.

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

Table of Contents

Due diligence includes a thorough review and analysis of the business plan and operations of a potential portfolio company. 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 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). 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 will terminate 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 EBITA 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

Table of Contents

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.

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, 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

11

Table of Contents

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 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 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.

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;

Table of Contents

- 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 28 individuals, including investment and portfolio management professionals, operations professionals and administrative staff.

OPERATING EXPENSES

During the fiscal year ended October 31, 2015, 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 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

Table of Contents

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). The Company and the Adviser also agreed in 2015 to modify the methodology so that the cap is applied to limit the Company s ratio of expenses to total assets less cash (the Modified Methodology), consistent with the asset level used to calculate the base management fee. (The expenses covered by the cap remain unchanged.) The amount of any payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund 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 2015, TTG Advisers voluntarily agreed to waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the Voluntary Waiver). TTG Advisers also voluntarily agreed that any assets of the Company that are invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. As of October 31, 2015, the Company did not have an investment in an exchange-traded fund. On October 29, 2015, the Board approved the renewal of the Advisory Agreement for the 2016 fiscal year. Further, the Adviser agreed to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2016. In addition, the Adviser agreed to waive $1 million of any incentive fee on capital gains if and when payable to the Adviser under the Advisory Agreement. Please see Note 17 to our consolidated financial statements Subsequent Events for more information. Furthermore, the Company and the Adviser agreed to reduce the expense cap for fiscal 2016 to 3.25% under the Modified Methodology.

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 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

Table of Contents

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 considers 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, 2015, approximately 76.08% of total assets represented investments in portfolio companies recorded at fair value (Fair Value Investments).

Table of Contents

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, 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.

Table of Contents

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

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, 2015, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest, but did own one security in which we have a minority-owned interest.

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.

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

Table of Contents

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

Table of Contents

portfolio company, the GP s Fair Value determination shall be based on the Valuation Committee s determination of the Fair Value of the Company s portfolio security in that portfolio company.

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

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

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

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

Interest income, adjusted for amortization of premium and accretion of discount on a yield to maturity methodology, is recorded on an accrual basis to the extent that such amounts are expected to be collected. Origination and/or closing fees associated with investments in portfolio companies are accreted into income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as a realized gain. 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

Table of Contents

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.

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.

JP Morgan Chase Bank, N.A. (JP Morgan) and Branch Banking and Trust Company (BB&T) also serve as custodians for certain securities and other assets of the Company. The principal business office of JP Morgan is 270 Park Avenue, New York, NY 10017 and the principal 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.

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

Table of Contents

(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.

(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. 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

Table of Contents

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.

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.

Table of Contents

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

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

- The substantially lower return we are likely to realize on short-term liquid investments during the period in which we are identifying potential investments, and

- The periodic disclosure required of business development companies, which could result in the Company being less attractive as an investor to certain potential portfolio companies.

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

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

At October 31, 2015, approximately 76.08% 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 currently comprised of three Independent Directors) reviews, considers and determines fair valuations on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). Any changes in valuation are recorded in the consolidated statements of operations as Net change in unrealized appreciation (depreciation) on investments.

Table of Contents

We have identified a material weakness in our internal control over financial reporting. Our 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 have 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. This contributed to a delay in the filing of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014 and, as a result, this Form 10-K for the fiscal year ended October 31, 2015, as well as the restatement of our previously issued quarterly and annual financial statements for the fiscal year ended October 31, 2013. For further information regarding this matter and the related material weakness, please refer to Item 9A. Controls and Procedures.

In addition, we may experience delay or be unable to meet our reporting obligations or to comply with SEC rules and regulations, which could result in investigations and sanctions by regulatory authorities. Management s ongoing assessment of disclosure controls and procedures as well as internal control over financial reporting may in the future identify additional weaknesses and conditions that need to be addressed. Any failure to improve our disclosure controls and procedures or internal control over financial reporting to address identified weaknesses in the future, if they were to occur, could prevent us from maintaining accurate accounting records and discovering material accounting errors, which in turn, could adversely affect our business and the value of our common stock.

Our failure to prepare and timely file our periodic reports with the SEC limits our access to the public markets to raise debt or equity capital

We did not file this Annual Report on Form 10-K within the timeframe required by the SEC. Because we have not remained current in our reporting requirements with the SEC, we are limited in our ability to access the public markets to raise debt or equity capital. Our limited ability to access the public markets could prevent us from pursuing transactions or implementing business strategies that we might otherwise believe are beneficial to our business.

Economic recessions or downturns, including the current economic instability in Europe and the United States, could impair our portfolio companies and have a material adverse impact on our business, financial condition and results of operations.

Many of the companies in which we have made or will make investments may be susceptible to 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. Through the date of this report, conditions in the public debt and equity markets have been volatile and pricing levels have performed similarly. As a result, depending on market conditions, we could incur substantial realized losses and suffer unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. If current market

Table of Contents

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

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

Depending on market conditions, we could incur substantial realized losses and suffer unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. In addition, the global financial markets have not fully recovered from the global financial crisis and the economic factors that gave rise to the crisis. The continuation of current global market conditions, uncertainty or further deterioration, including the economic instability in Europe, could result in further declines in the market values of the Company s investments. Such declines could also lead to diminished investment opportunities for the Company, prevent the Company from successfully executing its investment strategies or require the Company to dispose of investments at a loss while such adverse market conditions prevail.

We may not realize gains from our equity investments.

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

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

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

would make it more difficult for us to purchase or originate investments at attractive prices. As a result of this competition, sometimes we may be precluded from making certain investments.

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

On October 31, 2015, the Company did not have a net capital loss carryforward. The Company had approximately $18.2 million in unrealized losses associated with Legacy Investments as of October 31, 2015. If we experience an aggregate 50% shift in the ownership of our common stock from shareholder transactions over a three year period (e.g., if a shareholder acquires 5% or more of our outstanding shares of common stock, or if a shareholder who owns 5% or more of our outstanding shares of common stock significantly increases or decreases its investment in the Company), our ability to utilize our capital loss carryforwards to offset future capital gains may be severely limited. Further, in the event that we are deemed to have failed to meet the requirements to qualify as a RIC, our ability to use our capital loss carryforwards could be adversely affected. The Regulated Investment Company Modernization Act of 2010, which was enacted on December 22, 2010, changed various technical rules governing the tax treatment of regulated investment companies, including the treatment of capital loss carryforwards. Please see Note 12 of our consolidated financial statements Tax Matters for more information.

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

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

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

For federal income tax purposes, we may be required to recognize taxable income in circumstances in which we do not receive a corresponding payment in cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (OID) (such as debt instruments with payment-in-kind, or PIK, interest or, in certain cases, increasing interest rates or debt instruments that were issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the

27

Table of Contents

obligation, regardless of whether cash representing such income is received by us in the same taxable year. We may also have to include in income other amounts that we have not yet received in cash, such as deferred loan origination fees that are paid after origination of the loan or are paid in non-cash compensation such as warrants or stock. We anticipate that a portion of our income may constitute original issue discount or other income required to be included in taxable income prior to receipt of cash. Further, we may elect to amortize market discounts and include such amounts in our taxable income in the current year, instead of upon disposition, as an election not to do so would limit our ability to deduct interest expenses for tax purposes.

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

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

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

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

To fund new investments, periodically we may need to issue equity securities or borrow from financial institutions. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. If we fail to obtain capital to fund our investments, it could limit both our ability to grow our business and our profitability. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. The amount of leverage that we employ depends on TTG Advisers and our board of

Table of Contents

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 forego otherwise attractive opportunities.

In order to qualify as a RIC for U.S. federal income tax purposes, we must satisfy tests concerning the sources of our income, the nature and diversification of our assets and the amounts we distribute to our shareholders. We may be unable to pursue investments that would otherwise be advantageous to us in order to satisfy the source of income or asset diversification requirements for qualification as a RIC. In particular, to qualify as a RIC, at least 50% of our assets must be in the form of cash and cash items, Government securities, securities of other RICs, and other securities that represent not more than 5% of our total assets and not more than 10% of the outstanding voting securities of the issuer. We have from time to time held a significant portion of our assets in the form of securities that exceed 5% of our total assets or more than 10% of the outstanding voting securities of an issuer, and compliance with the RIC requirements currently limits 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.

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

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

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

Table of Contents

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 regulations, may significantly impact our business.

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

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

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

Our common stock price can be volatile.

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

- Price and volume fluctuations in the overall stock market from time to time;

- Significant volatility in the market price and trading volume of securities of business development companies or other financial services companies;

- Volatility resulting from trading by third parties in derivative instruments that use our common stock as the referenced asset, including puts, calls, long-term equity participation securities, or LEAPs, or short trading positions;

- Changes in regulatory policies or tax guidelines with respect to business development companies or RICs;

- Our adherence to applicable regulatory and tax requirements, including the current restriction on our ability to make Non-Diversified Investments;

- Actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;

- General economic conditions and trends;

Table of Contents

- 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, have traded at a premium to our NAV, currently, our shares are trading at a discount to NAV, which discount may fluctuate over time.

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

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

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

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

We have borrowed from and may continue to borrow from, and issue senior debt securities to, banks, insurance companies and other private and public lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to the claims of our common shareholders. If the value of our assets increases, then leveraging would cause the NAV attributable to our common stock to increase more sharply than it would had we not used leverage. Conversely, if the value of our consolidated assets decreases, leveraging would cause the NAV to decline more sharply than it otherwise would have had we not used leverage. 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, 2015, we had $90 million in borrowings under our short-term credit facility, Credit Facility II (as defined below), due on May 31, 2016. Further, we have approximately $114.4 million in aggregate principal amount of Senior Notes (as defined below), due on January 15, 2023, and an approximately $8.0 million Bridge loan outstanding (as defined below), due on December 31, 2015. See Note 17 Subsequent Events for additional information. We are also contemplating accessing additional debt through another credit facility. 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. The Senior Notes and Credit Facility II impose certain financial and operating covenants that may restrict a portion of our business activities, including limitations that could hinder our ability to obtain additional financings and in some cases, to increase our dividends. 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.

Table of Contents

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. 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 declining interest rates, we may have difficulty investing our borrowed capital into investments that offer an appropriate return. In periods of sharply rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use a combination of long-term and short-term borrowings and equity capital to finance our investing activities. We may utilize our short-term credit facilities as a means to bridge to long-term financing. Our long-term fixed-rate investments are financed primarily with equity and long-term fixed-rate debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Additionally, we cannot assure you that financing will be available on acceptable terms, if at all. Recent turmoil in the credit markets has greatly reduced the availability of debt financing. Deterioration in the credit markets, which could delay our ability to sell certain of our loan investments in a timely manner, could also negatively impact our cash flows.

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

As of October 31, 2015, 1.1% of the Company s assets were represented by Legacy Investments. These investments were made pursuant to the Company s prior investment objective of seeking long-term capital appreciation from venture capital investments in information technology companies. Generally, a cash return may not be received on these investments until a liquidity event, i.e., a sale, public offering or merger, occurs. Until then, these Legacy Investments remain in the Company s portfolio. The Company is managing them to seek to realize maximum returns.

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

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

Table of Contents

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, PPC Fund and others that operate in the same or similar lines of business as we do. Accordingly, they may have obligations to those entities, the fulfillment of which might not be in the best interests of the Company or our shareholders. It is possible that new investment opportunities that meet our investment objective may come to the attention of one of the management team members or our officers or directors in his or her role as an officer or director of another entity or as an investment professional associated with that entity, and, if so, such opportunity might not be offered, or otherwise made available, to the Company.

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

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

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

Table of Contents

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.

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

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

INVESTMENT RISKS

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

Investing in private companies involves a high degree of risk.

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

Our investments in portfolio companies are generally illiquid.

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

Table of Contents

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

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

- *Small and middle-market companies may have limited financial resources and may not be able to repay the loans we make to them.* Our strategy includes providing financing to companies that typically do not have capital sources readily available to them. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the borrowers to repay their loans to us upon maturity.

- *Small and middle-market companies typically have narrower product lines and smaller market shares than large companies.* Because our target companies are smaller businesses, they may be more vulnerable to competitors actions and market conditions, as well as general economic downturns. In addition, smaller companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.

- *There is generally little or no publicly available information about these privately-held companies.* There is generally little or no publicly available operating and financial information about privately-held companies. As a result, we rely on our investment professionals to perform due diligence investigations of these privately-held companies, their operations and their prospects. We may not learn all of the material information we need to know regarding these companies through our investigations. It is difficult, if not impossible, to protect the Company from the risk of fraud, misrepresentation or poor judgment by our portfolio companies. Accordingly, the Company s performance (including the valuation of its investments) is subject to the ongoing risk that the portfolio companies or their employees, agents, or service providers, may commit fraud adversely affecting the value of our investments.

- *Small and middle-market companies generally have less predictable operating results.* We expect that our portfolio companies may have significant variations in their operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, finance expansion or maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by their senior lenders.

- *Small and middle-market businesses are more likely to be dependent on one or two persons.* Typically, the success of a small or middle-market company also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us.

• *Small and middle-market companies are likely to have greater exposure to economic downturns than larger companies.* We expect that our portfolio companies will have fewer resources than larger businesses and an economic downturn may thus more likely have a material adverse effect on them.

- *Small and middle-market companies may have limited operating histories.* We may make debt or equity investments in new companies that meet our investment criteria. Portfolio companies with limited operating histories are exposed to the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

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

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

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

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

Our portfolio companies may be highly leveraged.

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

Table of Contents

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

We are classified as a non-diversified investment company within the meaning of the 1940 Act, and therefore we may invest a significant portion of our assets in a relatively small number of portfolio companies in a limited number of industries. As of October 31, 2015, the fair value of our largest investment, U.S. Gas & Electric, Inc. (U.S. Gas), comprised 32.1% 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 U.S. Gas operates.

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

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

U.S. Gas relies on a firm supply source to meet its energy management obligations for its customers. Should U.S. Gas s suppliers fail to deliver supplies of natural gas and electricity, there could be a material impact on its cash flows and statement of operations. U.S. Gas depends on natural gas pipelines and other storage and transportation facilities owned and operated by third parties to deliver natural gas to wholesale markets and to provide retail energy services to customers. If transportation or storage of natural gas is disrupted, including for reasons of force majeure, the ability of U.S. Gas to sell and deliver its services may be hindered. As a result, it may be responsible for damages incurred by its customers, such as the additional cost of acquiring alternative supply at then-current market rates. Additionally, U.S. Gas depends on transmission facilities owned and operated by unaffiliated power companies to deliver the power it sells at wholesale. If transmission is disrupted, or transmission capacity is inadequate, U.S. Gas may not be able to deliver its wholesale power.

U.S. Gas is subject to substantial regulation by federal, state and local regulatory authorities. It is required to comply with numerous laws and regulations and to obtain numerous authorizations, permits, approvals and certificates from governmental agencies. U.S. Gas cannot

Table of Contents

predict the impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to it. Changes in regulations or the imposition of additional regulations could influence its operating environment and may result in substantial costs to U.S. Gas.

The Polar Vortex

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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.

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.

ITEM 4. MINE SAFETY DOSCLOSURES

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 5,632 shareholders on February 9, 2016.

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.

Table of Contents

	QUARTER ENDED		HIGH		LOW
FISCAL YEAR 2015					
	10/31/15	$	9.73	$	8.02
	07/31/15	$	10.36	$	9.61
	04/30/15	$	10.11	$	9.36
	01/31/15	$	11.24	$	9.48
FISCAL YEAR 2014					
	10/31/14	$	12.72	$	10.71
	07/31/14	$	13.11	$	12.14
	04/30/14	$	14.73	$	12.94
	01/31/14	$	14.52	$	13.24

PERFORMANCE GRAPH

This graph compares the return on our common stock with that of the Standard & Poor s 500 Stock Index and the Russell 2000 Financial Index for the fiscal years 2011 through 2015. The graph assumes that, on October 31, 2010, 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.

Shareholder Return Performance Graph
Five-Year Cumulative Total Return1

(Through October 31, 2015)

[1] Total Return includes reinvestment of dividends through October 31, 2015. Past performance is no guarantee of future results.

Table of Contents

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 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 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

Table of Contents

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 2013 and 2014:

For the Quarter Ended January 31, 2014

On December 20, 2013, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on January 7, 2014 to shareholders of record on December 31, 2013. The total distribution amounted to $3,053,388.

During the quarter ended January 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 248 shares of our common stock at an average price of $13.52, 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, 2014

On April 14, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on April 30, 2014 to shareholders of record on April 24, 2014. The total distribution amounted to $3,032,750.

During the quarter ended April 30, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 271 shares of our common stock at an average price of $13.11, 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, 2014

On July 15, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on July 31, 2014 to shareholders of record on July 25, 2014. The total distribution amounted to $3,064,881.

Table of Contents

During the quarter ended July 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 303 shares of our common stock at an average price of $12.40, 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, 2014

On October 17, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on October 31, 2014 to shareholders of record on October 27, 2014. The total distribution amounted to $3,064,881.

During the quarter ended October 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 229 shares of our common stock at an average price of $11.21, 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, 2015

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

During the quarter ended January 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,647 shares of our common stock at an average price of $10.14, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended April 30, 2015

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

During the quarter ended April 30, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,855 shares of our common stock at an average price of $9.92, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

For the Quarter Ended July 31, 2015

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

During the quarter ended July 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 6,141 shares of our common stock at an average price of $9.55, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

Table of Contents

For the Quarter Ended October 31, 2015

On October 16, 2015, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on October 30, 2015 to shareholders of record on October 26, 2015 and amounted to $3,064,881.

During the quarter ended October 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,140 shares of our common stock at an average price of $8.33, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

The Company designated 0% of dividends declared and paid during the fiscal year ended October 31, 2015 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 0% of dividends declared and paid during the fiscal year ended October 31, 2015 from net operating income as qualifying for the dividends received deduction. The information necessary to prepare and complete shareholder s tax returns for the 2015 calendar year will be reported separately on form 1099-DIV, if applicable, in February 2016.

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 2015, as part of the Plan, we directed the Plan Agent to purchase a total of 24,783 shares of our common stock for an aggregate amount of approximately $233,465 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 2015.

Quarter Ended	Total Number of Shares Purchased	Average Price paid Per Share Including Commission
10/31/2015	7,140	$8.33
7/31/2015	6,141	$9.55
4/30/2015	5,855	$9.92
1/31/2015	5,647	$10.14

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.

Table of Contents

Under the repurchase program, shares may be repurchased from time to time at prevailing market prices. The repurchase program does not obligate the Company to acquire any specific number of shares and may be discontinued at any time. The following table represents purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 and October 31, 2014. There were no repurchases made during the fiscal year ended October 31, 2015.

Period *	Total Number of Shares Purchased	Average Price Paid per Share including commission	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Purchased Under the Program
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
Total	1,610,000	$ 12.91	1,610,000	$ 20,788,174

*Disclosure covering repurchases made on a monthly basis is available on the Company s website at http://www.mvccapital.com

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Financial information for the fiscal years ended October 31, 2015, 2014, 2013, 2012 and 2011 are derived from the consolidated financial statements. Fiscal years 2011 through 2014 have been audited by Ernst & Young LLP, the Company s predecessor independent registered public accounting firm, and fiscal year 2015 has been audited by Grant Thornton LLP, the Company s successor independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments), which are necessary to present fairly the results for such interim periods. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for more information.

Table of Contents

Selected Consolidated Financial Data

	Year Ended October 31, 2015	2014	2013	2012	2011
	(In thousands, except per share data)				
Operating Data:					
Interest and related portfolio income:					
Interest and dividend income	$ 20,402	$ 15,311	$ 19,621	$ 25,205	$ 11,450
Fee income	2,048	1,562	2,853	1,940	2,784
Fee income - asset management	1,249	1,910	1,795	2,300	396
Other income		1,033	493	442	1,341
Total operating income	23,699	19,816	24,762	29,887	15,971
Expenses:					
Management fee	7,845	8,681	7,833	8,588	8,845
Portfolio fees - asset management	767	986	418	968	
Management fee - asset management	160	354	929	757	297
Administrative	5,305	3,672	3,712	3,573	4,320
Interest and other borrowing costs	10,230	9,442	6,724	3,367	3,082
Net Incentive compensation (Note 5)	(9,757)	(4,750)	3,828	(5,937)	1,948
Total operating expenses	14,550	18,385	23,444	11,316	18,492
Total waiver by adviser	(150)	(150)	(150)	(2,554)	(251)
Total net operating expenses	14,400	18,235	23,294	8,762	18,241
Net operating income (loss) before taxes	9,299	1,581	1,468	21,125	(2,270)
Tax expense	2	2	4	4	14
Net operating income (loss)	9,297	1,579	1,464	21,121	(2,284)
Net realized and unrealized (loss) gain:					
Net realized gain (loss) on investments	3,700	16,520	43,665	(20,518)	(26,422)
Net unrealized (depreciation) appreciation on investments	(50,557)	(37,941)	(25,860)	(22,257)	35,677
Net realized and unrealized (loss) gain on investments	(46,857)	(21,421)	17,805	(42,775)	9,255
Net (decrease) increase in net assets resulting from operations	$ (37,560)	$ (19,842)	$ 19,269	$ (21,654)	$ 6,971
Per Share:					
Net (decrease) increase in net assets per share resulting from operations	$ (1.66)	$ (0.88)	$ 0.82	$ (0.90)	$ 0.30
Dividends per share	$ 0.540	$ 0.540	$ 0.540	$ 0.495	$ 0.480
Balance Sheet Data:					
Portfolio at value	$ 400,876	$ 447,630	$ 417,921	$ 404,171	$ 452,215
Portfolio at cost	443,717	439,970	371,932	332,432	358,219
Total assets	516,842	577,713	564,450	456,431	497,107
Shareholders equity	294,076	343,903	376,086	386,016	419,510
Shareholders equity per share (net asset value)	$ 12.95	$ 15.15	$ 16.63	$ 16.14	$ 17.54

Common shares outstanding at period end	22,703	22,703	22,618	23,917	23,917
Other Data:					
Number of Investments funded in period	13	24	15	11	13
Investments funded ($) in period	$ 62,591	$ 103,671	$ 95,701	$ 11,300	$ 43,235
Repayment/sales in period	65,247	62,508	103,069	19,950	60,157
Net investment activity in period	(2,656)	41,163	(7,368)	(8,650)	(16,922)

	2015				2014				2013			
	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	6,046	7,524	5,273	4,856	4,325	5,016	5,862	4,613	4,469	7,245	6,663	6,386
Management fee	1,900	1,899	2,066	1,980	2,121	2,144	2,227	2,189	2,109	1,986	1,758	1,979
Portfolio fees - asset management	187	189	187	204	386	153	341	106	105	103	103	106
Management fee - asset management	85	77	(18)	16	(126)	17	231	232	233	232	232	232
Administrative	1,685	1,136	1,325	1,159	942	1,095	727	908	1,024	897	902	890
Interest, fees and other borrowing costs	2,532	2,627	2,616	2,455	2,355	2,426	2,406	2,255	2,254	2,115	1,418	937
Net Incentive compensation	(771)	(3,404)	(3,462)	(2,120)	(2,339)	568	(3,414)	435	2,248	3,674	794	(2,888)
Total waiver by adviser	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)
Tax expense		1	1			1		1	1	1	1	1
Net operating income (loss) before net realized and unrealized gains	465	5,037	2,595	1,200	1,023	(1,350)	3,381	(1,475)	(3,468)	(1,725)	1,492	5,167
Net (decrease) increase in net assets resulting from operations	(2,045)	(13,959)	(11,813)	(9,743)	(10,614)	1,738	(12,651)	1,685	4,319	17,081	7,143	(9,273)
Net (decrease) increase in net assets resulting from operations per share	(0.10)	(0.61)	(0.52)	(0.43)	(0.46)	0.07	(0.57)	0.08	0.16	0.74	0.30	(0.38)
Net asset value per share	12.95	13.18	13.93	14.58	15.15	15.75	15.89	16.57	16.63	16.57	15.84	15.62

Table of Contents

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, 2014, the Company made four new investments and made 20 follow-on investments in 13 existing portfolio companies committing a total of approximately $105.8 million of capital to these investments. During the fiscal year ended October 31, 2015, the Company made eight new investments and made 5 follow-on investments in 4 existing portfolio companies committing a total of approximately $62.4 million of capital to these investments.

Table of Contents

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, 2015, 1.1% 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 equity and/or debt investment capital to small and middle-market companies. Our financings are generally used to fund growth, buyouts, acquisitions, recapitalizations, note purchases and/or bridge financings. We generally invest in private companies, though, from time to time, we may invest in public companies that may lack adequate access to public capital.

We may also seek to achieve our investment objective by establishing a subsidiary or subsidiaries that would serve as general partner to a private equity or other investment fund(s). In fact, during fiscal year 2006, we established MVC Partners for this purpose. Furthermore, the Board of Directors authorized the establishment of a PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as the GP and which may raise up to $250 million. On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately $20.1 million in the PE Fund. The PE Fund closed on approximately $104 million of capital commitments. The Company s Board of Directors authorized the establishment of, and investment in, the PE Fund for a variety of reasons, including the Company s ability to make Non-Diversified Investments through the PE Fund. As previously disclosed, the Company is restricted in its ability to make Non-Diversified Investments. For services provided to the PE Fund, the GP and MVC Partners are together entitled to receive 25% of all management fees and other fees paid by the PE Fund and its portfolio companies and up to 30% of the carried interest generated by the PE Fund. Further, at the direction of the Board of Directors, the GP retained TTG Advisers to serve as the portfolio manager of the PE Fund. In exchange for providing those services, and pursuant to the Board of Directors authorization and direction, TTG Advisers is entitled to receive the balance of the fees and any carried interest generated by the PE Fund and its portfolio companies. Given this separate arrangement with the GP and the PE Fund, under the terms of the Company s Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. During the fiscal year

Table of Contents

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, LLC (MVC Turf) was consolidated with the Company as MVC Turf is an MVC wholly-owned holding company. The consolidation of MVC Turf has not had any material effect on the financial position or net results of operations of the Company. Please see Note 2 of our consolidated financial statements Consolidation for more information.

As a result of the closing of the PE Fund, consistent with the Board-approved policy concerning the allocation of investment opportunities, the PE Fund 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. For a further discussion of this allocation policy, please see Our Investment Strategy Allocation of Investment Opportunities above.

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, 2015, 2014 and 2013. Total operating income was $23.7 million for the fiscal year ended October 31, 2015 and $19.8 million for the fiscal year ended October 31, 2014, an increase of $3.9 million. Fiscal year 2014 operating income decreased by approximately $5.0 million compared to Fiscal year 2013 operating income of $24.8 million.

For the Fiscal Year Ended October 31, 2015

Total operating income was $23.7 million for the fiscal year ended October 31, 2015. The increase in operating income over the same period last year was primarily due to an increase in interest earned on loans partially offset by a decrease in fee income from asset management and other income. The main component of operating income for the fiscal year ended October 31, 2015 was interest earned on loans. The Company earned approximately $20.4 million in interest and dividend income from investments in portfolio companies. Of the $20.4 million recorded in interest/dividend income, approximately $5.2 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 9.75% to 16.0%. The Company also

received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $1.3 million and fee income from the Company s portfolio companies of approximately $2.0 million, totaling approximately $3.3 million. Of the $1.3 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, 2014

Total operating income was $19.8 million for the fiscal year ended October 31, 2014. The decrease in operating income over the same period last year was primarily due to a decrease in dividend income from portfolio companies, specifically U.S. Gas (which did not pay a dividend in fiscal 2014, as it did in 2013), which was partially offset by an increase in interest income from portfolio companies. The main components of operating income for the fiscal year ended October 31, 2014 were interest earned on loans and fee income from portfolio companies and asset management. The Company earned approximately $15.3 million in interest and dividend income from investments in portfolio companies. Of the $15.3 million recorded in interest/dividend income, approximately $4.2 million was payment in kind interest/dividends. The payment in kind interest/dividends are computed at the contractual rate specified in each investment agreement and added to the principal balance of each investment. The Company s debt investments yielded rates from 5% to 16%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $1.9 million and fee income from the Company s portfolio companies of approximately $1.6 million, totaling approximately $3.5 million. Of the $1.9 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, 2013

Total operating income was $24.8 million for the fiscal year ended October 31, 2013. The decrease in operating income over the same period last year was primarily due to a decrease in dividend income and fee income from asset management partially offset by an increase in fee income and interest income from portfolio companies. The main components of operating income for the fiscal year ended October 31, 2013, was dividend income from portfolio companies and the interest earned on loans. The Company earned approximately $19.6 million in interest and dividend income from investments in portfolio companies. Of the $19.6 million recorded in interest/dividend income, approximately $3.4 million was payment in kind interest/dividends. The payment in kind interest/dividends are computed at the contractual rate specified in each investment agreement and added to the principal balance of each investment. The Company s debt investments yielded rates from 6% to 16%. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $1.8 million and fee income from the Company s portfolio companies of approximately $2.9 million, totaling approximately $4.7 million. Of the $1.8 million of fee income from such asset management activities, 75% of the income was obligated to be paid to TTG Advisers. However, under the PE Fund s agreements, a significant portion of the portfolio

Table of Contents

fees that were paid by the PE Fund s portfolio companies to the GP and TTG Advisers was 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, 2015, 2014 and 2013. Net Operating expenses were $14.4 million for the fiscal year ended October 31, 2015 and $18.2 million for the fiscal year ended October 31, 2014, a decrease of $3.8 million. Fiscal year 2014 operating expenses decreased by approximately $5.1 million compared to Fiscal year 2013 operating expenses of $23.3 million.

For the Fiscal Year Ended October 31, 2015

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $14.4 million or 4.54% of the Company s average net assets for the fiscal year ended October 31, 2015. Significant components of operating expenses for the fiscal year ended October 31, 2015 were interest and other borrowing costs of approximately $10.2 million and management fee expense paid by the Company of approximately $7.8 million.

The approximately $3.8 million decrease in the Company s net operating expenses for the fiscal year ended October 31, 2015 compared to the same period in 2014, was primarily due to the approximately $5.0 million decrease in the estimated provision for incentive compensation expense and approximately $836,000 decrease in management fees, which was partially offset by an increase in interest and other borrowing costs of approximately $788,000 and an increase in audit and tax preparation fees, which was due to the fiscal year 2014 restatements and related expenses, totaling $836,000. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. For the 2015 fiscal year, TTG Advisers voluntarily agreed to waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the Voluntary Waiver). TTG Advisers voluntarily agreed that any assets of the Company that were invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. TTG Advisers has voluntarily agreed to waive any management fees on the Company s assets invested in Equus common stock. The Company and the Adviser also agreed to continue the expense cap of 3.5% (on consolidated expenses of the Company, including any amounts payable to TTG Advisers under the base management fee, but excluding the amount of any interest and other direct borrowing costs, taxes, incentive compensation, payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund and extraordinary expenses taken as a percentage of the Company s average net assets) in fiscal year 2015, though they modified 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.) Under the Modified Methodology, for the fiscal year ended October 31,

Table of Contents

2015, the Company s expense ratio was 3.21% (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, 2015, the provision for incentive compensation was decreased by a net amount of approximately $9.7 million to approximately $5.0 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2015 primarily reflects the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Custom Alloy, NPWT, BAC, SIA Tekers Invest (Tekers), PrePaid Legal, Centile, Biovation, Inland, MVC Automotive, Ohio Medical, SGDA Europe, Security Holdings, JSC Tekers, Morey s, Velocitius and Equus) by a total of approximately $58.2 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 (Turf, RuMe, Biogenic, Advantage Insurance and SCSD) by a total of approximately $4.3 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital. For the fiscal year ended October 31, 2015, no incentive compensation fee was paid . Also, for the fiscal year ended October 31, 2015, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate. Please see Note 5 of our consolidated financial statements Incentive Compensation for more information.

For the Fiscal Year Ended October 31, 2014

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $18.2 million or 5.04% of the Company s average net assets, for the fiscal year ended October 31, 2014. Significant components of operating expenses for the fiscal year ended October 31, 2014 were management fee expense paid by the Company of approximately $8.7 million and interest and other borrowing costs of approximately $9.4 million.

The approximately $5.1 million decrease in the Company s net operating expenses for the fiscal year ended October 31, 2014 compared to the fiscal year ended October 31, 2013, was primarily due to the approximately $8.6 million decrease in the estimated provision for incentive compensation expense, which was partially offset by an increase in interest and other borrowing costs of approximately $2.7 million and an increase in the Company s management fee expense of approximately $849,000. The portfolio fees - asset management are payable to TTG Advisers for monitoring and other customary fees received by the GP from portfolio companies of the PE Fund. To the extent the GP or TTG Advisers receives advisory, monitoring, organization or other customary fees from any portfolio company of the PE Fund or management fees related to the PE Fund, 25% of such fees shall be paid to or retained by the GP and 75% of such fees shall be paid to or retained by TTG Advisers. For the 2011 through 2015 fiscal years, TTG Advisers voluntarily agreed to waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the Voluntary Waiver). TTG Advisers voluntarily agreed that any assets of the Company that were invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. TTG Advisers has voluntarily agreed to waive any management fees on the Company s assets invested in Equus common stock. The Company and the Adviser agreed to continue the expense cap of 3.5% (on consolidated expenses of the Company, including any amounts payable to TTG Advisers under the base management fee, but excluding the amount of any interest and other direct borrowing costs, taxes, incentive compensation, payments made by the GP of the PE Fund to TTG Advisers pursuant to the Portfolio Management Agreement between the GP and TTG Advisers respecting the PE Fund and extraordinary expenses taken as a percentage of the Company s average net assets) into fiscal year 2015, though they reserved the ability to revise the calculation methodology later that year. For the fiscal year ended October 31, 2014, no incentive compensation fee was paid. Also, for fiscal year 2013 and fiscal year 2014, the Company s expense ratio was 3.03% and 3.37%, respectively, (taking into account the same carve outs as those applicable to the expense cap).

Pursuant to the terms of the Advisory Agreement, during the fiscal year ended October 31, 2014, the provision for incentive compensation was decreased by a net amount of approximately $4.7 million to approximately $14.7 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2014 primarily reflects the Valuation Committee s determination to decrease the fair values of eleven of the Company s portfolio investments (MVC Automotive, G3K, Ohio Medical, NPWT, U.S. Gas, Velocitius, Octagon, Tekers, JSC Tekers, SGDA Europe and Biovation) by a total of approximately $40.7 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of twelve of the Company s portfolio investments (Custom Alloy, Advantage, Biogenic, PrePaid Legal, RuMe, Freshii USA, Inc. (Freshii), Centile, Security Holdings, Summit, Morey s, Turf and Vestal) by a total of approximately $11.5 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.0 million due to a PIK distribution, which was treated as a return of capital. For the fiscal year ended October 31, 2014, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate. Please see Note 5 of our consolidated financial statements Incentive Compensation for more information.

For the Fiscal Year Ended October 31, 2013

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $23.3 million or 6.19% of the Company s average net assets, when annualized, for the fiscal year ended October 31, 2013. Significant components of operating expenses for the fiscal year ended October 31, 2013 were the provision for incentive compensation expense of approximately $3.8 million, management fee expense related to the Company of approximately $7.8 million, and interest and other borrowing costs of approximately $6.7 million.

The approximately $14.5 million increase in the Company s net operating expenses for the fiscal year ended October 31, 2013 compared to the fiscal year ended October 31, 2012, was primarily due to the approximately $12.1 million increase in the estimated provision for incentive compensation expense, which included the voluntary incentive fee waiver by TTG Advisers during the year ended October 31, 2012 and an approximately $3.4 million increase in interest and other borrowing costs which were partially offset by a decrease of approximately $755,000 in management fee expense related to the Company and a decrease of approximately $500,000 in portfolio management fees related to the PE Fund. The portfolio fees were 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. For the 2011 through 2014

Table of Contents

fiscal years, TTG Advisers voluntarily agreed to waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement (the Voluntary Waiver). TTG Advisers voluntarily agreed that any assets of the Company that were invested in exchange-traded funds would not be taken into account in the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. For fiscal year 2012 and fiscal year 2013, the Company s expense ratio was 2.95% and 3.03%, respectively, (taking into account the same carve outs as those applicable to the expense cap). The Company and the Adviser agreed to continue the expense cap into fiscal year 2014, though they may determine to revise the present calculation methodology later in the year.

Pursuant to the terms of the Advisory Agreement, during the year ended October 31, 2013, the provision for incentive compensation was increased by a net amount of approximately $3.8 million to approximately $19.5 million. The net increase in the provision for incentive compensation during the fiscal year ended October 31, 2013 reflects the Valuation Committee s determination to increase the fair values of ten of the Company s portfolio investments (Custom Alloy, Octagon Credit Investors, LLC (Octagon), Security Holdings, Turf, Vestal, Centile, Biovation, Prepaid Legal, U.S. Gas, and Tekers) by a total of approximately $43.9 million and the difference between the amount received from the sale of Summit and Summit s carrying value at January 31, 2013, which was an increase of approximately $3.6 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.1 million due to a PIK distribution, which was treated as a return of capital. The net increase in the provision also reflects the Valuation Committee s determination to decrease the fair values of nine of the Company s portfolio investments (MVC Automotive, Ohio Medical, SGDA Europe, NPWT, Freshii, Harmony Health and Beauty, Inc. (HH&B), Velocitius, RuMe and JSC Tekers) by a total of approximately $29.1 million and reflects the $84,000 realized gain related to NPWT, the $82,000 realized gain associated with the Vitality escrow and realized gains of approximately $150,000 with the repayments of the loans associated with Prepaid Legal and Teleguam. For the fiscal year ended October 31, 2013, no incentive compensation fee was paid. Also, for the fiscal year ended October 31, 2013, there was no provision recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate. Please see Note 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, 2015, 2014 and 2013. Net realized gains for the fiscal year ended October 31, 2015 were $3.7 million and $16.5 million for the fiscal year ended October 31, 2014, a decrease of approximately $12.8 million. Net realized gains for the fiscal year ended October 31, 2013 were $43.7 million.

For the Year Ended October 31, 2015

Net realized gains for the fiscal year ended October 31, 2015 were approximately $3.7 million. The main components of the Company s net realized gain for the fiscal year ended October 31, 2015 was primarily due to the realized gain of approximately $15.0 million on the sale of Vestal common stock which was partially offset by realized losses of $2.2 million on the sale of the Biovation loans when BAC credit purchased the assets of Biovation, $2.7 million on the sale of the common equity interest in Velocitius and $6.7 million on the dissolution of HH&B.

Table of Contents

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million resulting in a realized gain of approximately $15.0 million. The total proceeds included a $1.0 million dividend and assumes full receipt of the escrow proceeds. The $600,000 loan was also repaid in full including all accrued interest.

On October 16, 2015, the Company sold its remaining common equity interest in Velocitius and received zero proceeds resulting in a realized loss of approximately $2.7 million.

On October 30, 2015, the Company realized a loss of $6.7 million with the dissolution of HH&B.

During the fiscal year ended October 31, 2015, the Company also recorded net realized gains of approximately $302,000 with the sale of its short-term investments.

For the Year Ended October 31, 2014

Net realized gains for the fiscal year ended October 31, 2014 were approximately $16.5 million. The significant component of the Company s net realized gains for the fiscal year ended October 31, 2014 was primarily due to the sale of Custom Alloy s convertible series A and B preferred shares and the sale of Octagon s limited liability company interest.

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

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

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

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

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

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

On October 31, 2014, the Company redeemed its convertible series A and series B preferred shares in Custom Alloy for $23.0 million, which resulted in a realized gain of $13.0 million.

During the fiscal year ended October 31, 2014, the Company recorded realized losses of approximately $131,000 with the sale of its short-term investments and realized gains of approximately $823,000 related to a Summit distribution.

Table of Contents

For the Fiscal Year Ended October 31, 2013

Net realized gains for the year ended October 31, 2013 were approximately $43.7 million. The significant components of the Company s net realized gains for the year ended October 31, 2013 were primarily due to the realized gain on Summit and the realized losses on Lockorder Limited and DPHI, Inc. (both were Legacy Investments).

On December 17, 2012, the Company realized a loss of approximately $2.0 million on the 21,064 common shares of Lockorder Limited, a Legacy Investment, which had a fair value of $0.

On December 31, 2012, the Company received a distribution from NPWT of approximately $89,000, which was characterized as a return of capital. Of the $89,000 distribution, approximately $5,000 was related to the common stock and reduced the cost basis. The remaining $84,000 was related to the preferred stock and recorded as a capital gain, as the cost basis of the preferred stock had already been reduced to $0.

On February 13, 2013, the Company announced the signing of a definitive agreement to sell Summit to an affiliate of One Rock Capital Partners, LLC, subject to regulatory approvals, which were received on February 25, 2013, and the satisfaction of other customary closing conditions, including an escrow. Prior to the completion of the transaction, the Company and other existing Summit shareholders purchased SCSD from Summit. The Company invested approximately $5.5 million for 784 shares of class B common stock. SCSD provides custom spray drying products to the food, pharmaceutical, nutraceutical, flavor and fragrance industries. On March 29, 2013, the Company received gross equity proceeds of approximately $66.3 million, resulting in a realized gain of approximately $49.5 million from the transaction, a $3.6 million premium to the last reported fair market value placed on Summit by the Company s Valuation Committee as of January 31, 2013. The $66.3 million of proceeds included approximately $6.3 million held in escrow, which had a fair value of approximately $5.9 million as of October 31, 2013. The decrease in the escrow fair value of approximately $400,000 was recorded as a realized loss.

On February 27, 2013, the Company realized a loss of approximately $4.5 million on the 602,131 preferred shares of DPHI, Inc., a Legacy Investment formerly DataPlay, Inc., which had a fair value of $0.

On May 31, 2013, the Company recorded a realized gain of approximately $82,000 associated with the Vitality escrow.

During the year ended October 31, 2013, the Company recorded a realized gain of approximately $150,000 with the repayments of the loans associated with Prepaid Legal and Teleguam.

UNREALIZED APPRECIATION AND DEPRECIATION ON PORTFOLIO SECURITIES

For the Fiscal Years Ended October 31, 2015, 2014 and 2013. The Company had a net change in unrealized depreciation on portfolio investments of $50.6 million for the fiscal year ended October 31, 2015 and $37.9 million for the fiscal year ended October 31, 2014, an

Table of Contents

increase of $12.7 million. The Company had a net change in unrealized depreciation on portfolio investments of $25.9 million for the fiscal year ended October 31, 2013.

For the Fiscal Year Ended October 31, 2015

The Company had a net change in unrealized depreciation on portfolio investments of approximately $50.6 million for the fiscal year ended October 31, 2015. The change in unrealized depreciation for the fiscal year ended October 31, 2015 primarily resulted from the Valuation Committee s decision to decrease the fair value of the Company s investments in: Foliofn, Inc. preferred stock by $297,000, NPWT common stock by $3,000 and preferred stock by $45,000, Tekers common stock by $883,000, PrePaid Legal loan by $100,000, Centile equity interest by $339,000, BAC common stock by approximately $229,000, Biovations loan by approximately $3.4 million, Morey s second lien loan by approximately $1.9 million, Velocitius B.V. (Velocitius) equity interest by $2.8 million, Equus common stock by approximately $2.1 million, JSC Tekers preferred and common stock by a combined $1.1 million, Security Holdings equity interest by $5.3 million, SGDA Europe equity interest by approximately $4.0 million, Custom Alloy second lien loan by approximately $153,000, Ohio Medical series A preferred stock by $17.7 million, MVC Automotive equity interest by $10.9 million, Inland warrant by approximately $700,000 and loan by approximately $6.4 million and the reversal of the unrealized appreciation on the Vestal common stock which resulted in a realized gain of approximately $15.0 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: Turf loan and guarantee by a total of approximately $25,000, Biogenic warrant and senior convertible note by a total of approximately $802,000, SCSD common stock by $387,000, Advantage preferred stock by approximately $294,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $2.0 million and RuMe series C preferred stock and series B preferred stock by a total of approximately $2.8 million and the reversal of the unrealized depreciation on the Biovation loan, Velocitius equity interest and HH&B which resulted in total realized loss of approximately $11.6 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital.

For the Fiscal Year Ended October 31, 2014

The Company had a net change in unrealized depreciation on portfolio investments of approximately $37.9 million for the fiscal year ended October 31, 2014. The change in unrealized depreciation for the fiscal year ended October 31, 2014 primarily resulted from the reclassification from unrealized appreciation to realized gain, caused by the sale of Custom Alloy and Octagon of approximately $14.3 million in total and the Valuation Committee s decision to decrease the fair value of the Company s investments in: Foliofn, Inc. preferred stock by approximately $1.1 million, MVC Automotive equity interest by approximately $6.7 million, G3K loan by approximately $5.6 million, NPWT common stock by approximately $9,000 and preferred stock by approximately $160,000, U.S. Gas preferred stock by $9.0 million, Velocitius equity interest by approximately $8.4 million, Ohio Medical series A preferred stock by $800,000, Biovation warrants by $311,000, SGDA Europe equity interest by approximately $2.6 million, Biovation bridge loan by approximately $439,000, Octagon equity interest by approximately $750,000, Tekers common stock by $252,000, JSC Tekers common and preferred stock by approximately $5.6 million, Turf loan by approximately $31,000 and the Turf guarantee

Table of Contents

by approximately $67,000. These changes in unrealized depreciation were partially off-set by the Valuation Committee determinations to increase the fair value of the Company s investments in: Custom Alloy series A preferred stock by approximately $12,000 and series B preferred stock by approximately $2.7 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $3.6 million, Centile equity interest by $117,000, PrePaid Legal loan by $100,000, Freshii warrant by approximately $23,000, Security Holdings equity interest by $1.7 million, RuMe series C preferred stock by approximately $875,000, Biogenic senior convertible note by $305,000, Advantage preferred stock by $221,000, Summit loan by approximately $253,000, Turf equity interest by $525,000, Morey s loan by approximately $253,000 and Vestal common stock by approximately $4.5 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.0 million due to a PIK distribution, which was treated as a return of capital. The reclassification from unrealized depreciation to a realized loss caused by the dissolution of BPC II, LLC of $180,000 was also a component in the change in unrealized depreciation.

For the Fiscal Year Ended October 31, 2013

The Company had a net change in unrealized depreciation on portfolio investments of approximately $25.9 million for the fiscal year ended October 31, 2013. The change in unrealized depreciation for the fiscal year ended October 31, 2013 primarily resulted from the reclassification from unrealized appreciation to realized gain caused by the sale of Summit of $46.5 million and the Valuation Committee s decision to decrease the fair value of the Company s investments in: Ohio Medical Preferred stock by $6.5 million, SGDA Europe equity interest by approximately $3.8 million, MVC Automotive equity interest by approximately $16.1 million, NPWT preferred and common stock by a total of approximately $205,000, Freshii warrant by approximately $15,000, HH&B common stock by $100,000, Velocitius equity interest by approximately $1.9 million, JSC Tekers secured loan by $1.0 million, RuMe preferred stock by $327,000, Foliofn preferred stock by $3.8 million and the Biovation warrant by $87,000. The Valuation Committee also determined to remove the liability associated with the Ohio Medical guarantee that had a net change of $825,000. These changes in unrealized depreciation were off-set by the reclassification from unrealized depreciation to realized losses caused by Lockorder Limited and DPHI, Inc., Legacy Investments, totaling approximately $6.5 million and the Valuation Committee determinations to increase the fair value of the Company s investments in: Custom Alloy series A preferred stock by approximately $44,000 and series B preferred stock by approximately $10.0 million, Octagon equity interest by $450,000, Pre-Paid Legal term loans A and B by a total of approximately $119,000, Pre-Paid Legal second lien term loan by approximately $144,000, Security Holdings equity interest by approximately $12.2 million, Turf equity interest by $592,000, Vestal common stock by approximately $6.8 million, U.S. Gas convertible series I preferred stock by $11.6 million, Centile equity interest by $1.6 million, Biovation loan by approximately $177,000, Tekers common stock by $230,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $2.2 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.1 million due to a PIK distribution, which was treated as a return of capital.

Table of Contents

PORTFOLIO INVESTMENTS

For the Fiscal Years Ended October 31, 2015 and October 31, 2014. The cost of the portfolio investments held by the Company at October 31, 2015 and October 31, 2014 was $443.7 million and $440.0 million, respectively, representing an increase of $3.7 million. The aggregate fair value of portfolio investments at October 31, 2015 and at October 31, 2014 was $400.9 million and $447.6 million, respectively, representing a decrease of $46.7 million. The cost and fair value of cash and cash equivalents held by the Company at October 31, 2015 and October 31, 2014 was $16.8 million and $23.4 million, respectively, representing a decrease of approximately $6.6 million. The cost and fair value of U.S. Treasury obligations held by the Company at October 31, 2015 was $89.8 million and $89.7 million, respectively, and at October 31, 2014 were $100.0 million and $99.9 million, respectively.

For the Fiscal Year Ended October 31, 2015

During the fiscal year ended October 31, 2015, the Company made eight new investments, committing capital totaling approximately $58.1 million. The investments were made in RX ($10.3 million), Agri-Carriers ($11.8 million), Legal Solutions ($8.7 million), Results Companies ($9.0 million), Vestal ($6.5 million), Thunderdome ($2.0 million), Initials ($4.8 million) and U.S. Technologies ($5.0 million).

During the fiscal year ended October 31, 2015, the Company made 5 follow-on investments into 4 existing portfolio companies totaling approximately $4.3 million. On May 27, 2015, the Company invested an additional $1.1 million into MVC Automotive in the form of common equity interest. On June 3, 2015, the Company invested an additional $250,000 into Centile in the form of common equity interest. On July 6, 2015, the Company invested $250,000 into BAC in the form of equity. See below for further information on BAC. On July 7, 2015, the Company made a secured $1.0 million loan to Biogenic. The loan has a 16% interest rate and matures on February 29, 2016. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On October 19, 2015, the Company invested an additional $1.7 million in MVC Automotive in the form of common equity interest.

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

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

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

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

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million resulting in a realized gain of approximately $15.0 million. The total proceeds include a $1.0 million dividend and assumes full receipt of the

Table of Contents

escrow proceeds. The $600,000 loan was also repaid in full, including all accrued interest. As part of the transaction, the Company reinvested approximately $6.3 million in the form of a subordinated loan, $250,000 for 5,610 shares of common stock and a warrant with no cost. The loan has an interest rate of 15% and matures on November 28, 2021.

On June 19, 2015, the Company monetized a majority of its investment in Velocitius, receiving approximately $9.2 million in proceeds, which included a return of capital and closing fees and was net of a minimal currency loss.

On October 16, 2015, the Company sold its remaining equity interest in Velocitius and received zero proceeds resulting in a realized loss of approximately $2.7 million.

On October 30, 2015, the Company realized a loss of $6.7 million with the dissolution of HH&B.

During the fiscal year ended October 31, 2015, the Company sold its $10.0 million PrePaid Legal loan for proceeds totaling approximately $10.1 million, including all accrued interest.

During the fiscal year ended October 31, 2015, Custom Alloy made principal payments totaling $3.5 million on its unsecured subordinated loan. The balance of the loan at October 31, 2015 was $3.0 million.

During the quarter ended January 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: Foliofn, Inc. (Foliofn) preferred stock by $109,000, Turf Products, LLC (Turf) loan by approximately $2,000, RuMe series C preferred stock by $800,000 and series B preferred stock by $200,000, Advantage preferred stock by $20,000, Biogenic warrant and senior convertible note by a net total of approximately $28,000 and SCSD common stock by $387,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, and U.S. Gas were due to the capitalization of PIK interest totaling $436,878. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $759,000, Custom Alloy second lien loan by approximately $84,000, NPWT Corporation (NPWT) common stock by $2,000 and preferred stock by $36,000, Tekers common stock by $170,000, PrePaid Legal loan by $100,000, Centile equity interest by $538,000, Biovation loan by approximately $716,000, Velocitius equity interest by approximately $1.1 million, Security Holdings equity interest by $1.1 million, JSC Tekers preferred stock by approximately $599,000, MVC Automotive equity interest by approximately $5.9 million, SGDA Europe equity interest by approximately $749,000 and Inland Environmental & Remediation LP (Inland) warrant by approximately $713,000.

During the quarter ended April 30, 2015, the Valuation Committee increased the fair value of the Company s investments in: MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $610,000, Turf loan by approximately $2,000, JSC Tekers preferred stock by $5,000, Biogenic warrant and senior convertible note by a total of approximately $852,000, MVC Automotive equity interest by $246,000 and RuMe series C preferred stock by approximately $558,000 and series B preferred stock by $142,000. In addition, increases in the cost basis and fair value of the loans to

Table of Contents

Biogenic, Custom Alloy, Morey s, and U.S. Gas were due to the capitalization of PIK interest totaling $501,906. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Custom Alloy second lien loan by approximately $11,000, Foliofn, Inc. preferred stock by $82,000, NPWT common stock by $1,000 and preferred stock by $12,000, Tekers common stock by $21,000, Centile equity interest by $98,000, Morey s second lien loan by approximately $253,000, Advantage preferred stock by approximately $28,000, Velocitius equity interest by $899,000, Biovations loan by approximately $2.7 million, SGDA Europe equity interest by approximately $1.3 million, Security Holdings equity interest by $850,000, Ohio Medical series A preferred stock by $10.5 million and the Inland loan by approximately $1.4 million.

During the quarter ended July 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: RuMe series C preferred stock by approximately $198,000 and series B preferred stock by approximately $53,000, Custom Alloy second lien loan by approximately $191,000, Turf guarantee by approximately $19,000, Centile equity interest by $48,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $751,000 and Advantage preferred stock by approximately $302,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $525,997. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by $383,000, NPWT preferred stock by $1,000, Tekers common stock by $117,000, Turf loan by approximately $2,000, Vestal escrow by approximately $15,000, BAC common stock by approximately $167,000, Biogenic warrant and senior convertible note by a net total of approximately $2,000, Morey s second lien loan by approximately $753,000, Inland loan by $10.0 million, Velocitius equity interest by approximately $774,000, JSC Tekers preferred stock by $35,000, SGDA Europe equity interest by approximately $1.1 million, Ohio Medical series A preferred stock by $6.0 million, MVC Automotive equity interest by $616,000 and Security Holdings equity interest by $2.0 million.

During the quarter ended October 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: Turf loan and guarantee by a total of approximately $5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.4 million, Foliofn, Inc. preferred stock by $59,000, NPWT preferred stock by $4,000, Centile equity interest by $249,000, Inland loan by $5.0 million and RuMe series C preferred stock by approximately $626,000 and series B preferred stock by approximately $184,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $801,815. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Biogenic warrant and senior convertible note by a net total of approximately $76,000, Tekers common stock by $575,000, Custom Alloy second lien loan by approximately $249,000, Morey s second lien loan by approximately $922,000, JSC Tekers preferred stock by $483,000, Security Holdings equity interest by $1.3 million,

Table of Contents

SGDA Europe equity interest by approximately $830,000, BAC common stock by approximately $62,000, Ohio Medical series A preferred stock by $1.2 million and MVC Automotive equity interest by $4.6 million.

During the fiscal year ended October 31, 2015 the Valuation Committee increased the fair value of the Company s investments in: Turf loan and guarantee by a total of approximately $25,000, Biogenic warrant and senior convertible note by a total of approximately $802,000, SCSD common stock by $387,000, Advantage preferred stock by approximately $294,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $2.0 million and RuMe series C preferred stock and series B preferred stock by a total of approximately $2.8 million. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $2,266,596. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by $297,000, NPWT common stock by $3,000 and preferred stock by $45,000, Tekers common stock by $883,000, PrePaid Legal loan by $100,000, Centile equity interest by $339,000, BAC common stock by approximately $229,000, Vestal escrow by approximately $15,000, Biovations loan by approximately $3.4 million, Morey s second lien loan by approximately $1.9 million, Velocitius equity interest by $2.8 million, JSC Tekers preferred and common stock by a combined $1.1 million, Security Holdings equity interest by $5.3 million, SGDA Europe equity interest by approximately $4.0 million, Custom Alloy second lien loan by approximately $153,000, Ohio Medical series A preferred stock by $17.7 million, MVC Automotive equity interest by $10.9 million and Inland warrant by approximately $713,000 and loan by approximately $6.4 million.

At October 31, 2015, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $400.9 million with a cost basis of $443.7 million. At October 31, 2015, 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 $5.6 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 $395.3 million and $419.9 million, respectively. At October 31, 2014, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $447.6 million with a cost basis of $440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the Legacy Investments was $5.9 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $441.7 million and $416.2 million, respectively.

For the Fiscal Year Ended October 31, 2014

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

During the year ended October 31, 2014, the Company made 20 follow-on investments into 13 existing portfolio companies totaling approximately $57.4 million. On November 13, 2013, the Company loaned $4.0 million to Security Holdings in the form of a 5% cash bridge loan with

Table of Contents

a maturity date of February 15, 2014. On November 19, 2013, the Company increased its common equity interest in Centile by $100,000. Also on November 19, 2013, the Company invested $5.0 million into MVC Automotive in the form of common equity interest and converted its bridge loan of approximately $1.8 million, including accrued interest, to common equity interest. On December 23, 2013, the Company made a senior secured loan of $3.3 million to RuMe with a cash interest rate of 12% and a maturity date of April 4, 2014. The Company also purchased warrants for shares of common stock in RuMe for a nominal amount and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On January 2, 2014, the Company loaned $7.0 million to Morey s, increasing its second lien loan amount to $15.0 million. The interest rate on the total loan was increased to 10% cash and 3% PIK. On March 5, 2014, the Company invested an additional $4.0 million into MVC Automotive in the form of common equity interest. On March 10, 2014, the Company exercised its warrant in RuMe at a cost of approximately $43,000 and received 4,297,549 shares of common stock. On March 5, 2014 and April 1, 2014, the Company contributed a total of approximately $2.8 million to the PE Fund related to expenses, an additional investment in Plymouth Rock Energy, LLC and an investment in Advanced Oilfield Services, LLC. On April 1, 2014, the Company loaned $1.5 million to Marine in the form of a second lien loan with an interest rate of 11%. The loan matured on June 30, 2014. On May 2, 2014, the Company loaned $1.5 million to SCSD in the form of a secured loan. The loan has an interest rate of 12% and a maturity date of May 2, 2019. On May 7, 2014, the Company converted RuMe s $3.3 million senior secured loan and accrued interest of approximately $161,000 into 23,896,634 shares of series C preferred stock. On May 9, 2014, the Company loaned an additional $500,000 to Biovation increasing the total amount outstanding on the bridge loan to $3.8 million and extended the maturity date of the loan to October 31, 2014. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by the Equus Board of Directors. Under the terms of the reorganization, Equus will pursue a merger or consolidation with the Company, a subsidiary of the Company, or one or more of the Company s portfolio companies. Absent Equus merging or consolidating with/into the Company itself (whereby the Company would own a majority of Equus shares), the current intention is for Equus to (i) be restructured into a publicly-traded operating company focused on the energy and/or financial services sectors and (ii) seek to terminate its election as a business development company. Pursuant to the share exchange agreement, the Company has received 2,112,000 shares of Equus in exchange for 395,839 shares of the Company. The exchange was calculated based upon each company s respective net asset value per share published at that time. As part of the reorganization, the Company may acquire additional Equus shares from time to time, either through Equus direct sale of newly issued shares to the Company or through the purchase of outstanding Equus shares. The Company continues to discuss reorganization options with Equus. As a result of the restatement for the quarter ending July 31, 2014, the Company has a liability to Equus of $221,424 for additional shares and dividends due to Equus. TTG Advisers has voluntarily agreed to waive any management fees on the Company s assets invested in Equus common stock. Also, as part of the Equus plan of reorganization, on May 21, 2014, June 3, 2014 and June 12, 2014, the Company purchased 512,557, 850,000 and 970,087 additional outstanding common shares of Equus, respectively, at a cost of approximately $1.2 million, $2.1 million and $2.4 million, respectively. On May 27, 2014, the Company purchased 2,893 common shares of Ohio Medical from Champlain Capital Partners at a nominal cost. On May 30, 2014, the Company loaned $3.0 million to U.S. Gas. The loan has an interest rate of 14% and a maturity date of July 1, 2018. On August 26, 2014,

Table of Contents

the Company invested $12.7 million in Security Holdings for additional common equity interest. On September 30, 2014, the Company loaned $4.0 million to Biogenics in the form of a secured loan. The loan has a 16% interest rate and matures on September 30, 2015. On October 7, 2014, the Company contributed a total of approximately $2.4 million to the PE Fund related to an investment in AccuMed Corp. As of October 31, 2014, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

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

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

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

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

On April 14, 2014, the Company agreed to provide G3K a $10.0 million loan in three installments and made its first loan of $6.0 million. The closing of the Company s G3K investment and first loan occurred following extensive due diligence, including receipt of an unqualified audit report on G3K s financial statements and a separate quality of earnings review by an accounting firm. The Company has initiated legal action in the Superior Court of New Jersey, Chancery Division, against G3K, its three shareholders and certain corporate officers for fraudulently misrepresenting G3K s financial records in order to secure financing from the Company. The Company is working diligently to uncover the full extent of what it believes to be a highly sophisticated fraud and is seeking to recover loan proceeds. All legal options available are being examined. The Company did recover $375,000 in principal prior to October 31, 2014. The loan had an outstanding balance of approximately $5.6 million and had a fair value of $0 as of October 31, 2014.

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

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

66

Table of Contents

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

On June 30, 2014, the Company converted its SGDA $6.5 million term loan and accrued interest of approximately $1.9 million to additional common equity interest in SGDA Europe.

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

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

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

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

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

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

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

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

During the quarter ended January 31, 2014, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy series A preferred stock by approximately $18,000 and series B preferred stock by approximately $4.0 million, NPWT common stock by $1,000 and preferred stock by $34,000, SGDA Europe equity interest by approximately $649,000, Vestal common stock by $3.0 million, MVC Private

Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $2.2 million, Biovation warrants by $162,000, and Freshii warrant by approximately $15,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $1,008,665. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $949,000 due to a PIK

Table of Contents

distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Centile equity interest by $29,000, Security Holdings equity interest by $304,000, Octagon equity interest by approximately $1.2 million, MVC Automotive equity interest by approximately $3.2 million, Velocitius equity interest by approximately $1.9 million, Biovation bridge loan by approximately $102,000, Foliofn, Inc. preferred stock by approximately $1.1 million, Turf guarantee by $92,000 and Tekers common stock by $12,000. Also, during the quarter ended January 31, 2014, the undistributed allocation of flow through income from the Company s equity investment in Octagon increased the cost basis and fair value of this investment by approximately $101,000.

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

During the quarter ended July 31, 2014, the Valuation Committee increased the fair value of the Company s investments in: MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $359,000, Vestal common stock by approximately $1.5 million, RuMe series C preferred stock by approximately $75,000, Biogenic senior convertible note by $275,000, MVC Automotive equity interest by approximately $4.4 million, Biovation bridge loan by approximately $103,000 and Advantage preferred stock by $96,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey s and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $1,094,938. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by approximately $109,000, Velocitius equity interest by approximately $198,000, Octagon equity interest by approximately $730,000, Ohio Medical series A preferred stock by $800,000, NPWT common stock by $5,000 and preferred stock by $104,000, Tekers common stock by $111,000, SGDA Europe equity interest by approximately $2.6 million, Security Holdings equity interest by $564,000, Centile equity interest by $76,000, JSC Tekers common and preferred stock by approximately $499,000 and the Biovation warrants

Table of Contents

by approximately $232,000. Also, during the quarter ended July 31, 2014, the undistributed allocation of flow through income from the Company s equity investment in Octagon increased the cost basis of this investment by approximately $204,000.

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

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy series A preferred stock by approximately $12,000 and series B preferred stock by approximately $2.7 million, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $3.6 million, Centile equity interest by $117,000, PrePaid Legal loan by $100,000, Freshii warrant by approximately $23,000, Security Holdings equity interest by $1.7 million, RuMe series C preferred stock by approximately $875,000, Biogenic senior convertible note by $305,000, Advantage preferred stock by $221,000, Summit loan by approximately $253,000, Turf equity interest by $525,000, Morey s loan by approximately $253,000 and Vestal common stock by approximately $4.5 million. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey s, Inland and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $3,928,997. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by approximately $1.1 million, MVC Automotive equity interest by approximately $6.7 million, G3K loan by approximately $5.6 million, NPWT common stock by approximately $9,000 and preferred stock by approximately $160,000, U.S. Gas preferred stock by $9.0 million, Velocitius equity interest by approximately $8.4 million, Ohio Medical series A preferred stock by $800,000, Biovation warrants by $311,000, SGDA Europe equity interest by approximately $2.6 million, Biovation bridge loan by approximately $439,000, Octagon equity interest by approximately $750,000, Tekers common stock by $252,000, JSC Tekers common and preferred stock by approximately $5.6 million, Turf loan by approximately $31,000 and the Turf guarantee by approximately $67,000. Also, during the fiscal year ended October 31, 2014, the undistributed allocation of flow through income from

Table of Contents

the Company s equity investment in Octagon totaled approximately $486,000. The $486,000 increased the cost basis and $101,000 increased the fair value of this investment.

At October 31, 2014, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $447.6 million with a cost basis of $440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the Legacy Investments was $5.9 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $441.7 million and $416.2 million, respectively. At October 31, 2013, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $417.9 million with a cost basis of $372.0 million. At October 31, 2013, the fair value and cost basis of the Legacy Investments was $7.0 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $410.9 million and $348.2 million, respectively.

Portfolio Companies

During the fiscal year ended October 31, 2015, the Company had investments in the following portfolio companies:

Actelis Networks, Inc.

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

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

Advantage Insurance Holdings

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee increased the fair value of the preferred stock by approximately $294,000.

At October 31, 2015, the 750,000 shares of preferred stock had a cost basis of $7.5 million and a fair value of approximately $8.0 million.

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

Agri-Carriers Group Inc.

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

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

Table of Contents

At October 31, 2015, the Company s investment in Agri-Carriers consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately $11.8 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

Biogenic Reagents

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

At October 31, 2014, the Company s investment in Biogenic consisted of two senior notes with maturity dates of July 21, 2018 and September 30, 2015, a senior convertible note with a maturity note of July 21, 2018 and a warrant. The notes have an interest rate of 16%. The loans had a combined outstanding balance and cost basis of approximately $14.0 million and a combined fair value of approximately $14.3 million. The warrant had a cost basis and fair value of $0.

On July 7, 2015, the Company loaned $1.0 million to Biogenic in the form of a secured loan. The loan has a 16% interest rate and matures on February 29, 2016. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the senior convertible note by approximately $239,000 and increased the fair value of the warrant by approximately $1.0 million.

At October 31, 2015, the Company s loans had a combined outstanding balance, cost basis and fair value of approximately $15.6 million. The warrants had a combined cost basis of approximately $620,000 and a combined fair value of approximately $1.7 million. The increase in cost basis of the loans is due to amortization of the discount and capitalization of payment in kind interest and the increase in the fair value is due to the capitalization of payment in kind interest. These increases were approved by the Company s Valuation Committee.

Biovation Acquisition Co.

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

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

On July 6, 2015, the Company invested $250,000 into BAC in the form of equity.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the common stock by approximately $229,000.

At October 31, 2015, the Company s investment consisted of 90 shares of class B non-voting common stock with a cost basis of approximately $785,000 and a fair value of approximately $556,000.

Biovation Holdings Inc.

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

At October 31, 2014, the Company s investment in Biovation consisted of a bridge loan with an annual interest of 12% and had a maturity date of October 31, 2014. The loan had an

Table of Contents

outstanding balance and cost basis of approximately $3.8 million and a fair value of approximately $3.4 million. The warrants had a cost of $398,000 and a fair value of $0.

On April 20, 2015, Biovation Acquisition Co., a new portfolio company, credit purchased the assets of Biovation. The Company received 90 shares of class B non-voting common stock in Biovation Acquisition Company with a fair value of approximately $535,000, as part of the transaction and realized a loss of approximately $2.2 million.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the loan by approximately $3.4 million.

At October 31, 2015, the Company s investment consisted of a bridge loan with an outstanding balance and cost basis of approximately $1.1 million and a fair value of $0. The warrants had a cost of $398,000 and a fair value of $0. The Company reserved in full against all of the accrued interest starting August 1, 2014.

Centile Holding B.V.

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

At October 31, 2014, the Company s investment in Centile consisted of common equity interest at a cost of $3.3 million and a fair value of approximately $5.0 million.

On June 3, 2015, the Company invested an additional $250,000 into Centile in the form of common equity interest.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately $339,000.

At October 31, 2015, the Company s investment in Centile consisted of common equity interest at a cost of $3.5 million and a fair value of approximately $4.9 million.

Kevin Scoby, a representative of the Company, serves as a director of Centile.

Custom Alloy Corporation

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

At October 31, 2014, the Company s investment in Custom Alloy consisted of an unsecured subordinated loan with a cost basis, outstanding balance and fair value of approximately $6.5 million and a second lien loan with a cost basis, outstanding balance and fair value of approximately $23.0 million. The second lien loan had an interest rate of 11% and a maturity date of April 30, 2020 and the unsecured subordinated loan had an interest rate of 12% and a maturity date of September 4, 2016.

During the fiscal year ended October 31, 2015, Custom Alloy made principal payments totaling $3.5 million on its unsecured subordinated loan.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the second lien loan by approximately $153,000.

At October 31, 2015, the Company s investment in Custom Alloy consisted of an unsecured subordinated loan with a cost basis, outstanding balance and fair value of approximately $3.0 million and a second lien loan with a cost basis and outstanding balance of approximately $23.8 million and a fair value of approximately $23.6 million. The increase in cost and fair value of the loans is due to the capitalization of payment in kind interest. The increases were approved by the Company s Valuation Committee.

Table of Contents

Equus Total Return, Inc.

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

At October 31, 2014, the Company s investment in Equus consisted of 4,444,644 shares of common stock with a cost of approximately $10.0 million and a market value of approximately $9.8 million.

At October 31, 2015, the Company s investment in Equus consisted of 4,444,644 shares of common stock with a cost of approximately $10.0 million and a market value of approximately $7.6 million.

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.

At October 31, 2014, 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 $5.9 million.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the preferred stock by approximately $297,000.

At October 31, 2015, 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 $5.6 million.

Bruce Shewmaker, an officer of the Company, serves as a director of Folio*fn.*

G3K Displays, Inc.

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

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

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

Table of Contents

Harmony Health & Beauty, Inc.

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

On October 30, 2015, the Company realized a loss of $6.7 million with the dissolution of HH&B.

At October 31, 2015, the Company no longer held an investment in HH&B.

Initials, Inc.

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

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

At October 31, 2015, the Company s investment in Initials consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately $4.8 million.

Inland Environmental & Remediation LP

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the warrant by $713,000 and the senior secured loan by approximately $6.4 million.

At October 31, 2015, the Company s investment in Inland consisted of a senior secured loan with an outstanding balance of $15.0 million, a cost basis of $14.5 million and a fair value of approximately $8.0 million. The warrants had a cost basis of $713,000 and a fair value of $0. The increase in cost basis of the loans is due to amortization of the warrants. The increase was approved by the Company s Valuation Committee.

JSC Tekers Holdings

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the preferred stock and common stock by a total of approximately $1.1 million.

At October 31, 2015, the Company s investment in JSC Tekers consisted of preferred equity with a cost basis of $11.8 million and a fair value of $5.0 million and 3,201 shares of common stock with a cost basis of $4,500 and a fair value of $4,000.

Table of Contents

Legal Solutions Holdings, Inc.

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

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

At October 31, 2015, the Company s investment in Legal Solutions consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately $8.7 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

Mainstream Data, Inc.

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

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

Morey s Seafood International LLC

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

At October 31, 2014, the Company s investment in Morey s consisted of a second lien loan that had an outstanding balance and cost basis of $15.3 million and a fair value of $15.6 million. The loan had an interest rate of 13% and a maturity date of August 12, 2018.

On June 28, 2015, the interest rate on the loan increased to 15%.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the loan by approximately $1.9 million.

At October 31, 2015, the loan had an outstanding balance and cost basis of $16.0 million and a fair value of $14.4 million. The increase in cost and fair value of the loan is due to the capitalization of PIK interest. The increase in the fair value due to the capitalization of PIK interest was approved by the Company s Valuation Committee.

MVC Automotive Group GmbH

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

At October 31, 2014, the Company s investment in MVC Automotive consisted of an equity interest with a cost of approximately $45.7 million and a fair value of approximately $21.5 million. The mortgage guarantee for MVC Automotive was equivalent to approximately $5.0 million at October 31, 2014. This guarantee was taken into account in the valuation of MVC Automotive.

On May 27, 2015, the Company invested an additional $1.1 million into MVC Automotive in the form of common equity interest.

On October 19, 2015, the Company invested an additional $1.7 million in MVC Automotive in the form of common equity interest.

Table of Contents

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the equity interest by approximately $10.9 million.

At October 31, 2015, the Company s investment in MVC Automotive consisted of an equity interest with a cost of approximately $48.5 million and a fair value of approximately $13.5 million. The mortgage guarantee for MVC Automotive was equivalent to approximately $7.2 million at October 31, 2015. This guarantee was taken into account in the valuation of MVC Automotive.

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

MVC Private Equity Fund, L.P.

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

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

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

At October 31, 2014, the limited partnership interest in the PE Fund had a cost of approximately $14.2 million and a fair value of approximately $20.0 million. The Company s general partnership interest in the PE Fund had a cost basis of approximately $363,000 and a fair value of approximately $504,000.

Table of Contents

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

During the fiscal year ended October 31, 2015, the Valuation Committee increased the fair values of the limited partnership and general partnership interests totaling approximately $2.0 million.

At October 31, 2015, the limited partnership interest in the PE Fund had a cost of approximately $13.8 million and a fair value of approximately $21.9 million. The Company s general partnership interest in the PE Fund had a cost basis of approximately $353,000 and a fair value of approximately $552,000. As of July 31, 2015, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

NPWT Corporation

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair values of the common stock and preferred stock totaling approximately $48,000.

At October 31, 2015, the common stock had a cost basis of approximately $1.2 million and a fair value of $2,000. The convertible preferred stock had a cost basis of $0 and a fair value of $36,000.

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

Ohio Medical Corporation

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

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

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

During the fiscal year ended October 31, 2015, the fair value of the series C convertible preferred stock was increased by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital. During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair values of the series A preferred stock by $17.7 million.

At October 31, 2015, the Company s investment in Ohio Medical consisted of 5,620 shares of common stock with a cost basis of approximately $15.8 million and a fair value of $0, 33,904 shares of series A convertible preferred stock with a cost basis of $30.0 million and a fair value of $6.1 million and 10,737 shares of series C convertible preferred stock with a cost basis of $22.6 million and a fair value of $32.5 million.

Table of Contents

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

See Note 17 Subsequent Events for additional information.

PrePaid Legal Services, Inc.

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the loan by $100,000.

During the fiscal year ended October 31, 2015, the Company sold its $10.0 million PrePaid Legal loan for proceeds totaling approximately $10.1 million, including all accrued interest.

At October 31, 2015, the Company no longer held an investment in PrePaid Legal.

The Results Companies, LLC

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

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

At October 31, 2015, the Company s investment in Results Companies consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately $9.0 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

RX Innovation, Inc.

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

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

At October 31, 2015, the Company s investment in RX Innovation consisted of a senior subordinated loan with an outstanding amount, cost basis and fair value of approximately $10.3 million. The decrease in cost basis of the loan is due to the amortization of loan origination costs.

RuMe, Inc.

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

At October 31, 2014, the Company s investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis and fair value of approximately $924,000, 4,999,076 shares of

Table of Contents

series B-1 preferred stock with a cost basis of approximately $1.0 million and a fair value of approximately $1.1 million and 23,896,634 shares of series C preferred stock with a cost basis of approximately $3.4 million and a fair value of approximately $4.3 million.

During the fiscal year ended October 31, 2015, the Valuation Committee increased the fair value of the series C preferred stock and the Series B preferred stock by a combined $2.8 million.

At October 31, 2015, the Company s investment in RuMe consisted of 5,297,548 shares of common stock with a cost basis and fair value of approximately $924,000, 4,999,076 shares of series B-1 preferred stock with a cost basis of approximately $1.0 million and a fair value of approximately $1.7 million and 23,896,634 shares of series C preferred stock with a cost basis of approximately $3.4 million and a fair value of approximately $6.5 million.

John Kelly, a representative of the Company, serves as a director of RuMe.

Security Holdings, B.V.

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

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately $5.3 million.

At October 31, 2015, the Company s common equity interest in Security Holdings had a cost basis of approximately $52.9 million and a fair value of approximately $45.3 million.

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

SGDA Europe B.V.

SGDA Europe is an Amsterdam-based holding company that pursues environmental and remediation opportunities in Romania.

At October 31, 2014, the Company s equity investment had a cost basis of approximately $28.5 million and a fair value of approximately $10.0 million.

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the common equity interest by approximately $4.0 million.

At October 31, 2015, the Company s equity investment had a cost basis of approximately $28.5 million and a fair value of approximately $6.0 million.

John Kelly, a representative of the Company, serves as a director of SGDA Europe.

SIA Tekers Invest

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

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

During the fiscal year ended October 31, 2015, the Valuation Committee decreased the fair value of the common stock by approximately $883,000.

Table of Contents

At October 31, 2015, the Company s investment in Tekers consisted of 68,800 shares of common stock with a cost of $2.3 million and a fair value of $342,000. There was no balance on the guarantee for Tekers at October 31, 2015.

Summit Research Labs, Inc.

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

At October 31, 2014, the Company s investment in Summit consisted of a second lien loan that had an outstanding balance and cost basis of approximately $25.1 million and a fair value of approximately $25.4 million. The second lien loan bears annual interest at 14% and matures on October 1, 2018.

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

At October 31, 2015, the Company no longer held an investment in Summit.

Thunderdome Restaurants, LLC

Thunderdome Restaurants, LLC (Thunderdome), Cincinnati, Ohio, is a restaurant group with locations in Cincinnati, Columbus, Cleveland, Indianapolis, Nashville and Charlotte.

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

During the fiscal year ended October 31, 2015, Thunderdome made principal payments of approximately $75,000.

At October 31, 2015, the Company s investment in Thunderdome consisted of a second lien loan with an outstanding amount, cost basis and fair value of approximately $2.0 million.

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, 2014, the Company s investment in Turf consisted of a senior subordinated loan, bearing interest at 11% per annum with a maturity date of November 1, 2018, membership interest and warrants. The senior subordinated loan had an outstanding balance, cost basis and a fair value of $3.9 million. The membership interest had a cost of approximately $3.5 million and a fair value of approximately $4.0 million. The warrants had a cost of $0 and a fair value of $0. The Company also had a guarantee to Berkshire Bank that was fair valued at -$67,000 or negative $67,000.

During the fiscal year ended October 31, 2015, the Valuation Committee increased the fair value of the loan and the guarantee by a net total of approximately $25,000.

At October 31, 2015, the senior subordinated loan had an outstanding balance, cost basis and a fair value of approximately $3.9 million. The membership interest had a cost of approximately $3.5 million and a fair value of approximately $4.0 million. The warrants had a cost and fair value of $0 and the guarantee was fair valued at -$41,000 or negative $41,000.

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

Table of Contents

United States Technologies, Inc.

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.

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

At October 31, 2015, the Company s investment in U.S Technologies consisted of a senior term loan with an outstanding amount, cost basis and fair value of approximately $5.0 million.

U.S. Gas & Electric, Inc.

U.S. Gas, North Miami Beach, Florida, is a licensed Energy Service Company (ESCO) that markets and distributes natural gas to small commercial and residential retail customers in the state of New York.

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

At October 31, 2015, the loans had a combined outstanding balance, cost basis and a fair value of approximately $10.7 million. The increases in the outstanding balance, cost and fair value of the loan are due to the capitalization of payment in kind interest. The increase in the fair value was approved by the Company s Valuation Committee. The convertible Series I preferred stock had a fair value of approximately $83.7 million and a cost basis of $500,000 and the convertible Series J preferred stock had a cost basis and fair value of $0.

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

U.S. Spray Drying Holding Company

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

At October 31, 2014, the Company s investment in SCSD consisted of 784 shares of class B common stock with a cost and fair value of approximately $5.5 million and a secured loan with an outstanding balance, cost basis and fair value of $1.5 million. The secured loan had an interest rate of 12% and a maturity date of May 2, 2019.

During the fiscal year ended October 31, 2015, the Valuation Committee increased the fair value of the common stock by $387,000.

At October 31, 2015, the Company s investment in SCSD consisted of 784 shares of class B common stock with a cost basis of approximately $5.5 million and a fair value of approximately $5.9 million. The secured loan has 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.

Table of Contents

Velocitius B.V.

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

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

On June 19, 2015, the Company monetized a majority of its investment in Velocitius receiving approximately $9.2 million in proceeds which included a return of capital and closing fees and was net of a minimal currency loss.

On October 16, 2015, the Company sold its remaining equity interest in Velocitius and received zero proceeds resulting in a realized loss of approximately $2.7 million.

At October 31, 2015, the Company no longer held an investment in Velocitius.

Vestal Manufacturing Enterprises, Inc.

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

At October 31, 2014, the Company s investment in Vestal consisted of a senior subordinated promissory note and 81,000 shares of common stock. The senior subordinated note had an annual interest of 12%, a maturity date of April 29, 2015 and an outstanding balance, cost, and fair value of $600,000. The 81,000 shares of common stock had a cost basis of $1.9 million and a fair value of approximately $16.9 million.

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million resulting in a realized gain of approximately $15.0 million. The total proceeds include a $1.0 million dividend and assumes full receipt of the escrow proceeds. The $600,000 loan was also repaid in full including all accrued interest. As part of the transaction, the Company reinvested approximately $6.3 million in the form of a subordinated loan, $250,000 for 5,610 shares of common stock and a warrant with no cost. The loan has an interest rate of 15% and matures on November 28, 2021.

At October 31, 2015, the Company s investment in Vestal consisted of a subordinated loan, 5,610 shares of common stock and a warrant. The loan had an outstanding balance, cost, and fair value of $6.3 million. The 5,610 shares of common stock had a cost basis and fair value of

$250,000 and the warrant had no cost and was fair valued at $0.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived from 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, our credit facility, proceeds generated from our portfolio investments and proceeds from public and private offerings of equity and debt securities to finance pursuit of our investment objective.

At October 31, 2015, the Company had investments in portfolio companies totaling $400.9 million. Also, at October 31, 2015, the Company had investments in cash and cash equivalents totaling approximately $10.3 million. 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

Table of Contents

portfolio companies pursuant to our principal investment strategy, the Company may make other short-term or temporary investments, including in exchange-traded funds, in U.S. Government issued securities, and private investment funds offering significantly more liquidity than traditional portfolio company investments.

During the fiscal year ended October 31, 2015, the Company made eight new investments, committing capital totaling approximately $58.1 million. The investments were made in RX ($10.3 million), Agri-Carriers ($11.8 million), Legal Solutions ($8.7 million), Results Companies ($9.0 million), Vestal ($6.5 million), Thunderdome ($2.0 million), Initials ($4.8 million) and U.S. Technologies ($5.0 million).

During the fiscal year ended October 31, 2015, the Company made 5 follow-on investments into 4 existing portfolio companies totaling approximately $4.3 million. On May 27, 2015, the Company invested an additional $1.1 million into MVC Automotive in the form of common equity interest. On June 3, 2015, the Company invested an additional $250,000 into Centile in the form of common equity interest. On July 6, 2015, the Company invested $250,000 into BAC in the form of equity. See below for further information on BAC. On July 7, 2015, the Company made a secured $1.0 million loan to Biogenic. The loan has a 16% interest rate and matures on February 29, 2016. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On October 19, 2015, the Company invested an additional $1.7 million in MVC Automotive in the form of common equity interest.

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

Portfolio Company	Amount Committed	Amount Funded at October 31, 2015
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, 2014
MVC Private Equity Fund LP	$20.1 million	$14.6 million
Total	**$20.1 million**	**$14.6 million**

Guarantees

As of October 31, 2015 and October 31, 2014, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded at October 31, 2015
MVC Automotive	$7.2 million	
Tekers		
Turf	$1.0 million	
Total	**$8.2 million**	

Table of Contents

Guarantee	Amount Committed	Amount Funded at October 31, 2014
MVC Automotive	$5.0 million	
Tekers		
Turf	$1.0 million	
Total	**$6.0 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, 2015, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be approximately -$41,000 or negative $41,000.

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

On July 19, 2007, the Company agreed to guarantee a 1.4 million Euro mortgage for Tekers, which did not have an outstanding balance as of October 31, 2015.

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Overtime, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. As such, the balance of the guarantee as of October 31, 2015 was approximately 6.5 million Euro (equivalent to approximately $7.2 million).

The Company guaranteed $1.0 million of Turf s indebtedness to Berkshire Bank, which had a fair value of -$41,000 or negative $41,000 as of October 31, 2015.

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

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately $20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately $104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. 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. As of October 31, 2015, $14.6 million of the Company s commitment has been contributed.

On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A. (equivalent to approximately $5.5 million at October 31, 2015), which is classified as restricted cash equivalents on the Company s consolidated balance sheet at October 31, 2015. This letter of credit is being used as collateral for a project guarantee by AB DnB NORD bankas to Security Holdings.

On November 30, 2011, the Company pledged its common stock and series A convertible preferred stock of Ohio Medical to collateralize a loan made to Ohio Medical by another

Table of Contents

financial institution. On June 27, 2013, the Company pledged its series C convertible preferred stock of Ohio Medical to further collateralize the same third party loan made to Ohio Medical in 2011.

During the fiscal year ended October 31, 2015, the Company agreed to cash collateralize a $1.0 million working capital line of credit for Inland, which is classified as restricted cash on the Company s consolidated balance sheet at October 31, 2015.

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 bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year, beginning April 15, 2013. The Company had also granted the underwriters a 30-day option to purchase up to an additional $10.5 million of Senior Notes to cover overallotments. The additional $10.5 million in principal was purchased and the total principal amount of the Senior Notes totaled $80.5 million. The net proceeds to the Company from the sale of the Senior Notes, after offering expenses, were approximately $77.4 million. The offering expenses incurred are amortized over the term of the Senior Notes.

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

On May 3, 2013, the Company sold approximately $33.9 million of additional Senior Notes in a direct offering. The additional Senior Notes will also mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company s option on or after April 15, 2016. The Notes will also bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. As of October 31, 2015, the total outstanding amount of the Senior Notes was approximately $114.4 million with a market value of approximately $112.3 million. The market value of the Senior Notes is based on the closing price of the security as of October 31, 2015 on the New York Stock Exchange (NYSE:MVCB).

On July 31, 2013, the Company entered into a one-year, $50 million revolving credit facility (Credit Facility II) with Branch Banking and Trust Company (BB&T). At October 31, 2014, the balance of Credit Facility II was $100.0 million. 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 will now expire on May 31, 2016, at which time all outstanding amounts under it will be due and payable. During the fiscal year ended October 31, 2015, the Company s net repayments on Credit Facility II were $10.0 million, resulting in an outstanding balance of $90.0 million at October 31, 2015. Credit Facility II is used to provide the Company with better

Table of Contents

overall financial flexibility in managing its investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 100 basis points. In addition, the Company is also subject to a 20 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II will be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities. The Company received a waiver from BB&T with respect to the delivery of financial reports required under Credit Facility II, due to the Company s delayed filing of its Annual Report.

On December 30, 2014, the Company entered into a 6 month, $25.0 million bridge loan (Bridge Loan) with Firstrust Bank, initially borrowing approximately $15.9 million. Prior to maturity, the Bridge Loan was increased to $30.0 million and extended to December 31, 2015. During the fiscal year ended October 31, 2015 and after the initial borrowing of $15.9 million, the Company borrowed approximately $12.8 million and repaid approximately $20.7 million, resulting in an outstanding balance of $8.0 million. Borrowings under the Bridge Loan bear interest at 5%. The Company paid closing fees, legal and other costs associated with the transaction. These costs, of approximately $360,000, were amortized over the life of the Bridge Loan. The Company has received extensions from Firstrust Bank as to the delivery of the financial reports required under the Amended and Restated Loan Agreement, due to the Company s delayed quarterly filings. See Note 17 Subsequent Events for additional information.

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

SUBSEQUENT EVENTS

On November 1, 2015 and December 1, 2015, Thunderdome made principal payments totaling approximately $51,000 on its second lien loan.

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

On November 20, 2015 and December 3, 2015, the Company invested an additional $538,000 and $1.1 million, respectively, in MVC Automotive common equity.

On December 1, 2015, Credit Facility II was renewed and will now expire on May 31, 2016, at which time all outstanding amounts under it will be due and payable. The Company is in compliance with all loan covenants related to Credit Facility II as of the filing of this Form 10-K. The Company received a waiver from BB&T with respect to the delivery of financial reports required under Credit Facility II, due to the Company s delayed filing of its Annual Report.

On December 9, 2015, the Company entered into a three-year, $50 million revolving borrowing base credit facility with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. The revolving credit facility 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 $10.0 million. The new facility replaced the $30.0 million Bridge Loan with Firstrust Bank that would have matured on December 31, 2015.

On December 15, 2015, the Company loaned approximately $1.6 million to Somotra nv, a wholly-owned subsidiary of MVC Automotive.

Table of Contents

On December 18, 2015, the Company invested approximately $5.1 million in Pride Engineering, LLC in the form of a second lien loan. The loan bears annual interest of 12% and matures on May 18, 2021.

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.

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

On December 24, 2015, the Company realized a loss of approximately $5.5 million on Inland s senior secured loan and $713,000 on the warrants as part of Inland s restructuring. As part of the restructuring, the Company received a $6.0 million senior secured loan in MVC Environmental, Inc., a holding company formed by the Company that owns and operates intellectual property and environmental service facilities for oil and gas waste recycling related to Inland, and received 950 common shares of MVC Environmental, Inc. 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 and 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 January 4, 2016, the Company loaned an additional $1.5 million to Legal Solutions Holdings, Inc., which increased the senior subordinated loan to approximately $10.2 million.

On February 1, 2016, the Company loaned an additional $1.1 million to Thunderdome, which increased the second lien loan to approximately $3.0 million.

On February 17, 2016, the Company loaned $7.0 million to Dukane Intelligent Assembly, a global provider of plastic welding equipment, in the form of a second lien loan with an interest rate of 13% and a maturity date of November 16, 2020.

On March 7, 2016, the Company received a $10.0 million distribution from U.S. Gas.

On March 11, 2016, the Company loaned $10.0 million to Quantum Plastics, LLC, a global plastic injection manufacturer, in the form of a senior subordinated loan with an interest rate of 12% and a maturity date of March 10, 2021. The Company also received a warrant as part of the investment and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made.

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.

On May 6, 2016, RX repaid $8.0 million of principal on its loan. In addition, RX repaid all outstanding accrued and deferred interest for a total payment of approximately $9.9 million. As a part of the transaction, which led to the repayment, RX was reorganized into FDS, Inc., a data service provider. The Company s outstanding $2.3 million of principal was amended to a senior loan with an interest rate of 16% and a maturity of November 30, 2016.

Table of Contents

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

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

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. The Company does not expect to adopt ASU 2014-15 early and does not believe the standard will have a material impact on our financial statements, when adopted.

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

2015-2 to have a material impact on our financial statements.

Table of Contents

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Under this guidance, debt issuance costs related to a recognized debt liability are to be presented as a direct deduction from the debt liability rather than as an asset on the balance sheet, consistent with debt discounts. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect the adoption of ASU No. 2015-03 to have a material 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. The Company does not expect the adoption of ASU 2015-07 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, 2015, the Company did not have a net capital loss carryforward. The Company had approximately $42.8 million in unrealized losses as of October 31, 2015.

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.

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, 2015, approximately 76.08% 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 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.

Table of Contents

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, 2015, we did not hold restricted or unrestricted securities of publicly traded companies for which we have a majority-owned interest.

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

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

Table of Contents

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

Table of Contents

Company s or its subsidiary s investment in the PE Fund will follow the methodologies described for valuing interests in private investment funds (Investment Vehicles) described below. Additionally, when both the Company and the PE Fund hold investments in the same portfolio company, the GP s Fair Value determination shall be based on the Valuation Committee s determination of the Fair Value of the Company s portfolio security in that portfolio company.

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

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

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

When the Company receives nominal cost warrants or free equity securities (nominal cost equity) with a debt security, the Company typically allocates its cost basis in the investment between debt securities and nominal cost equity at the time of origination.

Interest income, adjusted for amortization of premium and accretion of discount on a yield to maturity methodology, is recorded on an accrual basis to the extent that such amounts are expected to be collected. Origination and/or closing fees associated with investments in portfolio companies are recorded as income at the time the investment is made. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as a realized gain. Prepayment premiums are recorded on loans when received 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

Table of Contents

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.

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

Table of Contents

market discount is recorded as a realized gain. 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, 2015, the Company had approximately $8.1 million in cash equivalents and restricted cash equivalents and approximately $8.7 million in cash and restricted cash totaling approximately $16.8 million. Of the $8.7 million in cash, approximately $360,000 was held by MVC Turf, an MVC wholly-owned holding company.

Restricted Cash and Cash Equivalents

Cash and cash equivalent accounts that are not available to the Company for day to-day use and are legally restricted are classified as restricted cash. Restricted cash and cash equivalents are carried at cost, which approximates fair value. On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A., which is related to a project guarantee by AB DnB NORD bankas to Security Holdings B.V., a portfolio company investment, and is classified as restricted cash equivalents on the Company s Consolidated Balance Sheets (equivalent to approximately $5.5 million at October 31, 2015 and approximately $6.3 million at October 31, 2014). The Company also had approximately $1.0 million in restricted cash related to Inland s working capital line of credit, which is classified as restricted cash on the Company s consolidated balance sheet at October 31, 2015, related.

Restricted Securities

The Company will 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.

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.

Table of Contents

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. 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, 2015, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2012, 2013, 2014 and 2015 for the Company and MVCFS remain subject to examination by federal, state and local tax authorities.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS

MVC Capital, Inc.

Consolidated Balance Sheets

	October 31, 2015	October 31, 2014
ASSETS		
Assets		
Cash	$ 7,753,901	$ 8,781,375
Restricted cash (cost $1,000,034 and $0)	1,000,034	
Restricted cash equivalents (cost $5,503,000 and $6,265,500)	5,503,000	6,265,500
Cash equivalents (cost $2,557,666 and $8,391,089)	2,557,666	8,391,089
Investments at fair value		
Short-term investments (cost $89,820,800 and $99,999,629)	89,681,535	99,897,404
Non-control/Non-affiliated investments (cost $165,626,784 and $150,682,873)	131,351,403	126,303,048
Affiliate investments (cost $121,962,460 and $115,021,554)	170,189,927	173,682,927
Control investments (cost $156,127,715 and $174,266,037)	99,334,391	147,644,189
Total investments at fair value (cost $533,537,759 and $539,970,093)	490,557,256	547,527,568
Dividends and interest receivables, net of reserves	4,404,600	1,188,398
Deferred financing fees	2,467,305	2,972,864
Fee and other receivables	1,696,280	1,939,827
Prepaid expenses	609,517	646,801
Escrow receivables, net of reserves	292,744	
Total assets	$ 516,842,303	$ 577,713,422
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Senior notes	$ 114,408,750	$ 114,408,750
Revolving credit facility	90,000,000	100,000,000
Bridge loan	8,000,000	
Provision for incentive compensation (Note 5)	4,976,767	14,733,887
Professional fees payable	1,820,416	1,309,085
Management fee payable	1,527,930	1,474,223
Accrued expenses and liabilities	622,446	456,148
Interest payable	359,866	374,875
Management fee payable - Asset Management	296,812	296,812
Consulting fees payable	272,880	97,250
Portfolio fees payable - Asset Management	250,846	436,791
Liability for share exchange	228,851	221,424
Taxes payable	1,152	1,219

Total liabilities		222,766,716		233,810,464
Commitments and Contingencies (Note 10)				
Shareholders equity				
Common stock, $0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued and 22,702,821 shares outstanding as of October 31, 2015 and October 31, 2014		283,044		283,044
Additional paid-in-capital		418,298,784		421,037,726
Accumulated earnings		102,420,976		83,996,734
Dividends paid to stockholders		(129,012,902)		(116,753,378)
Accumulated net realized gain		2,189		2,697,840
Net unrealized (depreciation) appreciation		(42,620,298)		7,937,198
Treasury stock, at cost, 5,601,627 and 5,601,627 shares held, respectively		(55,296,206)		(55,296,206)
Total shareholders equity		294,075,587		343,902,958
Total liabilities and shareholders equity	$	516,842,303	$	577,713,422
Net asset value per share	$	12.95	$	15.15

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

Table of Contents

MVC Capital, Inc.

Consolidated Schedule of Investments

October 31, 2015

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

				15,219,835	8,000,000
Legal Solutions Holdings, Inc.	Business Services	Senior Subordinated Debt 12.0000% Cash, 2.0000% Deferred, 09/12/2018 (l), (m)	8,705,000	8,718,402	8,705,000
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d), (i)		3,750,000	
Morey s Seafood International, LLC	Food Services	Second Lien Loan 6.0000% Cash, 9.0000% PIK, 08/12/2018 (b), (l)	16,047,333	16,047,333	14,371,830
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	2,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			36,000
				1,231,638	38,000
The Results Companies, LLC	Business Services	Senior Subordinated Debt 13.0000% Cash, 2.5000% Deferred, 07/01/2016 (l), (m)	9,000,000	9,008,330	9,000,000
RX Innovation, Inc.	Software	Senior Subordinated Debt 12.0000% Cash, 4.0000% Deferred, 03/01/2017 (l), (m)	10,300,000	10,307,845	10,300,000
Thunderdome Restaurants, LLC	Restaurants	Second Lien Loan 12.0000% Cash, 06/10/2020	1,965,251	1,965,251	1,965,251
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares) (d)		5,488,000	5,875,000
		Secured Loan 12.0000% Cash, 05/02/2019	1,500,000	1,500,000	1,500,000
				6,988,000	7,375,000
United States Technologies, Inc.	Electronics Manufacturing and Repair	Senior Lien Loan 10.5000% Cash, 07/17/2020 (l)	5,000,000	5,000,000	5,000,000
Sub Total Non-control/Non-affiliated investments				**165,626,784**	**131,351,403**
Affiliate investments - 57.87% (a), (c), (f), (g)					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d), (e)		7,500,000	8,015,164
Centile Holdings B.V.	Software	Common Equity Interest (d), (e)		3,524,376	4,905,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d), (e)		4,500	4,000
		Preferred Stock (9,159,085 shares) (d), (e)		11,810,188	5,045,700
				11,814,688	5,049,700
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d), (e)		52,846,140	45,300,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d), (e)		28,544,800	6,020,000
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan 13.0000% Cash, 07/01/2019 (l)	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK , 07/01/2018 (b), (l)	3,167,220	3,167,220	3,167,220
		Convertible Series I Preferred Stock (32,200 shares) (d), (k), (o)		500,000	83,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d), (o)			-
				11,167,220	94,334,827
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 3.0000% PIK , 11/28/2021 (b), (l)	6,315,236	6,315,236	6,315,236

	Common Stock (5,610 shares) (d)		250,000	250,000
	Warrants (d)	5,303		
			6,565,236	6,565,236
Sub Total Affiliate investments			**121,962,460**	**170,189,927**

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

Table of Contents

MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

October 31, 2015

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

Sub Total Short-Term Investments			$	**89,820,800**	$	**89,681,535**
Cash Equivalents and Restricted Cash Equivalents - 2.74% (f), (g)						
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (1,659,943 shares)		1,659,943		1,659,943
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (6,400,723 shares)		6,400,723		6,400,723
Total Cash Equivalents and Restricted Cash Equivalents				**8,060,666**		**8,060,666**
TOTAL INVESTMENT ASSETS - 169.55%			**$**	**541,598,425**	**$**	**498,617,922**

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

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

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

SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Equus Total Return, Inc., MVC Private Equity Fund L.P., and Advantage Insurance LTD. The Company makes available significant managerial assistance to all of the

portfolio companies in which it has invested.

(d) Non-income producing assets.

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

approximately 108% of the net assets.

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

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

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

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services,

contract manufacturing, and industrial sectors. The Company s proportional share of the AccuMed Corp. preferred stock, Plymouth Rock Energy membership interest and loan and the Gibdock Limited equity interest is $4,251,620, $7,184,225 and $5,923,100, respectively.

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

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

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

as of October 31, 2015.

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

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

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

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

Table of Contents

MVC Capital, Inc.

Consolidated Schedule of Investments

October 31, 2014

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments- 36.73% (a), (c), (f), (g)					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d), (i)		$ 5,000,003	
Biogenic Reagents	Renewable energy	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	$ 5,246,951	5,246,951	$ 5,246,951
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	4,722,256	4,722,256	5,027,257
		Senior Note 12.0000% Cash, 4.0000% PIK, 09/30/2015 (b)	4,000,444	4,000,444	4,000,444
		Warrants (d)	1		
				13,969,651	14,274,652
Biovation Holdings, Inc.	Manufacturer of Laminate Material and Composites	Bridge Loan 6.0000% Cash, 6.0000% PIK, 10/31/2014 (b), (h)	3,779,321	3,779,321	3,391,663
		Warrants (d)	3	397,677	
				4,176,998	3,391,663
Custom Alloy Corporation	Manufacturer of Pipe Fittings	Second Lien Loan, 7.3000% Cash, 3.7000% PIK, 04/30/2020 (b)	23,000,000	23,000,000	23,000,000
		Unsecured Subordinated Loan 12.0000% Cash, 09/04/2016	6,500,000	6,500,000	6,500,000
				29,500,000	29,500,000
FOLIOfn, Inc.	Technology Investment - Financial Services	Preferred Stock (5,802,259 shares) (d), (i)		15,000,000	5,893,000
G3K Display, Inc.	Retail Store Fixtures	Senior Lien Loan 13.0000% Cash, 04/11/2019 (h)	5,625,000	5,625,000	
		Warrants (d)	1		
				5,625,000	
Inland Environmental & Remediation LP	Environmental Services	Senior Secured Loan 12.0000% Cash, 04/17/2019	15,000,000	14,364,313	14,364,313
		Warrants (d)	1	713,000	713,000
				15,077,313	15,077,313
MainStream Data, Inc.	Technology Investment	Common Stock (5,786 shares) (d), (i)		3,750,000	
Morey s Seafood International, LLC	Food Services	Second Lien Loan 10.0000% Cash, 3.0000% PIK, 08/12/2018 (b)	15,338,768	15,338,768	15,591,635
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	5,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			81,000
				1,231,638	86,000

Prepaid Legal Services, Inc.	Consumer Services	Second Lien Term Loan , 9.7500% Cash, 07/01/2020	10,000,000	9,877,526	10,100,000
Summit Research Labs, Inc.	Specialty Chemicals	Second Lien Loan 10.0000% Cash, 4.0000% PIK , 10/01/2018 (b)	25,147,976	25,147,976	25,400,785
U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares)		5,488,000	5,488,000
		Secured Loan 12.0000% Cash, 05/02/2019	1,500,000	1,500,000	1,500,000
				6,988,000	6,988,000
Sub Total Non-control/Non-affiliated investments				**150,682,873**	**126,303,048**
Affiliate investments - 50.50% (a), (c), (f), (g)					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (d)(e)		7,500,000	7,721,000
Centile Holdings B.V.	Software	Common Equity Interest (d), (e)		3,274,376	4,994,000
JSC Tekers Holdings	Real Estate Management	Common Stock (3,201 shares) (d), (e)		4,500	4,200
		Preferred Stock (9,159,085 shares) (d), (e)		11,810,188	6,157,906
				11,814,688	6,162,106
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d), (e)		52,846,140	50,600,000
SGDA Europe B.V.	Environmental Services	Common Equity Interest (d), (e)		28,544,800	9,996,664
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan, 13.0000% Cash, 07/01/2019	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK , 07/01/2018 (b)	3,041,550	3,041,550	3,041,550
		Convertible Series I Preferred Stock (32,200 shares) (d), (k), (m)		500,000	83,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d), (m)			
				11,041,550	94,209,157
Sub Total Affiliate investments				**115,021,554**	**173,682,927**

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

Table of Contents

MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

October 31, 2014

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control Investments - 42.93% (c), (f), (g)					
[redacted]					
Harmony Health & Beauty, Inc.	Health & Beauty - Distributor	Common Stock (147,621 shares) (a), (d)		6,700,000	
[redacted]					
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (a), (d), (j)		14,217,283	19,969,408
		General Partnership Interest (a), (d), (j)		362,686	503,924
				14,579,969	20,473,332
[redacted]					
RuMe Inc.	Consumer Products	Common Stock (5,297,548 shares) (a), (d)		924,475	924,475
		Series B-1 Preferred Stock (4,999,076 shares) (a), (d)		999,815	1,090,000
		Series C Preferred Stock (23,896,634 shares) (a), (d)		3,410,694	4,285,525
				5,334,984	6,300,000
[redacted]					
Turf Products, LLC	Distributor - Landscaping and Irrigation Equipment	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/01/2018 (a), (b)	$ 3,895,262	3,895,262	3,864,272
		Limited Liability Company Interest (a), (d)		3,535,694	3,991,794
		Guarantee (a)	1		(66,860)
		Warrants (a), (d)	150		
				7,430,956	7,789,206
[redacted]					
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 04/29/2015 (a)	600,000	600,000	600,000
		Common Stock (81,000 shares) (a), (d)		1,850,000	16,900,000
				2,450,000	17,500,000

[redacted]				
[redacted]				
[redacted]				
U.S. Treasury Obligations	U.S. Government Securities	1.5000%, 10/31/19 (l)	$ 99,999,629	$ 99,897,404
[redacted]				
Sub Total Short-Term investments			**99,999,629**	**99,897,404**
[redacted]				
Cash Equivalents and Restricted Cash Equivalents - 4.26% (f), (g)				
[redacted]				
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (7,499,731 shares)	7,499,731	7,499,731
[redacted]				
[redacted]				

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

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

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

(d) Non-income producing assets.

(e) The principal operations of these portfolio companies are located in Europe and Cayman Islands which represents approximately 33% of the net assets. The remaining portfolio companies are located in North America which represents approximately 97% of the net assets.

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

(g) See Note 4 for further information regarding Investment Classification.

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

(i) Legacy Investments.

(j) MVC Private Equity Fund, LP is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds five investments, four located in the United States and one in Gibraltar, the investments are in the energy, services, contract manufacturing, and industrial sectors. The Company s proportional share of the Plymouth Rock Energy membership interest and loan and the Gibdock Limited equity interest is $6,894,951 and $7,030,040, respectively.

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

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

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

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

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

Table of Contents

MVC Capital, Inc.

Consolidated Statements of Operations

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 3,220	$ 69,956	$ 1,993
Affiliate investments		867,916	7,852,217
Control investments	1,002,872		426,300
Total dividend income	1,006,092	937,872	8,280,510
Payment-in-kind dividend income			
Affiliate investments		216,928	269,900
Total payment-in-kind dividend income		216,928	269,900
Interest income			
Non-control/Non-affiliated investments	12,579,802	7,074,870	3,206,590
Affiliate investments	1,303,835	2,756,306	3,319,241
Control investments	322,282	353,844	1,458,138
Total interest income	14,205,919	10,185,020	7,983,969
Payment-in-kind/Deferred interest income			
Non-control/Non-affiliated investments	4,908,516	3,058,577	1,497,860
Affiliate investments	126,067	756,954	969,775
Control investments	155,810	155,810	619,495
Total payment-in-kind interest income	5,190,393	3,971,341	3,087,130
Fee income			
Non-control/Non-affiliated investments	357,500	306,393	846,598
Affiliate investments	723,165	932,335	937,309
Control investments	966,992	323,001	1,068,910
Total fee income	2,047,657	1,561,729	2,852,817
Fee income - Asset Management 1			
Portfolio fees	1,023,210	1,314,441	557,071
Management fees	225,511	595,534	1,238,301
Total fee income - Asset Management	1,248,721	1,909,975	1,795,372
Other income		1,033,560	492,743
Total operating income	23,698,782	19,816,425	24,762,441
Operating Expenses:			
Interest and other borrowing costs	10,230,140	9,442,466	6,724,270
Management fee	7,845,198	8,681,175	7,832,611
Audit & tax preparation fees	1,470,000	634,200	652,700

Legal fees		1,162,500		925,000		523,000
Portfolio fees - Asset Management 1		767,408		985,831		417,803
Other expenses		750,531		411,266		543,422
Consulting fees		653,396		475,404		722,996
Directors fees		418,000		400,625		412,500
Insurance		347,426		346,020		333,700
Administration		236,918		259,351		254,961
Public relations fees		180,000		198,000		184,500
Management fee - Asset Management 1		160,218		354,298		928,722
Printing and postage		85,595		21,352		84,712
Net Incentive compensation (Note 5)		(9,757,120)		(4,749,735)		3,828,184
Total operating expenses		14,550,210		18,385,253		23,444,081
Less: Voluntary Expense Waiver by Adviser 2		(150,000)		(150,000)		(150,000)
Total waivers		(150,000)		(150,000)		(150,000)
Net operating income before taxes		9,298,572		1,581,172		1,468,360
Tax Expenses:						
Current tax expense		1,756		1,755		3,600
Total tax expense		1,756		1,755		3,600
Net operating income		9,296,816		1,579,417		1,464,760
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
Short-term investments		302,246				
Non-control/Non-affiliated investments		(2,073,793)		(575,763)		(6,073,420)
Affiliate investments				15,979,686		82,512
Control investments		5,593,975		1,115,855		49,655,826
Foreign currency		(122,168)				
Total net realized gain on investments		3,700,260		16,519,778		43,664,918
Net unrealized depreciation on investments		(50,557,496)		(37,941,262)		(25,860,307)
Net realized and unrealized (loss) gain on investments		(46,857,236)		(21,421,484)		17,804,611
Net (decrease) increase in net assets resulting from operations	$	(37,560,420)	$	(19,842,067)	$	19,269,371
Net (decrease) increase in net assets per share resulting from operations	$	(1.66)	$	(0.88)	$	0.82
Dividends declared per share	$	0.540	$	0.540	$	0.540
Weighted average number of shares outstanding3		22,702,821		22,632,584		23,334,367

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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 Reflects TTG Advisers voluntary waiver of $150,000 of expenses for the 2015, 2014 and 2013 fiscal years that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement. Please see Note

4 Management for more information.

3Please see Note 6 Dividends and Distributions to Shareholders and Share Repurchase Program for more information.

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

Table of Contents

MVC Capital, Inc.

Consolidated Statements of Cash Flows

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013
Cash flows from Operating Activities:			
Net (decrease) increase in net assets resulting from operations	$ (37,560,420)	$ (19,842,067)	$ 19,269,371
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized gain	(3,700,260)	(16,519,778)	(43,664,918)
Net change in unrealized depreciation	50,557,496	37,941,262	25,860,307
Amortization of discounts and fees	(751,909)	(1,077,667)	(206,914)
Increase in accrued payment-in-kind dividends and interest	(2,266,596)	(3,928,997)	(3,269,909)
Amortization of deferred financing fees	1,070,967	565,723	258,242
Allocation of flow through income		(485,973)	(246,753)
Changes in operating assets and liabilities:			
Restricted cash	(1,000,034)	526,500	(312,000)
Restricted cash equivalents	762,500		
Dividends, interest and fees receivable	(3,216,202)	2,340,501	1,030,804
Fee and other receivables	243,547	169,711	1,204,578
Escrow receivables, net of reserves	(292,744)	6,236,928	(5,245,365)
Prepaid expenses	37,284	(111,897)	218,597
Prepaid taxes		336	255
Incentive compensation (Note 5)	(9,757,120)	(4,749,735)	3,828,184
Other liabilities	705,945	195,710	(286,992)
Purchases of equity investments	(3,545,400)	(35,743,194)	(36,626,663)
Purchases of debt instruments	(59,076,952)	(67,927,323)	(58,890,199)
Purchases of short-term investments	(384,062,785)	(398,801,536)	(99,447,664)
Proceeds from equity investments (1)	25,943,104	33,896,303	65,708,035
Proceeds from debt instruments	39,304,386	28,612,098	37,361,029
Sales/maturities of short-term investments	394,544,993	348,605,381	49,846,875
Net cash provided by (used in) operating activities	7,939,800	(90,097,714)	(43,611,100)
Cash flows from Financing Activities:			
Borrowings from senior notes			114,408,750
Borrowings from revolving credit facility	385,000,000	700,000,000	100,000,000
Repayments from revolving credit facility	(395,000,000)	(650,000,000)	(50,000,000)
Borrowings from bridge loan	36,672,481		
Repayments from bridge loan	(28,672,481)		
Repayments from Term Loan			(50,000,000)
Offering expenses		(139,000)	
Repurchase of common stock		(4,114,967)	(16,673,207)
Share exchange	(7,427)	(221,424)	
Financing fees paid	(533,746)	(273,092)	(3,523,737)
Distributions paid to shareholders	(12,259,524)	(12,215,899)	(12,526,704)
Net cash (used in) provided by financing activities	(14,800,697)	33,035,618	81,685,102
Net change in cash and cash equivalents for the year	(6,860,897)	(57,062,096)	38,074,002
Cash and cash equivalents, beginning of year	$ 17,172,464	$ 74,234,560	$ 36,160,558

Cash and cash equivalents, end of year	$	10,311,567	$	17,172,464	$	74,234,560

(1) For the year ended October 31, 2014 and October 31, 2013, proceeds from equity investments includes $868,286 and $5,627,657 from escrow receivables, net of reserves, respectively.

During the year ended October 31, 2015, 2014 and 2013 MVC Capital, Inc. paid $8,968,280, $8,729,321 and $5,890,475 in interest expense, respectively.

During the year ended October 31, 2015, 2014 and 2013 MVC Capital, Inc. paid $1,823, $1,420 and $3,345 in income taxes, respectively.

Non-cash activity:

During the year ended October 31, 2015, 2014 and 2013, MVC Capital, Inc. recorded payment in kind dividend and interest of $2,266,596, $3,928,997 and $3,269,909, respectively. This amount was added to the principal balance of the investments and recorded as dividend/interest income.

During the year ended October 31, 2014 and 2013, MVC Capital, Inc. was allocated $1,033,361 and $492,743, respectively, in flow-through income from its equity investment in Octagon Credit Investors, LLC. Of these amounts, $547,388 and $245,990, respectively, was received in cash and the balance of $485,973 and $246,753, respectively, was undistributed and therefore increased the cost of the investment. The fair value was then increased by $101,099 and $246,753, respectively, by the Company s Valuation Committee.

On December 14, 2012, and August 2, 2013, the Company received free warrants related to their debt investments in Biovation Holdings, Inc. The Company allocated the cost basis in the investments between the bridge loan and the warrants at the time the investments were made. The Company will amortize the discount associated with the warrants over the life of the loan. During the year ended October 31, 2013, the Company recorded approximately $115,000 of amortization.

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

On May 1, 2014, the Company converted the JSC Tekers $12.0 million secured loan to preferred equity. The cost and fair value assigned to the preferred equity was approximately $11.8 million, which was based on the fair value of the real estate using the CZK/USD exchange rate on May 1, 2014. As a result of the loan conversion, the Company realized a loss of approximately $190,000.

On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by the Equus Board of Directors. Pursuant to the share exchange agreement, the Company has received 2,112,000 common shares, with a fair value of approximately $4 million, of Equus in exchange for 395,839 common shares of the Company.

On June 30, 2014, the Company converted the SGDA $6.5 million term loan and accrued interest of approximately $1.9 million to additional common equity interest in SGDA Europe.

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

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

Table of Contents

MVC Capital, Inc.

Consolidated Statements of Changes in Net Assets

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013
Operations:			
Net operating income	$ 9,296,816	$ 1,579,417	$ 1,464,760
Net realized gain on investments	3,700,260	16,519,778	43,664,918
Net change in unrealized depreciation on investments	(50,557,496)	(37,941,262)	(25,860,307)
Net (decrease) increase in net assets from operations	(37,560,420)	(19,842,067)	19,269,371
Shareholder Distributions from:			
Income	(9,296,816)	(1,579,417)	(10,746,923)
Realized gain	(2,962,708)	(10,636,482)	
Return of capital			(1,779,781)
Net decrease in net assets from shareholder distributions	(12,259,524)	(12,215,899)	(12,526,704)
Capital Share Transactions:			
Reissuance of treasury stock for share exchange		4,350,722	
Provision for share exchange	(7,427)	(221,424)	
Offering expenses		(139,000)	
Repurchase of common stock		(4,114,967)	(16,673,207)
Net decrease in net assets from capital share transactions	(7,427)	(124,669)	(16,673,207)
Total decrease in net assets	(49,827,371)	(32,182,635)	(9,930,540)
Net assets, beginning of year	343,902,958	376,085,593	386,016,133
Net assets, end of year	$ 294,075,587	$ 343,902,958	$ 376,085,593
Common shares outstanding, end of year	22,702,821	22,702,821	22,617,688
Undistributed net operating income	$	$	$

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

Table of Contents

MVC Capital, Inc.

Consolidated Selected Per Share Data and Ratios

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013	For the Year Ended October 31, 2012	For the Year Ended October 31, 2011
Net asset value, beginning of year	$ 15.15	$ 16.63	$ 16.14	$ 17.54	$ 17.71
Gain from operations:					
Net operating income (loss)	0.41	0.07	0.06	0.88	(0.10)
Net realized and unrealized (loss) gain on investments	(2.07)	(0.95)	0.76	(1.78)	0.40
Total (loss) gain from investment operations	(1.66)	(0.88)	0.82	(0.90)	0.30
Less distributions from:					
Income	(0.41)	(0.07)	(0.46)	(0.50)	
Realized gain	(0.13)	(0.47)			
Return of capital			(0.08)		(0.48)
Total distributions	(0.54)	(0.54)	(0.54)	(0.50)	(0.48)
Capital share transactions					
Dilutive effect of share issuance		(0.10)			
Anti-dilutive effect of share repurchase program		0.04	0.21		0.01
Total capital share transactions		(0.06)	0.21		0.01
Net asset value, end of year	$ 12.95	$ 15.15	$ 16.63	$ 16.14	$ 17.54
Market value, end of year	$ 8.32	$ 11.27	$ 13.83	$ 12.36	$ 12.93
Market discount	(35.75)%	(25.61)%	(16.84)%	(23.42)%	(26.28)%
Total Return - At NAV (a)	(11.08)%	(5.75)%	6.52%	(5.21)%	1.80%
Total Return - At Market (a)	(21.85)%	(14.97)%	16.65%	0.44%	0.35%
Ratios and Supplemental Data:					
Portfolio turnover ratio	15.19%	14.16%	25.20%	3.31%	13.90%
Net assets, end of year (in thousands)	$ 294,076	$ 343,903	$ 376,086	$ 386,016	$ 419,510
Ratios to average net assets:					
Expenses including tax expense	4.54%	5.04%	6.19%	2.17%	4.38%
Expenses excluding tax expense	4.54%	5.04%	6.19%	2.17%	4.39%
Net operating income (loss) before tax expense	2.93%	0.44%	0.39%	5.22%	(0.54)%
Net operating income (loss) after tax expense	2.93%	0.44%	0.39%	5.22%	(0.55)%
Ratios to average net assets excluding waivers:					
Expenses including tax expense	4.59%	5.08%	6.23%	2.80%	4.44%
Expenses excluding tax expense	4.59%	5.08%	6.23%	2.80%	4.45%

Net operating income (loss) before tax expense	2.89%	0.40%	0.35%	4.59%	(0.60)%
Net operating income (loss) after tax expense	2.89%	0.40%	0.35%	4.59%	(0.61)%

(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	7.62%	6.35%	5.17%	4.21%	3.92%
Expenses excluding incentive compensation, interest and other borrowing costs	4.39%	3.75%	3.39%	3.38%	3.18%
Net operating (loss) income before incentive compensation	(0.15)%	(0.87)%	1.41%	3.18%	(0.08)%
Net operating income before incentive compensation, interest and other borrowing costs	3.08%	1.73%	3.19%	4.01%	0.66%
Ratios to average net assets excluding waivers: (b)					
Expenses excluding incentive compensation	7.67%	6.40%	5.21%	4.27%	3.98%
Expenses excluding incentive compensation, interest and other borrowing costs	4.44%	3.79%	3.43%	3.44%	3.24%
Net operating (loss) income before incentive compensation	(0.19)%	(0.92)%	1.37%	3.12%	(0.14)%
Net operating income before incentive compensation, interest and other borrowing costs	3.04%	1.69%	3.15%	3.95%	0.60%

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

Table of Contents

MVC Capital, Inc.
Notes to Consolidated Financial Statements
October 31, 2015

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

Table of Contents

amendment to the 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 28, 2014.

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

Table of Contents

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, LLC (MVC Turf) was consolidated with the Company as MVC Turf is an MVC wholly-owned holding company. The consolidation of MVC Turf did not have any material effect on the financial position or net results of operations of the Company. Of the $7.8 million in cash on the Company s Consolidated Balance Sheets as of October 31, 2015, approximately $360,000 was held by MVC Turf, an MVC wholly-owned holding 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 June 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-08, Financial Services Investment Companies. ASU 2013-08 provides clarifying guidance to determine if an entity qualifies as an investment company. ASU 2013-08 also requires an investment company to measure non-controlling interests in other investment companies at fair value. The following disclosures will also be required upon adoption of ASU 2013-08: (i) whether an entity is an investment company and is applying the accounting and reporting guidance for investment companies; (ii) information about changes, if any, in an entity s status as an investment company; and (iii) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The requirements of ASU 2013-08 became effective for the Company beginning in fiscal year 2015. These updates have had no impact on the Company s financial condition or results of operations.

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

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). The standard requires management to evaluate, at each interim and annual reporting period, whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date the financial statements are issued, and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual and interim periods thereafter, and early adoption is permitted. The Company does not expect to adopt ASU 2014-15 early and does not believe the standard will have a material impact on our financial statements, when adopted.

Table of Contents

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

In April 2015, the FASB issued Accounting Standards Update 2015-03, Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Under this guidance, debt issuance costs related to a recognized debt liability are to be presented as a direct deduction from the debt liability rather than as an asset on the balance sheet, consistent with debt discounts. The guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015 The Company does not expect the adoption of ASU 2015-03 to have a material 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. The Company does not expect the adoption of ASU 2015-07 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

Table of Contents

Directors may also hire independent consultants to review our Valuation Procedures or to conduct an independent valuation of one or more of our portfolio investments.

Pursuant to our Valuation Procedures, the Valuation Committee (which is comprised of three Independent Directors) determines fair values of portfolio company investments on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). In doing so, the Committee considers the recommendations of TTG Advisers. Any changes in valuation are recorded in the consolidated statements of operations as Net unrealized appreciation (depreciation) on investments.

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

At October 31, 2015 and October 31, 2014, approximately 76.08% and 75.79%, 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

Table of Contents

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.

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.

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. During the fiscal year ended October 31, 2015, the Company made eight new investments and made 5 follow-on investments in 4 existing portfolio companies committing a total of $62.4 million of capital to these investments. At October 31, 2015, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $400.9 million with a cost basis of $443.7 million.

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, 2015, we did not own restricted or unrestricted securities of any publicly traded company in which we have a majority-owned interest but did own one security in which we have a minority-owned interest.

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

For equity securities of Portfolio Companies, the Valuation Committee estimates the fair value based on market and/or income approach with value then attributed to equity or equity like

Table of Contents

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.

For Controlled Companies, 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 in assessing the enterprise value, 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.

Table of Contents

For loans and debt securities of Control Companies, the Valuation Committee determines fair value 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.

Table of Contents

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 a realized gain. Prepayment premiums are recorded on loans when received. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that the Company expects to collect such amounts.

For loans, debt securities, and preferred securities with contractual payment-in-kind interest or dividends, which represent contractual interest/dividends accrued and added to the loan balance or liquidation preference that generally becomes due at maturity, the Company will not ascribe value to payment-in-kind interest/dividends, if the portfolio company valuation indicates that the payment-in-kind interest is not collectible. However, the Company may ascribe value to payment-in-kind interest if the health of the portfolio company and the underlying securities are not in question. All payment-in-kind interest that has been added to the principal balance or capitalized is subject to ratification by the Valuation Committee.

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

Table of Contents

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 a realized gain. 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. As of October 31, 2015, the Company had approximately $2.6 million in cash equivalents and approximately $7.8 million in cash totaling approximately $10.4 million. Of the $7.8 million in cash, approximately $360,000 was held by MVC Turf, an MVC wholly-owned holding company. As of October 31, 2014, the Company had approximately $8.4 million in cash equivalents and approximately $8.8 million in cash totaling approximately $17.2 million. Of the $8.8 million in cash, approximately $380,000 was held by MVC Turf, an MVC wholly-owned holding company.

Restricted Cash and Cash Equivalents - Cash and cash equivalent accounts that are not available to the Company for day to-day use and are legally restricted are classified as restricted cash. Restricted cash and cash equivalents are carried at cost, which approximates fair value. On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A., which is related to a project guarantee by AB DnB NORD bankas

115

Table of Contents

to Security Holdings B.V., a portfolio company investment, and is classified as restricted cash equivalents on the Company s Consolidated Balance Sheets (equivalent to approximately $5.5 million at October 31, 2015 and approximately $6.3 million at October 31, 2014). The Company also had approximately $1.0 million in restricted cash related to Inland s working capital line of credit, which is classified as restricted cash on the Company s consolidated balance sheet at October 31, 2015,.

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 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, 2015 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, 2015, the Company did not incur any interest or penalties. Although we file federal and state tax returns, our major tax jurisdiction is federal for the Company and MVCFS. The fiscal years 2012, 2013, 2014 and 2015 for the Company and MVCFS remain subject to examination by the federal, state and local tax authorities.

116

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 23, 2014.

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%.

On various dates, TTG Advisers and the Company entered into annual agreements to extend the expense cap of 3.5% to the 2013 and 2014 fiscal years (Expense Limitation Agreement). The Company and the Adviser also agreed to continue the expense cap into fiscal year 2015, though they modified 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.) On October 29, 2015, the Board approved the renewal of the Advisory Agreement for the 2016 fiscal year. Further, the Adviser agreed to waive a portion of the base management fee so that it is reduced to 1.50% for fiscal year 2016. In addition, the Adviser agreed to waive $1

Table of Contents

million of any incentive fee on capital gains if and when payable to the Adviser under the Advisory Agreement. Please see Note 17 to our consolidated financial statements Subsequent Events for more information. Furthermore, the Company and the Adviser agreed to reduce the expense cap for fiscal 2016 to 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 2013 through 2015, TTG Advisers voluntarily agreed to waive $150,000 of expenses that the Company is obligated to reimburse to TTG Advisers under the Advisory Agreement 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.

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

Table of Contents

recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

As of October 31, 2014, the balance of the management fee payable on the Company s consolidated balance sheet was approximately $1.5 million, which reflected a reduced amount due to prior overpayments to TTG Advisers related to the restatement of the 2013 annual financial statements, and 2013 and 2014 interim financial statements. The management fee payable was reduced in this regard by approximately $824,000. As of October 31, 2015, the balance of the management fee payable reflected an overpayment reducing the fee payable by approximately $16,000.

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, 2012, the provision for estimated incentive compensation was approximately $15.7 million. During the fiscal year ended October 31, 2013, this provision for incentive compensation was increased by a net amount of approximately $3.8 million to approximately $19.5 million. The net increase in the provision for incentive compensation during the year ended October 31, 2013 reflects the Valuation Committee s determination to increase the fair values of ten of the Company s portfolio investments (Custom Alloy, Octagon, Security Holdings, Turf, Vestal, Centile, Biovation, Prepaid Legal, U.S. Gas, and SIA Tekers) by a total of approximately $43.9 million and the difference between the amount received from the sale of Summit and Summit s carrying value at January 31, 2013, which was an increase of approximately $3.6 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.1 million due to a PIK distribution, which was treated as a return of capital. The net increase in the provision also reflects the Valuation Committee s determination to decrease the fair values of nine of the Company s portfolio investments (Ohio Medical, SGDA Europe, MVC Automotive, NPWT, Freshii, HH&B, Velocitius, RuMe and JSC Tekers) by a total of approximately $29.1 million and reflects the $84,000 realized gain related to NPWT. For the fiscal year ended October 31, 2013, no incentive compensation was paid. Also, for the year ended October 31, 2013, there was no provision recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate.

At October 31, 2013, the provision for estimated incentive compensation was approximately $19.5 million. During the fiscal year ended October 31, 2014, this provision for incentive compensation was decreased by a net amount of approximately $4.7 million to approximately $14.7 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2014 primarily reflects the Valuation Committee s determination to decrease the fair values of eleven of the Company s portfolio investments (MVC Automotive, G3K, Ohio Medical, NPWT, U.S. Gas, Velocitius, Octagon, Tekers, JSC Tekers, SGDA Europe and Biovation) by a total of approximately $40.7 million. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of twelve of the Company s portfolio investments (Custom Alloy, Advantage, Biogenic, PrePaid Legal, RuMe, Freshii, Centile, Security Holdings, Summit, Morey s, Turf and Vestal) by a total of approximately $11.5 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.0 million due to a PIK distribution, which was treated as a return of capital. For the fiscal year ended October 31, 2014, no incentive compensation was paid. Also, for the fiscal year ended October 31, 2014, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate.

At October 31, 2014, the provision for estimated incentive compensation was approximately $14.7 million. During the fiscal year ended October 31, 2015, the provision for incentive compensation was decreased by a net amount of approximately $9.7 million to approximately $5.0 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2015 primarily reflects the Valuation Committee s determination to decrease the fair values of sixteen of the Company s portfolio investments (Custom Alloy, NPWT, BAC, SIA Tekers Invest (Tekers), PrePaid Legal, Centile, Biovation, Inland, MVC Automotive, Ohio Medical, SGDA Europe, Security Holdings, JSC Tekers, Morey s, Velocitius and Equus) by a total of approximately $58.2 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 (Turf, RuMe, Biogenic, Advantage Insurance and SCSD) by a total of approximately $4.3 million. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital. For the fiscal year ended October 31, 2015, no incentive compensation was paid. Also, for the fiscal year ended October 31, 2015, no provision was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income did not exceed the hurdle rate.

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 year ended 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 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, 2015

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

During the quarter ended January 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,647 shares of our common stock at an average price of $10.14, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

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

During the quarter ended April 30, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 5,855 shares of our common stock at an average price of $9.92, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

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

Table of Contents

During the quarter ended July 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 6,141 shares of our common stock at an average price of $9.55, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 16, 2015, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on October 30, 2015 to shareholders of record on October 26, 2015 and amounted to $3,064,881.

During the quarter ended October 31, 2015, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 7,140 shares of our common stock at an average price of $8.33, 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, 2014

On December 20, 2013, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on January 7, 2014 to shareholders of record on December 31, 2013. The total distribution amounted to $3,053,388.

During the quarter ended January 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 248 shares of our common stock at an average price of $13.52, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On April 14, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on April 30, 2014 to shareholders of record on April 24, 2014. The total distribution amounted to $3,032,750.

During the quarter ended April 30, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 271 shares of our common stock at an average price of $13.11, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On July 15, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on July 31, 2014 to shareholders of record on July 25, 2014. The total distribution amounted to $3,064,881.

During the quarter ended July 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 303 shares of our common stock at an average price of $12.40, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 17, 2014, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was paid on October 31, 2014 to shareholders of record on October 27, 2014. The total distribution amounted to $3,064,881.

During the quarter ended October 31, 2014, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 229 shares of our common stock at

Table of Contents

an average price of $11.21, 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, 2013

On December 17, 2012, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was payable on January 7, 2013 to shareholders of record on December 31, 2012. The total distribution amounted to $3,228,793.

During the quarter ended January 31, 2013, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 728 shares of our common stock at an average price of $12.33, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On April 12, 2013, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was payable on April 30, 2013 to shareholders of record on April 23, 2013. The total distribution amounted to $3,191,136.

During the quarter ended April 30, 2013, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 271 shares of our common stock at an average price of $13.11, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On July 12, 2013, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was payable on July 31, 2013 to shareholders of record on July 24, 2013. The total distribution amounted to $3,053,388.

During the quarter ended July 31, 2013, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 619 shares of our common stock at an average price of $12.74, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 14, 2013, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was payable on October 31, 2013 to shareholders of record on October 24, 2013. The total distribution amounted to $3,053,388.

During the quarter ended October 31, 2013, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 231 shares of our common stock at an average price of $13.91, 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

Table of Contents

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. During the past four fiscal years, no transactions were effected pursuant to the exemptive order. As a matter of policy, our Board of Directors 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 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 77.62% and 77.48% of the Company s total assets at October 31, 2015 and October 31, 2014, 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, 2015, the fair value of our largest investment, U.S. Gas & Electric, Inc. (U.S. Gas), comprised 18.3% of our total assets and 32.1% of our net assets. The Company s investments in short-term securities are generally in U.S. government securities, with a maturity of greater than three months but generally less than one year or other high quality and highly liquid investments. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents.

The following table shows the portfolio composition by industry grouping at fair value as a percentage of net assets as of October 31, 2015 and 2014.

Table of Contents

	October 31, 2015	October 31, 2014
Energy Services	32.08%	27.39%
Electrical Engineering	15.40%	14.71%
Medical Device Manufacturer	13.12%	15.02%
Manufacturer of Pipe Fittings	9.06%	8.58%
Private Equity	7.65%	5.95%
Business Services	6.02%	0.00%
Renewable Energy	5.88%	7.49%
Software	5.17%	1.45%
Food Services	4.89%	4.53%
Environmental Services	4.77%	7.29%
Consumer Products	4.70%	1.83%
Automotive Dealerships	4.57%	6.27%
Transportation	4.00%	0.00%
Insurance	2.73%	2.25%
Distributor - Landscaping and Irrigation Equipment	2.66%	2.26%
Regulated Investment Company	2.60%	2.84%
Specialty Chemicals	2.51%	9.42%
Iron Foundries	2.23%	5.09%
Technology Investment - Financial Services	1.90%	1.71%
Real Estate Management	1.72%	1.79%
Electronics Manufacturing and Repair	1.70%	0.00%
Restaurants	0.66%	0.00%
Manufacturer of Laminate Material and Composites	0.18%	0.99%
Port Facilities	0.12%	0.36%
Consumer Services	0.00%	2.94%
Health & Beauty - Distributor	0.00%	0.00%
Retail Store Fixtures	0.00%	0.00%
	136.32%	130.16%

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

Table of Contents

Valuation Procedures adopted by our Board of Directors. As permitted by the SEC, the Board of Directors has delegated the responsibility of making fair value determinations to the Valuation Committee, subject to the Board of Directors supervision and pursuant to our Valuation Procedures.

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

- ***Level 1:*** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We use Level 1 inputs for investments in publicly traded unrestricted securities for which we do not have a controlling interest. Such investments are valued at the closing price on the measurement date. We valued one of our investments using Level 1 inputs as of October 31, 2015.

- ***Level 2:*** Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or other inputs that are observable or can be corroborated by observable market data. Additionally, the Company s interests in Investment Vehicles that can be withdrawn by the Company at the net asset value reported by such Investment Vehicle as of the measurement date, or within six months of the measurement date, are generally categorized as Level 2 investments. We valued our U.S. Treasury obligations using Level 2 inputs as of October 31, 2015.

- ***Level 3:*** Level 3 inputs are unobservable and cannot be corroborated by observable market data. Additionally, included in Level 3 are the Company s interests in Investment Vehicles from which the Company cannot withdraw at the net asset value reported by such Investment Vehicles as of the measurement date, or within six months of the measurement date. We use Level 3 inputs for measuring the fair value of substantially all of our investments. See Note 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 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, 2015 and 2014 (in thousands):

126

Table of Contents

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

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

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur. During the fiscal year ended October 31, 2015 and October 31, 2014, there were no transfers in and out of Level 1 or 2.

The following tables sets 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, 2015 and October 31, 2014 (in thousands):

	Balances, November 1, 2014	Realized Gains (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, October 31, 2015	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as

									of October 31, 2015
Senior/Subordinated Loans and credit facilities	$ 129,129	$ (2,073)	$ 1,943	$ (12,193)	$ 61,216	$ (39,551)	$	$ 138,471	$ (15,048)
Common Stock	24,547	8,340	(8,350)	(718)	1,034	(16,900)		7,953	(22,544)
Preferred Stock	160,459			(16,148)	4,715			149,026	52,187
Warrants	713			328	620			1,661	(70)
Common Equity Interest	98,606	(2,730)	(72)	(20,508)	3,046	(8,665)		69,677	(63,696)
LP Interest of the PE Fund	19,969			1,971				21,940	8,101
GP Interest of the PE Fund	504			48				552	199
LLC Interest	3,992							3,992	456
Guarantees	(67)			26				(41)	(41)
Escrow Receivable				(15)	308			293	
Total	$ 437,852	$ 3,537	$ (6,479)	$ (47,209)	$ 70,939	$ (65,116)	$	$ 393,524	$ (40,456)

Table of Contents

	Balances, November 1, 2013	Realized Gains (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, October 31, 2014	Total Loss for the Year Included in Earnings Attributable to the Change in Unrealized Appreciation (Depreciation) on Investments held as of October 31, 2014
Senior/Subordinated Loans and credit facilities	$ 113,153	$ (170)	$ 980	$ (6,010)	$ 72,050	$ (50,874)	$	$ 129,129	$ (5,011)
Common Stock	19,593			4,190	764			24,547	(13,466)
Preferred Stock	180,357	13,000	(10,000)	(15,606)	19,469	(26,761)		160,459	63,620
Warrants	220	(34)	15	409	825	(722)		713	(398)
Common Equity Interest	82,539			(15,946)	32,013			98,606	(43,117)
LP Interest of the PE Fund	11,384			3,465	5,120			19,969	5,752
GP Interest of the PE Fund	288			85	131			504	141
LLC Interest	10,386	2,989	(4,128)	525	487	(6,267)		3,992	456
Guarantees				(67)				(67)	(67)
Escrow receivables	6,237	869				(7,106)			
Total	$ 424,157	$ 16,654	$ (13,133)	$ (28,955)	$ 130,859	$ (91,730)	$	$ 437,852	$ 7,912

(1) Included in net realized gain (loss) on investments in the Consolidated Statement of Operations.

(2) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statement of Operations related to securities disposed of during the fiscal years ended October 31, 2015 and 2014, respectively.

(3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statement of Operations related to securities held at October 31, 2015 and 2014, respectively. As of October 31, 2015, unrealized depreciation of Level 3 investments was approximately $40.5 million and as of October 31, 2014 unrealized appreciation of Level 3 investments was approximately $7.9 million.

(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 one or more new securities.

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

In accordance with ASU 2011-04, the following table summarizes information about the Company s Level 3 fair value measurements as of October 31, 2015 and October 31, 2014 (Fair Value is disclosed in thousands):

Table of Contents

Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2015	Valuation technique	Unobservable input	Range Low	Range High	Weighted average (a)
Common Stock (c) (d)	$ 7,953	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	15.0%	30.0%	29.9%
		Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			EBITDA Multiple	4.7x	4.7x	4.7x
			Forward EBITDA Multiple	7.0x	7.0x	7.0x
			Discount to Letter of Intent	2.4%	2.4%	2.0%
Senior/Subordinated loans and credit facilities (b) (d)	$ 137,462	Market Approach	EBITDA Multiple	5.0x	6.0x	5.1x
			Forward EBITDA Multiple	7.0x	7.0x	7.0x
		Income Approach	Required Rate of Return	10.3%	35.0%	15.6%
			Discount Rate	14.9%	14.9%	14.9%
			Perpetual Growth Rate of Free Cash Flow	2.0%	2.0%	0.0%
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
LP Interest (e)	$ 21,940	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
GP Interest (e)	$ 552	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
LLC Interest	$ 3,992	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
Common Equity Interest	$ 69,677	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			Forward EBITDA Multiple	7.0x	7.0x	7.0x
			EBITDA Multiple	5.5x	5.6x	5.6x
			Multiple of Book Value	1.0x	1.0x	1.0x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	13.0%	15.9%	15.6%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	$ 149,026	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	2.0x	2.0x	2.0x
			EBITDA Multiple	5.0x	5.0x	3.4x
			% of AUM	0.82%	0.82%	0.82%
			Illiquidity Discount	30.0%	30.0%	30.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			EBT Multiple	20.7x	20.7x	20.7x

				Discount to Letter of Intent	2.4%	2.4%	2.4%
			Income Approach	Discount Rate	15.0%	15.9%	15.9%
				Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
Warrants	$	2,670	Market Approach	Discount to Enterprise Value of Joint Venture	0.0%	0.0%	0.0%
Guarantees	$	(41)	Income Approach	Discount Rate	7.3%	7.3%	7.3%
Escrows	$	293	Income Approach	Discount Rate	5.0%	5.0%	5.0%
Total	**$**	**393,524**					

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.

NM - Not Meaningful

Table of Contents

Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2014	Valuation technique	Unobservable input	Range Low	Range High	Weighted average (a)
Common Stock (c) (d)	$ 24,547	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	100.0%	0.0%
			Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	12.6%	15.0%	12.6%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
		Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			EBITDA Multiple	5.0x	9.0x	5.0x
			Forward EBITDA Multiple	5.5x	5.5x	5.5x
Senior/Subordinated loans and credit facilities (b) (d)	$ 129,129	Adjusted Net Asset Approach	Discount to Net Asset Value	30.0%	30.0%	30.0%
		Market Approach	EBITDA Multiple	5.0x	10.2x	8.0x
			Forward EBITDA Multiple	5.0x	5.5x	5.1x
			Market Quotes	101.0%	101.0%	101.0%
			Discount to Forward EBITDA	15.0%	15.0%	15.0%
		Income Approach	Discount Rate	12.6%	12.6%	12.6%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
			Required Rate of Return	9.2%	16.0%	11.7%
LP Interest (e)	$ 19,969	Adjusted Net Asset Approach	Discount to Net Asset Value	N/A	N/A	N/A
GP Interest (e)	$ 504	Adjusted Net Asset Approach	Discount to Net Asset Value	N/A	N/A	N/A
LLC Interest	$ 3,992	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
Common Equity Interest	$ 98,606	Market Approach	Revenue Multiple	2.0x	2.0x	2.0x
			Forward EBITDA Multiple	7.0x	7.0x	7.0x
			EBITDA Multiple	5.0x	5.5x	5.2x
			Euros per TTM MWhr	0.70	0.70	0.70
			Multiple of Book Value	1.0x	1.0x	1.0x
		Adjusted Net Asset Approach	Real Estate Appraisals	N/A	N/A	N/A
		Income Approach	Discount Rate	8.0%	15.5%	13.5%
			Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	3.0%
Preferred Stock (c)	$ 160,459	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	2.0x	2.0x	2.0x
			EBITDA Multiple	9.0x	9.0x	9.0x
			% of AUM	1.06%	1.06%	1.06%
			Illiquidity Discount	30.0%	30.0%	30.0%

				Multiple of Book Value	1.0x	1.0x	1.0x
				EBT Multiple	16.1x	16.1x	16.1x
				Forward EBITDA Multiple	5.0x	5.0x	5.0x
				Discount to Forward EBITDA	15.0%	15.0%	15.0%
			Income Approach	Discount Rate	15.0%	16.6%	16.6%
				Perpetual Growth Rate of Free Cash Flow	2.5%	2.5%	2.5%
Warrants	$	713	Market Approach	EBITDA Multiple	6.0x	6.0x	6.0x
			Income Approach	Discount Rate	21.5%	21.5%	NM
				Perpetual Growth Rate of Free Cash Flow	3.0%	3.0%	NM
				Illiquidity Discount	100.0%	100.0%	NM
			Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	NM
Guarantees	$	(67)	Income Approach	Discount Rate	7.3%	7.3%	7.3%
Total	**$**	**437,852**					

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.

NM - Not Meaningful

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

Table of Contents

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, 2015

During the fiscal year ended October 31, 2015, the Company made eight new investments, committing capital totaling approximately $58.1 million. The investments were made in RX ($10.3 million), Agri-Carriers ($11.8 million), Legal Solutions ($8.7 million), Results Companies ($9.0 million), Vestal ($6.5 million), Thunderdome ($2.0 million), Initials ($4.8 million) and U.S. Technologies ($5.0 million).

During the fiscal year ended October 31, 2015, the Company made 5 follow-on investments into 4 existing portfolio companies totaling approximately $4.3 million. On May 27, 2015, the Company invested an additional $1.1 million into MVC Automotive in the form of common equity interest. On June 3, 2015, the Company invested an additional $250,000 into Centile in the form of common equity interest. On July 6, 2015, the Company invested $250,000 into BAC in the form of equity. See below for further information on BAC. On July 7, 2015, the Company made a secured $1.0 million loan to Biogenic. The loan has a 16% interest rate and matures on February 29, 2016. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On October 19, 2015, the Company invested an additional $1.7 million in MVC Automotive in the form of common equity interest.

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

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

Table of Contents

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

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

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million resulting in a realized gain of approximately $15.0 million. The total proceeds include a $1.0 million dividend and assumes full receipt of the escrow proceeds. The $600,000 loan was also repaid in full, including all accrued interest. As part of the transaction, the Company reinvested approximately $6.3 million in the form of a subordinated loan, $250,000 for 5,610 shares of common stock and a warrant with no cost. The loan has an interest rate of 15% and matures on November 28, 2021.

On June 19, 2015, the Company monetized a majority of its investment in Velocitius, receiving approximately $9.2 million in proceeds, which included a return of capital and closing fees and was net of a minimal currency loss.

On October 16, 2015, the Company sold its remaining equity interest in Velocitius and received zero proceeds resulting in a realized loss of approximately $2.7 million.

On October 30, 2015, the Company realized a loss of $6.7 million with the dissolution of HH&B.

During the fiscal year ended October 31, 2015, the Company sold its $10.0 million PrePaid Legal loan for proceeds totaling approximately $10.1 million, including all accrued interest.

During the fiscal year ended October 31, 2015, Custom Alloy made principal payments totaling $3.5 million on its unsecured subordinated loan. The balance of the loan at October 31, 2015 was $3.0 million.

During the quarter ended January 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: Foliofn, Inc. (Foliofn) preferred stock by $109,000, Turf Products, LLC (Turf) loan by approximately $2,000, RuMe series C preferred stock by $800,000 and series B preferred stock by $200,000, Advantage preferred stock by $20,000, Biogenic warrant and senior convertible note by a net total of approximately $28,000 and SCSD common stock by $387,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, and U.S. Gas were due to the capitalization of PIK interest totaling $436,878. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.1 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $759,000, Custom Alloy second lien loan by approximately $84,000, NPWT Corporation (NPWT) common stock by $2,000 and preferred stock by $36,000, Tekers common stock by $170,000, PrePaid Legal loan by $100,000, Centile equity interest by $538,000, Biovation loan by approximately $716,000, Velocitius equity

132

Table of Contents

interest by approximately $1.1 million, Security Holdings equity interest by $1.1 million, JSC Tekers preferred stock by approximately $599,000, MVC Automotive equity interest by approximately $5.9 million, SGDA Europe equity interest by approximately $749,000 and Inland Environmental & Remediation LP (Inland) warrant by approximately $713,000.

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

During the quarter ended July 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: RuMe series C preferred stock by approximately $198,000 and series B preferred stock by approximately $53,000, Custom Alloy second lien loan by approximately $191,000, Turf guarantee by approximately $19,000, Centile equity interest by $48,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $751,000 and Advantage preferred stock by approximately $302,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $525,997. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by $383,000, NPWT preferred stock by $1,000, Tekers common stock by $117,000, Turf loan by approximately $2,000, Vestal escrow by approximately $15,000, BAC common stock by approximately $167,000, Biogenic warrant and senior convertible note by a net total of approximately $2,000, Morey s second lien loan by approximately $753,000, Inland loan by $10.0 million, Velocitius equity interest by approximately $774,000, JSC Tekers preferred stock by $35,000, SGDA Europe equity interest by approximately $1.1 million, Ohio Medical series A preferred stock by $6.0 million, MVC Automotive equity interest by $616,000 and Security Holdings equity interest by $2.0 million.

During the quarter ended October 31, 2015, the Valuation Committee increased the fair value of the Company s investments in: Turf loan and guarantee by a total of approximately $5,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.4 million, Foliofn, Inc. preferred stock by $59,000, NPWT preferred stock by $4,000, Centile equity interest by $249,000, Inland loan by $5.0

Table of Contents

million and RuMe series C preferred stock by approximately $626,000 and series B preferred stock by approximately $184,000. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $801,815. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.2 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Biogenic warrant and senior convertible note by a net total of approximately $76,000, Tekers common stock by $575,000, Custom Alloy second lien loan by approximately $249,000, Morey s second lien loan by approximately $922,000, JSC Tekers preferred stock by $483,000, Security Holdings equity interest by $1.3 million, SGDA Europe equity interest by approximately $830,000, BAC common stock by approximately $62,000, Ohio Medical series A preferred stock by $1.2 million and MVC Automotive equity interest by $4.6 million.

During the fiscal year ended October 31, 2015 the Valuation Committee increased the fair value of the Company s investments in: Turf loan and guarantee by a total of approximately $25,000, Biogenic warrant and senior convertible note by a total of approximately $802,000, SCSD common stock by $387,000, Advantage preferred stock by approximately $294,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $2.0 million and RuMe series C preferred stock and series B preferred stock by a total of approximately $2.8 million. In addition, increases in the cost basis and fair value of the loans to Biogenic, Custom Alloy, Morey s, Vestal and U.S. Gas were due to the capitalization of PIK interest totaling $2,266,596. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $4.7 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by $297,000, NPWT common stock by $3,000 and preferred stock by $45,000, Tekers common stock by $883,000, PrePaid Legal loan by $100,000, Centile equity interest by $339,000, BAC common stock by approximately $229,000, Vestal escrow by approximately $15,000, Biovations loan by approximately $3.4 million, Morey s second lien loan by approximately $1.9 million, Velocitius equity interest by $2.8 million, JSC Tekers preferred and common stock by a combined $1.1 million, Security Holdings equity interest by $5.3 million, SGDA Europe equity interest by approximately $4.0 million, Custom Alloy second lien loan by approximately $153,000, Ohio Medical series A preferred stock by $17.7 million, MVC Automotive equity interest by $10.9 million and Inland warrant by approximately $713,000 and loan by approximately $6.4 million.

At October 31, 2015, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $400.9 million with a cost basis of $443.7 million. At October 31, 2015, 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 $5.6 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 $395.3 million and $419.9 million, respectively. At October 31, 2014, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $447.6 million with a cost basis of $440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the Legacy Investments was $5.9 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $441.7 million and $416.2 million, respectively.

Table of Contents

For the Fiscal Year Ended October 31, 2014

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

During the year ended October 31, 2014, the Company made 20 follow-on investments into 13 existing portfolio companies totaling approximately $57.4 million. On November 13, 2013, the Company loaned $4.0 million to Security Holdings in the form of a 5% cash bridge loan with a maturity date of February 15, 2014. On November 19, 2013, the Company increased its common equity interest in Centile by $100,000. Also on November 19, 2013, the Company invested $5.0 million into MVC Automotive in the form of common equity interest and converted its bridge loan of approximately $1.8 million, including accrued interest, to common equity interest. On December 23, 2013, the Company made a senior secured loan of $3.3 million to RuMe with a cash interest rate of 12% and a maturity date of April 4, 2014. The Company also purchased warrants for shares of common stock in RuMe for a nominal amount and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On January 2, 2014, the Company loaned $7.0 million to Morey s, increasing its second lien loan amount to $15.0 million. The interest rate on the total loan was increased to 10% cash and 3% PIK. On March 5, 2014, the Company invested an additional $4.0 million into MVC Automotive in the form of common equity interest. On March 10, 2014, the Company exercised its warrant in RuMe at a cost of approximately $43,000 and received 4,297,549 shares of common stock. On March 5, 2014 and April 1, 2014, the Company contributed a total of approximately $2.8 million to the PE Fund related to expenses, an additional investment in Plymouth Rock Energy, LLC and an investment in Advanced Oilfield Services, LLC. On April 1, 2014, the Company loaned $1.5 million to Marine in the form of a second lien loan with an interest rate of 11%. The loan matured on June 30, 2014. On May 2, 2014, the Company loaned $1.5 million to SCSD in the form of a secured loan. The loan has an interest rate of 12% and a maturity date of May 2, 2019. On May 7, 2014, the Company converted RuMe s $3.3 million senior secured loan and accrued interest of approximately $161,000 into 23,896,634 shares of series C preferred stock. On May 9, 2014, the Company loaned an additional $500,000 to Biovation increasing the total amount outstanding on the bridge loan to $3.8 million and extended the maturity date of the loan to October 31, 2014. The Company also received a warrant at no cost and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made. On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by the Equus Board of Directors. Under the terms of the reorganization, Equus will pursue a merger or consolidation with the Company, a subsidiary of the Company, or one or more of the Company s portfolio companies. Absent Equus merging or consolidating with/into the Company itself (whereby the Company would own a majority of Equus shares), the current intention is for Equus to (i) be restructured into a publicly-traded operating company focused on the energy and/or financial services sectors and (ii) seek to terminate its election as a business development company. Pursuant to the share exchange agreement, the Company has received 2,112,000 shares of Equus in exchange for 395,839 shares of the Company. The exchange was calculated based upon each company s respective net asset value per share published at that time. As part of the reorganization, the Company may acquire additional Equus shares from time to time, either through Equus direct sale of newly issued shares to the Company or through the purchase of outstanding Equus shares. The Company continues to discuss reorganization options with Equus. As a result of the restatement for the quarter ending

Table of Contents

July 31, 2014, the Company has a liability to Equus of $221,424 for additional shares and dividends due to Equus. TTG Advisers has voluntarily agreed to waive any management fees on the Company s assets invested in Equus common stock. Also, as part of the Equus plan of reorganization, on May 21, 2014, June 3, 2014 and June 12, 2014, the Company purchased 512,557, 850,000 and 970,087 additional outstanding common shares of Equus, respectively, at a cost of approximately $1.2 million, $2.1 million and $2.4 million, respectively. On May 27, 2014, the Company purchased 2,893 common shares of Ohio Medical from Champlain Capital Partners at a nominal cost. On May 30, 2014, the Company loaned $3.0 million to U.S. Gas. The loan has an interest rate of 14% and a maturity date of July 1, 2018. On August 26, 2014, the Company invested $12.7 million in Security Holdings for additional common equity interest. On September 30, 2014, the Company loaned $4.0 million to Biogenics in the form of a secured loan. The loan has a 16% interest rate and matures on September 30, 2015. On October 7, 2014, the Company contributed a total of approximately $2.4 million to the PE Fund related to an investment in AccuMed Corp. As of October 31, 2014, the PE Fund had invested in Plymouth Rock Energy, LLC, Gibdock Limited, Focus Pointe Holdings, Inc., Advanced Oilfield Services, LLC and AccuMed Corp.

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

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

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

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

On April 14, 2014, the Company agreed to provide G3K a $10.0 million loan in three installments and made its first loan of $6.0 million. The closing of the Company s G3K investment and first loan occurred following extensive due diligence, including receipt of an unqualified audit report on G3K s financial statements and a separate quality of earnings review by an accounting firm. The Company has initiated legal action in the Superior Court of New Jersey, Chancery Division, against G3K, its three shareholders and certain corporate officers for fraudulently misrepresenting G3K s financial records in order to secure financing from the Company. The Company is working diligently seeking to uncover the full extent of what it believes to be a highly sophisticated fraud and is seeking to recover loan proceeds. All legal options available are being examined. The Company did recover $375,000 in principal prior to October 31, 2014. The loan had an outstanding balance of approximately $5.6 million and had a fair value of $0 as of October 31, 2014.

Table of Contents

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

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

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

On June 30, 2014, the Company converted its SGDA $6.5 million term loan and accrued interest of approximately $1.9 million to additional common equity interest in SGDA Europe.

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

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

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

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

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

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

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

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

During the quarter ended January 31, 2014, the Valuation Committee increased the fair value of the Company s investments in: Custom Alloy series A preferred stock by approximately

Table of Contents

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

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

During the quarter ended July 31, 2014, the Valuation Committee increased the fair value of the Company s investments in: MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $359,000, Vestal common stock by approximately $1.5 million, RuMe series C preferred stock by approximately $75,000, Biogenic senior convertible note by $275,000, MVC Automotive equity interest by approximately $4.4 million, Biovation bridge loan by approximately $103,000 and Advantage preferred stock by $96,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biogenic, Morey s and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $1,094,938. The Valuation

Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $1.0 million due to a PIK distribution, which was treated as a return of capital. The Valuation Committee also decreased the fair value of the Company s investments in: Foliofn, Inc. preferred stock by approximately $109,000, Velocitius equity interest by approximately $198,000, Octagon equity interest by approximately $730,000, Ohio Medical series A preferred stock by $800,000, NPWT common stock by $5,000 and preferred stock by $104,000, Tekers common stock by $111,000, SGDA Europe equity interest by approximately $2.5 million, Security Holdings equity interest by $564,000, Centile equity interest by $76,000, JSC Tekers common and preferred stock by approximately $499,000 and the Biovation warrants by approximately $232,000. Also, during the quarter ended July 31, 2014, the undistributed allocation of flow through income from the Company s equity investment in Octagon increased the cost basis of this investment by approximately $204,000.

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

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

Table of Contents

Automotive equity interest by approximately $6.7 million, G3K loan by approximately $5.6 million, NPWT common stock by approximately $9,000 and preferred stock by approximately $160,000, U.S. Gas preferred stock by $9.0 million, Velocitius equity interest by approximately $8.4 million, Ohio Medical series A preferred stock by $800,000, Biovation warrants by $311,000, SGDA Europe equity interest by approximately $2.6 million, Biovation bridge loan by approximately $439,000, Octagon equity interest by approximately $750,000, Tekers common stock by $252,000, JSC Tekers common and preferred stock by approximately $5.6 million, Turf loan by approximately $31,000 and the Turf guarantee by approximately $67,000. Also, during the fiscal year ended October 31, 2014, the undistributed allocation of flow through income from the Company s equity investment in Octagon totaled approximately $486,000. The $486,000 increased the cost basis and $101,000 increased the fair value of this investment.

At October 31, 2014, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations and escrow receivables, was $447.6 million with a cost basis of $440.0 million. At October 31, 2014, the fair value and cost basis of portfolio investments of the Legacy Investments was $5.9 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $441.7 million and $416.2 million, respectively. At October 31, 2013, the fair value of all portfolio investments, exclusive of U.S. Treasury obligations investments and escrow receivables, was $417.9 million with a cost basis of $372.0 million. At October 31, 2013, the fair value and cost basis of the Legacy Investments was $7.0 million and $23.8 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team was $410.9 million and $348.2 million, respectively.

10. Commitments and Contingencies

Commitments to/for Portfolio Companies

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

Portfolio Company	Amount Committed	Amount Funded at October 31, 2015
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, 2014
MVC Private Equity Fund LP	$20.1 million	$14.6 million
Total	**$20.1 million**	**$14.6 million**

Guarantees

As of October 31, 2015 and October 31, 2014, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded at October 31, 2015
MVC Automotive	$7.2 million	

Tekers	
Turf	$1.0 million
Total	**$8.2 million**

Table of Contents

Guarantee	Amount Committed	Amount Funded at October 31, 2014
MVC Automotive	$5.0 million	
Tekers		
Turf	$1.0 million	
Total	**$6.0 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, 2015, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be approximately -$41,000 or negative $41,000.

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

On July 19, 2007, the Company agreed to guarantee a 1.4 million Euro mortgage for Tekers, which did not have an outstanding balance as of October 31, 2015.

On January 16, 2008, the Company agreed to support a 4.0 million Euro mortgage for a Ford dealership owned and operated by MVC Automotive through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. Overtime, Erste Bank, the bank extending the mortgage to MVC Automotive, increased the amount of the mortgage. As such, the balance of the guarantee as of October 31, 2015 is approximately 6.5 million Euro (equivalent to approximately $7.2 million).

The Company guaranteed $1.0 million of Turf s indebtedness to Berkshire Bank, which had a fair value of -$41,000 or negative $41,000 as of October 31, 2015.

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

On October 29, 2010, through MVC Partners and MVCFS, the Company committed to invest approximately $20.1 million in the PE Fund, for which an indirect wholly-owned subsidiary of the Company serves as GP. The PE Fund closed on approximately $104 million of capital commitments. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. 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. As of October 31, 2015, $14.6 million of the Company s commitment has been contributed.

On April 26, 2011, the Company agreed to collateralize a 5.0 million Euro letter of credit from JPMorgan Chase Bank, N.A. (equivalent to approximately $5.5 million at October 31, 2015), which is classified as restricted cash equivalents on the Company s consolidated balance sheet at October 31, 2015. This letter of credit is being used as collateral for a project guarantee by AB DnB NORD bankas to Security Holdings.

On November 30, 2011, the Company pledged its common stock and series A convertible preferred stock of Ohio Medical to collateralize a loan made to Ohio Medical by another

Table of Contents

financial institution. On June 27, 2013, the Company pledged its series C convertible preferred stock of Ohio Medical to further collateralize the same third party loan made to Ohio Medical in 2011.

During the fiscal year ended October 31, 2015, the Company agreed to cash collateralize a $1.0 million working capital line of credit for Inland, which is classified as restricted cash on the Company s consolidated balance sheet at October 31, 2015.

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 bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year, beginning April 15, 2013. The Company had also granted the underwriters a 30-day option to purchase up to an additional $10.5 million of Senior Notes to cover overallotments. The additional $10.5 million in principal was purchased and the total principal amount of the Senior Notes totaled $80.5 million. The net proceeds to the Company from the sale of the Senior Notes, after offering expenses, were approximately $77.4 million. The offering expenses incurred are amortized over the term of the Senior Notes.

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

On May 3, 2013, the Company sold approximately $33.9 million of additional Senior Notes in a direct offering. The additional Senior Notes will also mature on January 15, 2023 and may be redeemed in whole or in part at any time or from time to time at the Company s option on or after April 15, 2016. The Notes will also bear interest at a rate of 7.25% per year payable quarterly on January 15, April 15, July 15, and October 15 of each year. As of October 31, 2015, the total outstanding amount of the Senior Notes was approximately $114.4 million with a market value of approximately $112.3 million. The market value of the Senior Notes is based on the closing price of the security as of October 31, 2015 on the New York Stock Exchange (NYSE:MVCB).

On July 31, 2013, the Company entered into a one-year, $50 million revolving credit facility (Credit Facility II) with Branch Banking and Trust Company (BB&T). 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 will now expire on May 31, 2016, at which time all outstanding amounts under it will be due and payable. At October 31, 2014, the balance of Credit Facility II was $100.0 million. During the fiscal year ended October 31, 2015, the Company s net repayments on Credit Facility II were $10.0 million, resulting in an outstanding balance of $90.0 million at October 31, 2015. Credit Facility II is used to provide the Company

Table of Contents

with better overall financial flexibility in managing its investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 100 basis points. In addition, the Company is also subject to a 20 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II will be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities. The Company received a waiver from BB&T with respect to the delivery of financial reports required under Credit Facility II, due to the Company s delayed filing of its Annual Report.

On December 30, 2014, the Company entered into a 6 month, $25.0 million bridge loan (Bridge Loan) with Firstrust Bank, initially borrowing approximately $15.9 million. Prior to maturity, the Bridge Loan was increased to $30.0 million and extended to December 31, 2015. During the fiscal year ended October 31, 2015 and after the initial borrowing of $15.9 million, the Company borrowed approximately $20.8 million and repaid approximately $28.7 million, resulting in an outstanding balance of $8.0 million. Borrowings under the Bridge Loan bear interest at 5%. The Company paid closing fees, legal and other costs associated with the transaction. These costs, of approximately $360,000, were amortized over the life of the Bridge Loan. See Note 17 Subsequent Events for additional information. The Company has received extensions from Firstrust Bank as to the delivery of the financial reports required under the Amended and Restated Loan Agreement, due to the Company s delayed quarterly filings.

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. The following table represents purchases made under our stock repurchase program for the fiscal years ended October 31, 2013 and October 31, 2014. There were no repurchases made during the fiscal year ended October 31, 2015.

Period *	Total Number of Shares Purchased	Average Price Paid per Share including commission		Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares Purchased Under the Program	
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
Total	1,610,000	$	12.91	1,610,000	$	20,788,174

*Disclosure covering repurchases made on a monthly basis is available on the Company s website at http://www.mvccapital.com

On May 14, 2014, the Company signed a share exchange agreement with Equus, another publicly traded business development company, as part of a plan of reorganization adopted by

Table of Contents

the Equus Board of Directors. Under the terms of the reorganization, Equus will pursue a merger or consolidation with the Company, a subsidiary of the Company, or one or more of the Company s portfolio companies. Absent Equus merging or consolidating with/into the Company itself (whereby the Company would own a majority of Equus shares), the current intention is for Equus to (i) be restructured into a publicly-traded operating company focused on the energy and/or financial services sectors and (ii) seek to terminate its election as a business development company. Pursuant to the share exchange agreement, the Company has received 2,112,000 shares of Equus in exchange for 395,839 shares of the Company. The exchange was calculated based upon each company s respective net asset value per share published at that time. As part of the reorganization, the Company may acquire additional Equus shares from time to time, either through Equus direct sale of newly issued shares to the Company or through the purchase of outstanding Equus shares. The Company continues to discuss reorganization options with Equus. As a result of the restatement for the quarter ending July 31, 2014, the Company has a liability to Equus of $228,851 for additional shares and dividends due to Equus as of October 31, 2015.

12. Tax Matters

Return of Capital Statement of Position (ROCSOP) Adjustment: During the year ended October 31, 2015, the Company recorded a reclassification for permanent book to tax differences. These differences were primarily due to the liquidation of controlled subsidiaries, reclassification of dividends and character of PIK payments related to preferred equity. These differences resulted in a net decrease in accumulated losses of $9,127,426, a decrease in accumulated net realized gain of $6,395,911, and a decrease in additional paid-in capital of $2,731,515. 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 MVCFS has not been included. As of October 31, 2015, the components of accumulated earnings/ (deficit) on a tax basis were as follows:

Tax Basis Accumulated Earnings (Deficit)		
Accumulated capital and other losses	$	
Undistributed Net investment Income		155,020
Undistributed Long-Term Capital Gain		5,248,764
Gross unrealized appreciation		105,958,017
Gross unrealized depreciation		(153,827,017)
Net unrealized depreciation	$	(47,869,000)
Total tax basis accumulated earnings		(42,465,216)
Tax cost of investments		448,192,705
Current year distributions to shareholders on a tax basis:		
Ordinary income		
Long Term Capital Gain		12,259,524

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 Fund related to net capital gain to zero for the tax year ended October 31, 2015.

144

Table of Contents

Prior year distributions to shareholders on a tax basis:	
Ordinary income	1,029,522
Long Term Capital Gain	11,186,377

On October 31, 2015, the Company had no net capital loss carryforward.

Qualified Dividend Income Percentage

The Company designated 0.00% of dividends declared and paid during the year ending October 31, 2015 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 0.00% of dividends declared and paid during the year ending October 31, 2015 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.

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, 2015, the Company recorded a tax provision of $1,756. For the fiscal year ended October 31, 2014, the Company recorded a tax provision of $1,755. For the fiscal year ended October 31, 2013, the Company recorded a tax provision of $3,600. The provision for income taxes was comprised of the following:

		Fiscal Year ended	
	October 31, 2015	October 31, 2014	October 31, 2013
Current tax (benefit) expense:			
Federal	$	$	$
State	1,756	1,755	3,600
Total current tax (benefit) expense	1,756	1,755	3,600
Deferred tax expense (benefit):			
Federal			
State			
Total deferred tax expense (benefit)			
Total tax (benefit) provision	$ 1,756	$ 1,755	$ 3,600

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, 2015, 2014 and 2013:

Table of Contents

	Fiscal Year Ended October 31, 2015	October 31, 2014	October 31, 2013
Federal income tax benefit at statutory rate	$ (1,260,679)	$ (1,378,609)	$ (827,271)
State income taxes	(300,955)	(329,273)	(200,176)
Other	735	65,086	(1,001)
Net change to valuation allowance	1,562,655	1,644,551	1,032,048
	1,756	1,755	3,600

The Company generated a net operating loss of approximately $3.8 million 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, 2015, 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
$ 5,286,401	$ 5,284,207	October 31, 2011	October 31, 2031
$ 3,660,070	$ 3,656,073	October 31, 2012	October 31, 2032
$ 2,639,679	$ 2,637,924	October 31, 2013	October 31, 2033
$ 4,382,426	$ 4,384,181	October 31, 2014	October 31, 2034
$ 3,830,541	$ 3,832,297	October 31, 2015	October 31, 2035

Due to the uncertainty surrounding the ultimate utilization of these net operating losses, as of October 31, 2015, the Company has recorded a 100% valuation allowance against its federal and state net deferred tax assets totaling approximately $9,394,015 and $2,342,399 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, 2015, October 31, 2014 and October 31, 2013 were as follows:

	October 31, 2015	October 31, 2014	October 31, 2013
Deferred tax assets:			
Deferred revenues	$ 37,718	$ 26,751	$ 89,958
Net operating loss	11,793,832	10,178,580	8,374,748
Others	(95,136)	(31,572)	64,502
Total deferred tax assets	$ 11,736,414	$ 10,173,759	$ 8,529,208
Valuation allowance on Deferred revenues and Net operating loss	$ (11,736,414)	$ (10,173,759)	$ (8,529,208)
Net deferred tax assets	$	$	$
Deferred tax liabilities:			
Deferred tax liabilities			
Total deferred tax liabilities			

Net deferred taxes	$	$	$

Table of Contents

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, 2015:

	MVC	MVCFS	Consolidated
Interest and dividend income	$ 20,402,332	$ 72	$ 20,402,404
Fee income		2,047,657	2,047,657
Fee income - asset management		1,248,721	1,248,721
Total operating income	20,402,332	3,296,450	23,698,782
Total operating expenses	7,488,126	7,062,084	14,550,210
Less: Waivers by Adviser	(150,000)		(150,000)
Total net operating expenses	7,338,126	7,062,084	14,400,210
Net operating income (loss) before taxes	13,064,206	(3,765,634)	9,298,572
Tax expense		1,756	1,756
Net operating income (loss)	13,064,206	(3,767,390)	9,296,816
Net realized gain on investments	3,700,260		3,700,260
Net unrealized (depreciation) appreciation on investments	(50,615,250)	57,754	(50,557,496)
Net decrease in net assets resulting from operations	$ (33,850,784)	$ (3,709,636)	$ (37,560,420)

In all periods prior to July 16, 2004, all business was conducted through MVC Capital, Inc.

Table of Contents

15. Selected Quarterly Data (unaudited)

	2015				2014			
	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	6,046	7,524	5,273	4,856	4,325	5,016	5,862	4,613
Management fee	1,900	1,899	2,066	1,980	2,121	2,144	2,227	2,189
Portfolio fees - asset management	187	189	187	204	386	153	341	106
Management fee - asset management	85	77	(18)	16	(126)	17	231	232
Administrative	1,685	1,136	1,325	1,159	942	1,095	727	908
Interest, fees and other borrowing costs	2,532	2,627	2,616	2,455	2,355	2,426	2,406	2,255
Net Incentive compensation	(771)	(3,404)	(3,462)	(2,120)	(2,339)	568	(3,414)	435
Total waiver by adviser	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)
Tax expense		1	1			1		1
Net operating income (loss) before net realized and unrealized gains	465	5,037	2,595	1,200	1,023	(1,350)	3,381	(1,475)
Net (decrease) increase in net assets resulting from operations	(2,045)	(13,959)	(11,813)	(9,743)	(10,614)	1,738	(12,651)	1,685
Net (decrease) increase in net assets resulting from operations per share	(0.10)	(0.61)	(0.52)	(0.43)	(0.46)	0.07	(0.57)	0.08
Net asset value per share	12.95	13.18	13.93	14.58	15.15	15.75	15.89	16.57

16. Significant Subsidiaries

We have determined that for the fiscal year ended October 31, 2015; Ohio Medical and MVC Automotive, for the fiscal year ended October 31, 2014; MVC Automotive, Vestal, Ohio Medical and Velocitius and for the fiscal year ended October 31, 2013; Vestal and Ohio Medical are unconsolidated portfolio companies that have met the conditions of a significant subsidiary. The financial information presented below includes summarized balance sheets as of September 30, 2015, September 30, 2014 and September 30, 2013 and income statements for the period October 1, 2014 to September 30, 2015, October 1, 2013 to September 30, 2014 and October 1, 2012 to September 30, 2013. The financial information below is based on unaudited financial statements and has been prepared and furnished by each portfolio company and not the Company.

Table of Contents

Balance Sheet All numbers in thousands	**Ohio Medical As of September 30, 2015**	**MVC Automotive As of September 30, 2015**	**Vestal As of September 30, 2014**	**Ohio Medical As of September 30, 2014**	**Velocitius As of September 30, 2014**	**MVC Automotive As of September 30, 2014**	**Vestal As of September 30, 2013**	**Ohio Medical As of September 30, 2013**
Assets:								
Total current assets	$ 19,813	$ 48,358	$ 6,537	$ 19,930	$ 2,460	$ 71,479	$ 5,421	$ 22,098
Tota non-current assets	98,638	31,443	1,272	103,346	21,570	38,462	1,260	107,902
Total Assets	$ 118,451	$ 79,801	$ 7,809	$ 123,276	$ 24,030	$ 109,941	$ 6,681	$ 130,000
Liabilities and Sharholders Equity:								
Current Liabilities	$ 9,597	$ 61,465	$ 1,914	$ 9,725	$ 333	$ 75,333	$ 2,385	$ 10,247
Long-term liablities	44,550	20,228	671	50,428	12,970	24,703	1,448	56,789
Shareholders Equity	64,304	(1,892)	5,224	63,123	10,727	9,905	2,848	62,964
Total Liablities and Shareholders Equity	$ 118,451	$ 79,801	$ 7,809	$ 123,276	$ 24,030	$ 109,941	$ 6,681	$ 130,000

Income Statement All numbers in thousands	**Ohio Medical For the Period from October 1, 2014 to September 30, 2015**	**MVC Automotive For the Period from October 1, 2014 to September 30, 2015**	**Vestal For the Period from October 1, 2013 to September 30, 2014**	**Ohio Medical For the Period from October 1, 2013 to September 30, 2014**	**Velocitius For the Period from October 1, 2013 to September 30, 2014**	**MVC Automotive* For the Period from October 1, 2013 to September 30, 2014**	**Vestal For the Period from October 1, 2012 to September 30, 2013**	**Ohio Medical For the Period from October 1, 2012 to September 30, 2013**
Net Sales & Revenue	$ 49,217	$ 185,664	$ 22,570	$ 48,513	$ 3,837	$ 238,470	$ 20,921	$ 51,245
Cost of Sales	25,576	175,211	14,504	26,102		216,819	13,949	27,832
Gross Margin	23,641	10,453	8,066	22,411	3,837	21,651	6,972	23,413
Operating Expenses	16,707	19,806	4,139	16,517	3,421	27,087	3,971	18,614
Operating Income	6,934	(9,353)	3,927	5,894	416	(5,436)	3,001	4,799
Income Tax (Benefit)	633	(255)	1,098	462	37	44	1,127	(327)
Interest Expense	4,445	1,862	94	5,270	476	1,762	111	5,092
Other Expenses (Income), Net	786	(95)		966	(232)	(145)		953
Net Income (Loss)	**$ 1,070**	**$ (10,865)**	**$ 2,735**	**$ (804)**	**$ 135**	**$ (7,097)**	**$ 1,763**	**$ (919)**

* The MVC Automotive financial information excludes the results of one of MVC Automotive s subsidiary dealerships, which filed for bankruptcy in March 2014 and whose records are restricted by the local administrator of the bankruptcy.

** 2013 Only includes OMC & Vestal, prior year US GAAP information is not available for MVC Auto and Velocitius

17. Subsequent Events

On November 1, 2015 and December 1, 2015, Thunderdome made principal payments totaling approximately $51,000 on its second lien loan.

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

On November 20, 2015 and December 3, 2015, the Company invested an additional $538,000 and $1.1 million, respectively, in MVC Automotive common equity.

On December 1, 2015, Credit Facility II was renewed and will now expire on May 31, 2016, at which time all outstanding amounts under it will be due and payable. The Company is in compliance with all loan covenants related to Credit Facility II as of the filing of this Form 10-K. The Company received a waiver from BB&T with respect to the delivery of financial reports required under Credit Facility II, due to the Company s delayed filing of its Annual Report.

On December 9, 2015, the Company entered into a three-year, $50 million revolving borrowing base credit facility with Santander Bank N.A. as a lender and lead agent and Wintrust Bank as a lender and syndication agent. The revolving credit facility 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 $10.0 million. The new facility replaced the $30.0 million Bridge Loan with Firstrust Bank that would have matured on December 31, 2015.

Table of Contents

On December 15, 2015, the Company loaned approximately $1.6 million to Somotra nv, a wholly-owned subsidiary of MVC Automotive.

On December 18, 2015, the Company invested approximately $5.1 million in Pride Engineering, LLC in the form of a second lien loan. The loan bears annual interest of 12% and matures on May 18, 2021.

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.

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

On December 24, 2015, the Company realized a loss of approximately $5.5 million on Inland s senior secured loan and $713,000 on the warrants as part of Inland s restructuring. As part of the restructuring, the Company received a $6.0 million senior secured loan in MVC Environmental, Inc., a holding company formed by the Company that owns and operates intellectual property and environmental service facilities for oil and gas waste recycling related to Inland, and received 950 common shares of MVC Environmental, Inc. 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 and 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 January 4, 2016, the Company loaned an additional $1.5 million to Legal Solutions Holdings, Inc., which increased the senior subordinated loan to approximately $10.2 million.

On February 1, 2016, the Company loaned an additional $1.1 million to Thunderdome, which increased the second lien loan to approximately $3.0 million.

On February 17, 2016, the Company loaned $7.0 million to Dukane Intelligent Assembly, a global provider of plastic welding equipment, in the form of a second lien loan with an interest rate of 13% and a maturity date of November 16, 2020.

On March 7, 2016, the Company received a $10.0 million distribution from U.S. Gas.

On March 11, 2016, the Company loaned $10.0 million to Quantum Plastics, LLC, a global plastic injection manufacturer, in the form of a senior subordinated loan with an interest rate of 12% and a maturity date of March 10, 2021. The Company also received a warrant as part of the investment and allocated a portion of the cost basis of the loan to the warrant at the time the investment was made.

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

Table of Contents

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.

On May 6, 2016, RX repaid $8.0 million of principal on its loan. In addition, RX repaid all outstanding accrued and deferred interest for a total payment of approximately $9.9 million. As a part of the transaction, which led to the repayment, RX was reorganized into FDS, Inc., a data service provider. The Company s outstanding $2.3 million of principal was amended to a senior loan with an interest rate of 16% and a maturity date of November 30, 2016.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

MVC Capital, Inc.

We have audited the accompanying consolidated balance sheet of MVC Capital, Inc. (a Delaware corporation) and subsidiaries (the Company), including the consolidated schedule of investments, as of October 31, 2015, and the related consolidated statements of operations, cash flows, changes in net assets, and selected per share data and ratios for the year then ended. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2015 by correspondence with the custodians and directly with the portfolio companies, as applicable. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MVC Capital, Inc. and subsidiaries as of October 31, 2015, and the results of their operations, cash flows, changes in net assets, and their selected per share data and ratios for the year end ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We were also engaged to audit, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of October 31, 2015, 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 May 16, 2016 disclaimed an opinion on the effectiveness of the Company s internal control over financial reporting because of a scope limitation.

/s/ GRANT THORNTON LLP

New York, New York

May 16, 2016

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of MVC Capital, Inc.

We have audited the accompanying consolidated balance sheet of MVC Capital, Inc. (the Company), including the consolidated schedule of investments, as of October 31, 2014, and the related consolidated statements of operations, cash flows and changes in net assets for each of the two years in the period ended October 31, 2014, and the consolidated selected per share data and ratios for each of the four years in the period ended October 31, 2014. These financial statements and the selected per share data and ratios are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and the selected per share data and ratios based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2014, by correspondence with the custodians and directly with management of the portfolio companies, as applicable. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and selected per share data and ratios referred to above present fairly, in all material respects, the consolidated financial position of MVC Capital, Inc. at October 31, 2014, and the consolidated results of its operations and its cash flows for each of the two years then ended and the selected per share data and ratios for each of the four years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
October 14, 2015

Table of Contents

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, 2015. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures as of October 31, 2015 were not effective as a result of a material weakness in internal control over financial reporting concerning valuation related controls associated with certain affiliated or controlled portfolio companies (e.g., MVC Auto and SGDA Europe) which is discussed further below. This material weakness was disclosed in the October 31, 2014 Form 10K (2014 10-K) and continued to exist as of October 31, 2015. 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;

Table of Contents

- 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.

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.

Management, including the Company s CEO and CFO, assessed the effectiveness of the Company s internal control over financial reporting as of October 31, 2015. 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, subject to the limitations described under Scope of Management s Report on Internal Control Over Financial Reporting above, that the Company did not maintain effective internal control over financial reporting as of October 31, 2015 (which was a continuation of what had existed as of October 31, 2014 as reported in the 2014 10-K).

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses would permit information required to be disclosed by the Company in the reports that it files or submits to not be recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. In conducting our review of our internal control over financial reporting, we identified a material weakness in our internal control over financial reporting concerning the design and operating effectiveness of certain valuation related controls associated with investments in certain affiliated or controlled portfolio companies (e.g., MVC Auto and SGDA Europe). As a result of the weakness, a material misstatement of the fair values of certain investments (and related misstatements of Net Unrealized Appreciation/Depreciation on Investments, Total Assets, Net Asset Value Per Share, and related financial disclosures), were not prevented or detected on a timely basis, as reported in the 2014 10-K. The foregoing led to the restatement of the 2013 annual financial statements, and 2013 and 2014 interim financial statements.

Remediation of Material Weakness in Internal Control over Financial Reporting

We have improved and are in the process of continuing to improve our controls to remediate the material weakness that existed as of October 31, 2014 and continued to exist as of October 31, 2015. As discussed in the 2014 10-K, to address the material weakness, in the second half of 2015 the Company adopted a corrective action plan which has added new and/or enhanced existing controls surrounding the valuation process and financial reporting oversight of various controlled/affiliated portfolio companies, including additional reviews (by one or more MVC Capital representatives) of the financial reporting of controlled and certain affiliated portfolio

Table of Contents

companies and additional reviews and testing of valuation data of these controlled/affiliated portfolio companies. The Company also enhanced its internal audit plan to incorporate risk assessments of controlled and certain affiliated portfolio companies. In addition, the Company retained a third party consultants to perform external reviews of certain fair valuations. While some of the remediation actions have been implemented, some are still in process and it will take time for the actions to be fully integrated and confirmed to be effective and sustainable. Until the remediation steps are fully implemented and tested, the material weakness described above will continue to exist.

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

Attestation Report of the Independent Registered Public Accounting Firm

The Company s financial statements have been audited by Grant Thornton, an independent registered public accounting firm, which was engaged on November 20, 2015. Grant Thornton s attestation report on the Company s internal controls over financial reporting, which disclaims an opinion on the effectiveness of the Company s internal control over financial reporting, is included herein. Grant Thornton was unable to perform auditing procedures necessary to form an opinion on the Company s internal control over financial reporting as of October 31, 2015 due to the fact that Grant Thornton was engaged after October 31, 2015.

Changes in Internal Control over Financial Reporting

Other than the changes related to the material weakness and related remediation described in the 2014 10-K and above, there has been no change in the Company s internal control over financial reporting that occurred during the fiscal quarter ended October 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

MVC Capital, Inc.

We were engaged to audit the internal control over financial reporting of MVC Capital, Inc. (a Delaware corporation) and subsidiaries (the Company) as of October 31, 2015, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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.

As described in Item 9A of the Company s Annual Report on Form 10-K, we were engaged to audit the Company s internal control over financial reporting subsequent to October 31, 2015. Accordingly, we were unable to perform auditing procedures necessary to form an opinion on the Company s internal control over financial reporting as of October 31, 2015.

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 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.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. If one or more material weaknesses exist, a company s internal control over financial reporting cannot be considered effective. The following material weakness has been identified and included in management s assessment.

The Company identified a material weakness in their internal control over financial reporting concerning the design and operating effectiveness of certain valuation related controls associated with investments in certain affiliated or controlled portfolio companies. As a result of the weakness, a material misstatement of the fair values of certain investments (and related misstatements of Net Unrealized Appreciation/Depreciation on Investments, Total Assets, Net Asset Value Per Share, and related financial disclosures), were not prevented or detected on a timely basis, as reported in the 2014 10-K. The foregoing led to the restatement of the 2013 annual financial statements, and 2013 and 2014 interim financial statements.

Because of the limitation on the scope of our audit described above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the effectiveness of the Company s internal control over financial reporting.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended October 31, 2015, and our report dated May 16, 2016 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York

May 16, 2016

Table of Contents

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 Fund, including brief biographical information, as of December 31, 2015, is set forth below.

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
Independent Directors					
Emilio Dominianni 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 84	Director	1 year/12 years, 10 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.	None(1)	See column 4

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
Phillip Goldstein 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 70	Director	1 year/3 years, 3 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; he was also a principal of the general partner of several investment partnerships in the Bulldog Investors group of private funds from 1992-2012; additionally, Mr. Goldstein is a principal of Bulldog Investors, LLC (formerly known as Brooklyn Capital Management, LLC), the investment adviser for the Special Opportunities Fund and several private investment funds, since 2009. Mr. Goldstein is (or was previously) a Director of the following closed-end funds: Mexico Equity and Income Fund since 2000; Special Opportunities Fund since 2009; ASA Gold and Precious Metals Ltd. from 2008 to 2013; Korea Equity Fund from 2010-2012; Brantley Capital Corporation from 2001 to 2013; and Chairman and Director of Emergent Capital, Inc. (formerly known as Imperial Holdings, Inc.), a specialty finance company, since 2012.	None(1)	See column 4

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
Gerald Hellerman 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 78	Director	1 year/12 years, 10 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 director and chairman of the audit committee of Emergent Capital, Inc. (formerly known as Imperial Holdings Inc.) and Crossroads Capital, Inc. (formerly BDCA Venture, Inc.), as well as a director of Ironsides Partners Opportunity Offshore Fund Ltd.	None(1)	See column 4
Robert Knapp Ironsides Partners LLC 100 Summer Street 27th Floor Boston, MA 02108 Age: 49	Director	1 year/12 years, 10 months	Mr. Knapp is the Founder and Managing Director of Ironsides Partners LLC, Ironsides Partners Opportunity Fund, Ironsides Partners Special Situations Fund, Ironsides Partners Special Situations Fund II, and related partnerships and entities. He serves as a director of the Africa Opportunity Partners Ltd. and its related fund vehicles, including the Africa Opportunity Fund Ltd. (LSE SFM: AOF). Mr. Knapp is an independent, non-executive director of Pacific Alliance Asia Opportunity Fund and its related entities and Pacific Alliance Group Asset Management Ltd., as well as Castle Private Equity AG (SWX: CPEN). 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 is a Trustee of Princeton-in-	None(1)	See column 4

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
			Asia, Regional Plan Association, and the Sea Education Association. He also serves as a director of the Massachusetts Eye and Ear Infirmary. Mr. Knapp was previously a director of Pacific Alliance Investment Management Ltd. and the Vietnam Opportunity Fund. He previously served as a member of the Board of Managers of and Waterloo Oil & Gas LLC. Mr. Knapp was previously a managing director with Millennium Partners.		
William Taylor 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 73	Director	1 year/9 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 (where he was 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 Interested Directors					
Warren Holtsberg(2) 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 65	Director	1 year/8 years, 9 months	Mr. Holtsberg currently serves as Co-Head of Portfolio Management of The Tokarz Group Advisers LLC (the Adviser), the investment adviser to the Fund. Mr. Holtsberg founded Motorola Ventures, the venture capital and private equity investment	None(1)	See column 4

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
			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 Motorola. Mr. Holtsberg served as a member of the Board of Directors of the Illinois Venture Capital Association until 2014, and currently serves as a member of the Board of Sportvision, 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 U.S. Gas & Electric, Inc. and MVC Partners LLC, portfolio companies of the Fund.		
Michael Tokarz(3) 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 66	Director	1 year/12 years, 2 months	Mr. Tokarz currently serves as Chairman and Portfolio Manager of the Fund and as Manager of the Adviser. Mr. Tokarz also is the Managing Member of The Tokarz Group, a private merchant bank, since 2002. Mr. Tokarz is also a principal and investment team member of PPC Enterprises LLC, a registered investment adviser. Prior to this, Mr. Tokarz was a senior General Partner and Administrative Partner at Kohlberg Kravis Roberts & Co., a private equity firm specializing in management buyouts. He	None(1)	See column 4

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
			also currently serves on the corporate boards of CNO Financial Group, Inc., Walter Energy, Inc. (Chairman of the board), Walter Investment Management Corp., and 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 B.V., MVC Partners LLC, Ohio Medical Corporation and Turf Products, 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 Lomonosov, Althleta, Inc., and Apertio Ltd. In addition, he was on the boards of Timberland Machines & Irrigation, Inc., Dakota Growers Pasta Company, Harmony Health and Beauty, Inc., Harmony Pharmacy & Health Centers, Inc., Summit Research Labs, Inc. and Huamei Capital Company, formerly portfolio companies of the Fund.		
Executive Officers					
Bruce Shewmaker 287 Bowman Avenue 2nd Floor	Managing Director	Indefinite term/12 years, 2 months	Mr. Shewmaker currently serves as Managing Director of the Adviser and the Fund.	N/A	N/A

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
Purchase, NY 10577 Age: 70			Mr. Shewmaker worked directly for the Fund from November 2003 through October 2006. Previously, Mr. Shewmaker served as an Independent Director of the Fund in 2003. Mr. Shewmaker currently serves on the board of Garrison Capital Inc. Mr. Shewmaker previously served on the board of Harris & Harris Group, Inc. Mr. Shewmaker served as a director for the following portfolio companies of the Fund: Baltic Motors Corporation, Phoenix Coal Corporation, Processclaims, Inc. Vendio Services, Inc., Velocitius B.V., and Vestal Manufacturing Enterprises, Inc. He currently serves on the Boards of Foliofn, Inc., MVC Partners LLC, and Advantage Insurance Holdings Ltd.		
Scott Schuenke 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 36	Chief Financial Officer	Indefinite term/2 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 Fund. He previously served as the Chief Compliance Officer to the Fund and the Adviser. Prior to joining the Fund in June 2004, Mr. Schuenke served as a compliance officer with U.S. Bancorp Fund Services, LLC, from 2002 until he joined the Fund 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 serves on the Board of NPWT Corporation, a portfolio company of the Fund. He previously served as a director of Vestal Manufacturing Enterprises, a portfolio company of the Fund. Mr. Schuenke is a Certified Public Accountant.	N/A	N/A

Table of Contents

(1) Name, Address and Age	(2) Positions(s) Held with the Fund	(3) Term of Office/ Length of Time Served	(4) Principal Occupation(s) During Past 5 Years	(5) Number of Portfolios in Fund Complex Overseen by Director	(6) Other Directorships Held by Director During Past 5 Years
Kevin Byrne 287 Bowman Avenue 2nd Floor Purchase, NY 10577 Age: 56	Chief Compliance Officer	Indefinite/1 year	Mr. Byrne currently serves as Chief Compliance Officer of the Adviser, in addition to his service as Chief Compliance Officer of the Fund. 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: 36	Vice President/ Secretary	Indefinite term/11 years, 1 month; Indefinite term/11 years, 11months	Ms. Rothchild currently serves as Vice President and Secretary of the Adviser, in addition to her service as Vice President and Secretary of the Fund. Prior to joining the Fund 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 Fund, 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 Eleventh Street Partners, Inc. and is a member of the Advisory Board of Forward Health. Ms. Rothchild serves on the Board of MVC Partners LLC, a portfolio company of the Fund.	N/A	N/A

(1) Other than the Fund.

(2) Mr. Holtsberg is an interested person, as defined in the 1940 Act, of the Fund (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 Fund.

In determining whether each Director should continue to serve as a Director, the Nominating Committee and the Board considered a variety of factors, including each of the Directors performance as current Directors and their professional background and experience. The Board

165

Table of Contents

noted the 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 Fund s most significant service provider.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934 (the 1934 Act), and Section 30(h) of the 1940 Act, taken together, require that the Directors, officers of the Fund and beneficial owners of more than 10% of the equity securities of the Fund (collectively, Reporting Persons) file with the SEC reports of their beneficial ownership and changes in their beneficial ownership of the Fund s securities. Based solely on its review of the copies of such reports, the Fund believes that each of the Reporting Persons who was a Reporting Person during the fiscal year ended October 31, 2015 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 Fund 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 Fund. These materials can be found on the Fund s website at www.mvccapital.com. Waivers, if any, of the Fund s Code of Ethics or Code of Ethics for Principal Executive and Senior Financial Executives will be promptly disclosed on the Fund 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.

ITEM 11. EXECUTIVE COMPENSATION

Director and Executive Officer Compensation

The Fund s officers do not receive any direct compensation from the Fund. The Fund 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 Fund s administrator, U.S. Bancorp Fund Services, LLC (the Administrator), pursuant to the terms of the Fund s amended and restated investment advisory and management agreement (the Advisory Agreement) and administration agreement. Each of the Fund s executive officers is

Table of Contents

an employee of the Adviser. The Fund s day-to-day investment operations are managed by the Adviser.

The following table sets forth compensation paid by the Fund in all capacities during the fiscal year ended October 31, 2015 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 Fund. No compensation is paid to the Interested Directors. (The Fund is not part of any Fund Complex.) No information has been provided with respect to executive officers of the Fund because the Fund s executive officers do not receive any direct compensation from the Fund.

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*	$ 80,000	None	None	$ 80,000
Phillip Goldstein, *Director*	$ 70,000	None	None	$ 70,000
Gerald Hellerman, *Director*	$ 90,000	None	None	$ 90,000
Robert Knapp, *Director*	$ 90,000	None	None	$ 90,000
William Taylor, *Director*	$ 70,000	None	None	$ 70,000

(1) Directors do not receive any pension or retirement benefits from the Fund.

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 were 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. Each Independent Director is also reimbursed by the Fund for reasonable out-of-pocket expenses. The Directors do not receive any pension or retirement benefits from the Fund.

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 Fund 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.

Table of Contents

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Director Equity Ownership

The following table sets forth, as of the date of December 31, 2015, with respect to each Director, certain information regarding the dollar range of equity securities beneficially owned in the Fund. The Fund does not belong to a family of investment companies.

(1) Name of Director	(2) Dollar Range of Equity Securities in the Fund	(3) Aggregate Dollar Range of Equity Securities of All Funds Overseen by Director 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
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 Fund and controls the Adviser.

The following table sets forth, as of December 31, 2015, each stockholder who owned more than 5% of the Fund s outstanding shares of common stock, each current director, the Fund s executive officers, and the directors and executive officers as a group. Unless otherwise indicated, the Fund believes that each beneficial owner set forth in the table has sole voting and investment power.

Table of Contents

Shareholder Name and Address	Amount of Shares Owned	Percentage of Fund Held
Bulldog Investors LLC Park 80 West, 250 Pehle Ave Suite 708 Saddle Brook, NJ 07663	1,412,685(1)	6.22%
Royce & Associates, LLC 745 Fifth Avenue New York, NY 10151	1,233,700(2)	5.43%
RiverNorth 325 N. Lasalle Street Suite 645 Chicago, IL 60654	1,215,757	5.36%
Interested Directors		
Warren Holtsberg	7,000	*
Michael Tokarz	931,042.57	4.10%
Independent Directors		
Emilio Dominianni	52,899.3	*
Phillip Goldstein	1,008,551**	4.44%
Gerald Hellerman	63,000	*
Robert Knapp	672,858.37***	2.96%
William Taylor	49,567.28	*
Executive Officers		
Bruce Shewmaker	23,365.72	*
Scott Schuenke	2,961.76	*
Jaclyn Shapiro-Rothchild	2,943.65	*
Kevin Byrne		*
All directors and executive officers as a group (11 in total)***	2,814,189.65	12.40%

* Less than 1%.

** 971,301 of these Shares are owned by certain private investment funds managed by Bulldog Investors, LLC. Mr. Goldstein is a principal of Bulldog Investors. Mr. Goldstein disclaims all beneficial ownership in these Shares to the extent such ownership exceeds his pecuniary interest therein. For purposes of calculating the Percentage of Fund Held , however, all of Mr. Goldstein s 1,017,051 Shares have been counted as being beneficially owned. Based on information contained in Form 4 filed on October 29, 2014.

*** 300,765.37 of these Shares are held by Ironsides Holdings LLC, which is wholly-owned by Robert Knapp. 372,093 shares are held by a separately managed account and a private fund. Mr. Knapp is a principal of the investment adviser of the separately managed account and a principal of the general partner and investment adviser of the private fund. Mr. Knapp is also a limited partner in a fund that has an interest in the private fund. The investment adviser has sole voting and dispositive power over the 372,093 shares held by the separately managed account and the private fund. Mr. Knapp disclaims all beneficial ownership of such Shares, except to the extent of his pecuniary interest therein. For purposes of calculating the Percentage of Fund Held, however, all of the Shares have been counted as being

Table of Contents

beneficially owned. Additionally, 672,858.37 of Mr. Knapp s Shares are pledged as security to margin accounts. Based on information contained in Form 4 filed on October 10, 2014.

**** Unless indicated by footnote above, none of the Directors or Executive Officers Shares are pledged as security.

(1) Based on information contained in Form 13F filed with the SEC on August 13, 2015. With respect to 719,272 of these Shares, Bulldog Investors LLC shares voting and investment power.

(2) Based on information contained in Form 13F filed with the SEC on August 10, 2015.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Fund has procedures in place for the review, approval and monitoring of transactions involving the Fund and certain persons related to the Fund. For example, the Fund has a Code of Ethics that generally prohibits, among others, any officer or director of the Fund from engaging in any transaction where there is a conflict between such individual s personal interest and the interests of the Fund. As a business development company, the 1940 Act also imposes regulatory restrictions on the Fund s ability to engage in certain related party transactions. However, the Fund 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. Since the Fund s current management team joined the Fund in 2003, no transactions have been effected pursuant to the exemptive order. 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 a private equity fund (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 Fund serves as the general partner and the Adviser serves as the portfolio manager of the PE Fund, and both entities receives 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 Enterprises LLC (PPC), a registered investment adviser that provides advisory services to Series A of Public Pension Capital, LLC (the PPC Fund). As a result of this relationship and pursuant to a shared services arrangement with PPC,

Table of Contents

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.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing for professional services rendered by Ernst & Young LLP for the audit of the Fund s annual financial statements and review of financial statements in the Form 10-Q s for the fiscal years ended October 31, 2015 and October 31, 2014 were $0 and $749,000, respectively.

The aggregate fees billed as of the day immediately prior to the date of this filing thus far for professional services rendered by Grant Thornton LLP for the audit of the Fund s annual financial statements and review of financial statements in the Form 10-Q s for the fiscal year ended October 31, 2015 were $800,000.

Audit-Related Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing by Ernst & Young 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, 2015 and October 31, 2014 were $50,000 and $75,000, respectively.

The aggregate fees billed as of the day immediately prior to the date of this filing thus far 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 year ended October 31, 2015 were $0.

Tax Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing by Ernst & Young LLP for services rendered with respect to tax compliance, tax advice and tax planning for the fiscal years ended October 31, 2015 and October 31, 2014 were $0 and $65,000, respectively.

The aggregate fees billed 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 year ended October 31, 2015 was $3,925.

All Other Fees:

The aggregate fees billed as of the day immediately prior to the date of this filing by Ernst & Young LLP for any other products or services for the fiscal years ended October 31, 2015 and October 31, 2014 were $4,000 and $24,000, respectively.

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 year ended October 31, 2015 were $0.

The Audit Committee Charter requires that the Audit Committee pre-approve all audit and non-audit services to be provided to the Fund by the independent accountants; provided, however, that the Audit Committee may specifically authorize its Chairman to pre-approve the provision of any non-audit service to the Fund. 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 Ernst & Young LLP for the fiscal year ended October 31, 2014 and by Ernst & Young LLP and Grant Thornton LLP for the fiscal year ended October 31, 2015 were pre-approved by the Audit Committee or its Chairman. For the fiscal years ended October 31, 2014 and October 31, 2015, the Fund s Audit Committee did not waive the pre-approval requirement with respect to any non-audit services provided to the Fund by Ernst & Young LLP or Grant Thornton LLP.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES

Table of Contents

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)*
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)*
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	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)*

Table of Contents

Exhibit Number	Description
10.5	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association. (*Incorporated by reference to Exhibit10.4 filed with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on June 4, 2009)*
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, 2012)*
10.7	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association *(Incorporated by reference to Exhibit 10.7 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015).*
10.8	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)*
10.9	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)*
10.10	Form of Fee and Service Schedule Amendment to Transfer Agency Agreement with Registrant and Computershare Trust Company, N.A. *(Incorporated by reference to Exhibit 10.10 filed with Registrant s Annual Report on Form 10-K (File No. 814-00201) filed on October 15, 2015)*
10.11	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 Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-119625) filed on February 21, 2006)*
10.12	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)*
10.13	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)*
10.14	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)*
10.15	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)*
10.16	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)*

Table of Contents

Exhibit Number	Description
10.17	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)*
10.18	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)*
10.19	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) with Registrant s Quarterly Report on Form 10-Q (File No. 814-00201) filed on January 29, 2016)*

Table of Contents

Exhibit Number	Description
10.30	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)*
10.31	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)*
10.32	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)*
10.33	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)*
12.1	Statement of Computation of Ratios of Earnings to Fixed Charges. (*Previously filed as Exhibit 99.1 filed with Registrant s Post-Effective Amendment No. 1 to Registration Statement on Form N-2 (File No. 333-184803) filed on February 26, 2013*)
12.2	Statement of Computation of Ratios of Earnings to Fixed Charges. (*Previously filed as 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 *(Previously filed as 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., 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 21.1 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 B.V., 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)*
21.3 *	Consolidated Financial Statements with Independent Auditors Report (as of 12/31/2014) of Ohio Medical Corporation, a significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company).
21.4 *	Combined Financial Statements with Independent Auditors Report (as of 12/31/2014) for a combined group of subsidiaries of MVC Automotive Group GmbH, a significant subsidiary. The Combined Financial Statements exclude one subsidiary and the parent company (*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
31	Certifications pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

Table of Contents

32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

(c) Financial Statement Schedules

Table of Contents

Schedule 12-14

MVC Capital, Inc. and Subsidiaries

Schedule of Invesments in and Advances to Affiliaties

Portfolio Company	Investment (1)	Amount of Interest or Dividends Credited to Income (5)	Other (2)	October 31, 2014 Fair Value	Gross Additions (3)	Gross Reductions (4)	October 31, 2015 Fair Value
Companies More than 25% owned							
Equus Total Return, Inc.	Common Stock						
(Regulated Investment Company)				9,778,217		(2,133,429)	7,644,788
Harmony Health & Beauty, Inc.	Common Stock						
(Healthcare - Retail)							
MVC Automotive Group	Common Stock			21,548,000	2,795,400	(10,891,400)	13,452,000
MVC Private Equity Fund LP	General Partnership Interest			503,924	48,092		552,016
(Private Equity Firm)	Limited Partnership Interest			19,969,408	1,970,336		21,939,744
Ohio Medical Corporation	Common Stock						
(Medical Device Manufacturer)	Series A Preferred Stock			23,800,000		(17,749,203)	6,050,797
	Series C Preferred Stock			27,763,434	4,715,858		32,479,292
RuMe Inc. (Consumer Products)	Common Stock			924,475			924,475
	Series C Preferred Stock			4,285,525	2,182,247		6,467,772
	Series B-1 Preferred Stock			1,090,000	577,753		1,667,753
SIA Tekers Invest	Common Stock						
(Port Facilities)				1,225,000		(883,000)	342,000
Turf Products, LLC	Loan	428,479		3,864,272		(1,278)	3,862,994
(Distributor - Landscaping & Irrigation Equipment)	LLC Interest			3,991,794			3,991,794
	Guarantee			(66,860)	25,826		(41,034)
	Warrant						
Velocitius B.V.	Common Equity Interest			11,467,000		(11,467,000)	

(Renewable Energy)								
Total companies more than 25% owned		**$**	**1,480,964**				**$**	**99,334,391**
Companies More than 5% owned, but less than 25%								
Advantage Insurance Holdings LTD (Insurance)	Preferred Stock			7,721,000	294,164			8,015,164
Centile Holding B.V. (Software)	Common Stock			4,994,000	250,000	(339,000)		4,905,000
JSC Tekers Holdings	Common Stock			4,200		(200)		4,000
(Automotive Dealerships)	Preferred Stock			6,157,906		(1,112,206)		5,045,700
Security Holdings, B.V. (Electrical Engineering)	Common Equity Interest			50,600,000		(5,300,000)		45,300,000
SGDA Europe B.V. (Soil Remediation)	Common Equity Interest			9,996,664		(3,976,664)		6,020,000
U.S. Gas & Electric, Inc.	Second Lien Loan		988,541	7,500,000				7,500,000
(Energy Services)	Unsecured Loan		441,361	3,041,550	125,670			3,167,220
	Preferred Stock			83,667,607				83,667,607
	Preferred Stock							
Vestal Manufacturing Enterprises, Inc.	Loan		49,613	600,000	6,315,236	(600,000)		6,315,236
(Iron Foundries)	Common Stock Warrants		1,002,872	16,900,000	250,000	(16,900,000)		250,000
Total companies more than 5% owned, but less than 25%		**$**	**1,429,902**				**$**	**170,189,927**

This schedule should be read in conjunction with the Company s consolidated statements as of and for the year ended October 31, 2015, 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, 2015.

(2) Other includes interest, dividend, or other income which was applied to the principal of the investment and therefore reduced the total investment. These reductions are also included in the Gross Reductions for the investment, as applicable.

(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and closing fees, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.

(4) Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases

in unrealized appreciation.

(5) Represents the total amount of interest or dividends credited to income for a portion of the year an investment was included in the companies more than 25% owned.

* All or a portion of the dividend income on this investment was or will be paid in the form of additional securities or by increasing the liquidation preference. Dividends paid-in-kind are also included in the Gross Additions for the investment, as applicable.

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

Table of Contents

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: 5/16/16	/s/ Michael Tokarz (Michael Tokarz)	Chairman (Principal Executive Officer) and Director
Date: 5/16/16	/s/ Scott Schuenke (Scott Schuenke)	Principal Financial Officer
Date: 5/16/16	/s/ Emilio Dominianni (Emilio Dominianni)	Director
Date: 5/16/16	/s/ Gerald Hellerman (Gerald Hellerman)	Director
Date: 5/16/16	/s/ Phillip F. Goldstein (Phillip F. Goldstein)	Director
Date: 5/16/16	/s/ Warren Holtsberg (Warren Holtsberg)	Director
Date: 5/16/16	/s/ Robert C. Knapp (Robert C. Knapp)	Director
Date: 5/16/16	/s/ William E. Taylor (William E. Taylor)	Director