MVC CAPITAL, INC.
Form 10-K
October 15, 2015
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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, 2014

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 (State or other jurisdiction of incorporation or organization)	**94-3346760** (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 ¨ 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: $228,680,459 computed on the basis of $13.04 per share, closing price of the common stock on the New York Stock Exchange (the NYSE) on April 30, 2014. 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 October 14, 2015.

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.

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Explanatory Note

This Form 10-K includes the restatement of certain of the Company s previously issued consolidated financial statements and selected financial data. It also amends previously filed management s discussion and analysis of financial condition and results of operations and other disclosures for the periods presented in this Form 10-K. As indicated in Note 2, *Restatement*, in the Notes to Consolidated Financial Statements, the Company corrected certain errors in prior periods primarily related to the valuation of certain portfolio companies. In this Form 10-K, we therefore have restated the following financial information as of and for the periods (collectively, the Restated Periods) noted in the table below.

Type of Financial Information:	**Date or Period:**
Consolidated balance sheets	As of October 31, 2013
Consolidated statements of operations, changes in net assets, and cash flows	Fiscal year ended October 31, 2013
Selected financial data and financial highlights	Fiscal year ended October 31, 2013
Unaudited quarterly financial information	Quarters ended July 31, 2014, April 30, 2014 and January 31, 2014 and each quarter in the fiscal year ended October 31, 2013
Management s discussion and analysis of financial condition and results of operations	As of and for the fiscal year ended October 31, 2013

We believe that presenting all of the amended and restated information regarding the Restated Periods in this Form 10-K allows investors to review all pertinent data in a single report. In addition, the Company s Quarterly Reports on Form 10-Q to be filed during 2015 will include the restated 2014 comparable prior quarter and year to date periods. We have not filed and do not intend to file amendments to (i) our Quarterly Reports on Form 10-Q for the first three quarterly periods in the fiscal years ended October 31, 2014 and 2013 or (ii) our Annual Report on Form 10-K for the fiscal year ended October 31, 2013 (collectively the Affected Periods). Accordingly, investors should rely only on the financial information and other disclosures regarding the Restated Periods in this Form 10-K or in future filings with the SEC (as applicable), and not on any previously issued or filed reports, earnings releases or similar communications relating to those periods.

The combined impact of the adjustments and specified line items in the Affected Periods resulting from the restatement is set forth in Note 2, Restatement, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. The following items of this Form 10-K are impacted as a result of the restatement.

- Part I, Item 1A, Risk Factors
- Part II, Item 6, Selected Financial Data

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- Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations
- Part II, Item 8, Financial Statements and Supplementary Data
- Part II, Item 9A, Controls and Procedures

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MVC Capital, Inc.

(A Delaware Corporation)

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PART I

Factors That May Affect Future Results

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

In this Annual Report on Form 10-K, unless otherwise indicated, MVC Capital, we, us, our or the Company refer to MVC Capital, Inc. and i wholly-owned subsidiaries, MVC Financial Services, Inc. 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 28, 2014.

Fiscal year 2014 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 four new investments 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 Holdings B.V. (Centile), Biogenic Reagents (Biogenic), MVC Automotive Group B.V. (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). The total capital committed in fiscal year 2014 was $105.8 million compared to $95.7 million and $11.3 million in fiscal years 2013 and 2012, respectively.

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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 Seafood International LLC (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.

During fiscal year 2012 two new investments were made in Freshii USA, Inc. (Freshii) and Biovation and the nine follow-on investments were made in five existing portfolio companies: MVC Partners, LLC (MVC Partners) Limited Partnership interest, MVCFS General Partnership interest, Centile, SGDA Sanierungsgesellschaft fur Deponien und Altasten GmbH (SGDA) and SHL Group Limited.

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, 2014, the value of our investments in portfolio companies was approximately $447.6 million and our gross assets were approximately $577.7 million compared to the value of investments in portfolio companies of approximately $417.9 million and gross assets of approximately $564.5 million at October 31, 2013.

We expect that our investments in senior loans and subordinated debt will generally have stated terms of three to ten years. However, there are no constraints on the maturity or duration of any security the Company acquires. Our debt investments are not, and typically will not be, rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than Baa3 by Moody s or lower than BBB- by

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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 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 a 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.

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, 2014, the Company s investments in short-term securities, U.S. Government issued securities and cash and cash equivalents were valued at $123.3 million. Of the $123.3 million in cash and cash equivalents, approximately $6.3 million was restricted cash related to the Company s agreement to collateralize a letter of credit being used as collateral for a project guarantee for Security Holdings.

CORPORATE HISTORY AND OFFICES

The Company was organized on December 2, 1999. Prior to July 2004, our name was meVC Draper Fisher Jurvetson Fund I, Inc. On March 31, 2000, the Company raised $330.0 million in an initial public offering whereupon it commenced operations as a closed-end investment company. On December 4, 2002, the Company announced it had commenced 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

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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 directors who are not interested persons, as defined under the 1940 Act, of the Company (the Independent Directors), last approved a renewal of the Advisory Agreement at their in-person meeting held on October 28, 2014. On October 28, 2014, the Company announced TTG Advisers addition of four debt investment professionals to help accelerate the Company s portfolio transformation to include more currently yielding investments.

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 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, 2014, the Company made four new investments and 20 follow-on investments in 13 existing portfolio companies, committing a total of $105.8 million of capital to these investments.

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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, 2014, 1.0% 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, 2014, the fair value of portfolio investments of the Legacy Investments was $5.9 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 portfolio 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). In fact, during fiscal year 2006, we established MVC Partners for this purpose. 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 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. 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

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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 3 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. 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, 2014, October 31, 2013 and October 31, 2012, the fair value/market value of the invested portion (excluding cash, escrow receivables and short-term securities) of our net assets as a percentage consisted of the following:

	Fair Value as a Percentage of Our Net Assets		
Type of Investment	**As of October 31, 2014**	**As of October 31, 2013 (restated)**	**As of October 31, 2012**
Senior/Subordinated Loans and Credit facilities	37.55%	30.09%	23.18%
Common Stock	9.98%	5.21%	18.05%
Warrants	0.21%	0.06%	0.01%
Preferred Stock	46.66%	47.95%	35.77%
Guarantees	(0.02)%	0.00%	(0.21)%
Common Equity Interest	28.67%	21.94%	23.40%
LP Interest	5.81%	3.03%	0.05%
GP Interest	0.14%	0.08%	0.00%
LLC Interest	1.16%	2.76%	4.45%

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, 2014, these investments were valued at approximately $123.3 million or 35.9% of net assets.

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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.

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;

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- 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. 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 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

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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 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.

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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;

- 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 provided with authorization 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;

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- 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, 2014, 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 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 through 2014 fiscal years. The Company and the Adviser have agreed to continue the expense cap into fiscal year 2015, though they may determine to revise the present calculation methodology. For fiscal year 2014, the Company s expense ratio was 3.37% (taking into account the same exclusions as those applicable to the expense cap). On the same basis, for fiscal years 2013 and 2012, the expense ratios were 3.03% and 2.95%, respectively. 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 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.

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

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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 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. Any changes in valuation are

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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, 2014, approximately 75.79% of total assets represented investments in portfolio companies recorded at fair value (Fair Value Investments).

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

Valuation Methodology

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

The fair value of our portfolio securities is inherently subjective. Because of the inherent uncertainty of fair valuation of portfolio securities and escrow receivables that do not have readily ascertainable market values, our estimate of fair value may significantly differ from the 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

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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.

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 are effective for the Company beginning in fiscal year 2015. These updates are expected to have no impact on the Company s financial condition or results of operations.

Our investments are carried at fair value in accordance with the 1940 Act and 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, 2014, 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, 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

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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 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

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all other debt securities, the Valuation Committee may discount the value of such securities to reflect an impairment.

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

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

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

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

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

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

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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. 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.

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.

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.

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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:

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

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

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

(2) Securities of any eligible portfolio company which 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

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be approved by the Independent Directors and are required to satisfy certain other conditions established by the SEC.

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

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.

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

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

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

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

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

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

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

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

At October 31, 2014, approximately 75.79% 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

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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.

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, our failure to meet our reporting obligations 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 the restatement of our previously issued quarterly and annual financial statements for fiscal year ended October 31, 2013. For further information regarding this matter, 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. Any of these results could adversely affect our business and the value of our common stock.

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

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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 which 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.

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

At October 31, 2013, the Company had unused net realized losses of approximately $906,000 and net unrealized losses of $16.8 million associated with Legacy Investments. During fiscal year 2014, the Company had net realized gains of approximately $16.5 million, net of book/tax difference related to the treatment of partnership income, and as a result, the Company had no capital loss carryforwards as of October 31, 2014. The Company has approximately $17.9 million in unrealized losses associated with Legacy Investments. If, over a three year period, we experience an aggregate shift of more than 50% in the ownership of our common stock attributable to transactions involving one or more 5% shareholders (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.

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 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

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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 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.

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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, 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.

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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;

- Loss of a major funding source, which would limit our liquidity and our ability to finance transactions; or

- Departures of key personnel of TTG Advisers.

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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.

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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, 2014, we had $100 million in borrowings under our short-term credit facility, Credit Facility II (as defined below). Further, we have approximately $114.4 million in aggregate principal amount of Senior Notes (as defined below) outstanding. 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. Any additional facility we access could also impose additional covenants that could restrict our business activities. A failure to add new or replacement debt facilities or issue additional debt securities or other evidences of indebtedness could have an adverse effect on our business, financial condition or results of operations.

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

Because we have borrowed and may continue to borrow money to make investments, our net investment income before net realized and unrealized gains or losses, or net investment income, may be dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds. As a result, there can be no assurance that a significant change in market interest rates would not have a material adverse effect on our net investment income. In periods of declining interest rates, we may have difficulty investing our borrowed capital into investments that offer an appropriate return. 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 facility as a means to bridge to long-term

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financing. Our long-term fixed-rate investments are financed primarily with equity and intermediate or long-term 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, 2014, 1.0% 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.

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

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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.

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.

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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.

Our investments in portfolio companies are generally illiquid.

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

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

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

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

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- *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.

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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.

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, 2014, the fair value of our largest investment, U.S. Gas & Electric, Inc. (U.S. Gas), comprised 27.4% of our net assets. Beyond the asset diversification requirements associated with our qualification as a RIC, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, relatively few industries may continue to be significantly represented among our investments. To the extent that we have large positions in the securities of a small number of portfolio companies, we are subject to an increased risk of significant loss should the performance or financial condition of these portfolio companies or their respective industries deteriorate. We may also be more susceptible to any single economic or regulatory occurrence as a result of holding large positions in a small number of portfolio companies. See the risk factor below regarding the industry in which U.S. Gas operates.

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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 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 Recent 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.

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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.

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

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

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

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

Hedging transactions may expose us to additional risks.

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

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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. (REMOVED AND RESERVED)

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 6,672 shareholders on August 17, 2015.

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

	QUARTER ENDED		HIGH		LOW
FISCAL YEAR 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
FISCAL YEAR 2013					
	10/31/13	$	14.09	$	12.20
	07/31/13	$	13.09	$	12.46
	04/30/13	$	13.05	$	12.06
	01/31/13	$	12.40	$	11.65

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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 2010 through 2014. The graph assumes that, on October 31, 2009, 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, 2014)

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

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[1] Total Return includes reinvestment of dividends through October 31, 2014. Past performance is no guarantee of future results.

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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 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

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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, 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.

For the Quarter Ended April 30, 2013

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.

For the Quarter Ended July 31, 2013

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.

For the Quarter Ended October 31, 2013

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.

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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.

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.

The Company designated 100% of dividends declared and paid during the fiscal year ended October 31, 2014 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 100% of dividends

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declared and paid during the fiscal year ended October 31, 2014 from net operating income as qualifying for the dividends received deduction. The information necessary to prepare and complete shareholder s tax returns for the 2014 calendar year will be reported separately on form 1099-DIV, if applicable, in January 2015.

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 2014, as part of the Plan, we directed the Plan Agent to purchase a total of 1,051 shares of our common stock for an aggregate amount of approximately $13,230 in the open market in order to satisfy the reinvestment portion of our dividends. The following chart outlines repurchases of our common stock during fiscal 2014.

Quarter Ended	Total Number of Shares Purchased	Average Price paid Per Share Including Commission
10/31/2014	229	$11.21
7/31/2014	303	$12.40
4/30/2014	271	$13.11
1/31/2014	248	$13.52

SHARE REPURCHASE PROGRAM

On July 19, 2011, the Company s Board of Directors approved a share repurchase program authorizing up to $5.0 million for share repurchases. No shares were repurchased under this new program as of October 31, 2012.

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 2014.

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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
As of October 31, 2012				
For the Year Ended October 31, 2013	1,299,294	$ 12.83	1,299,294	$ 16,673,207
Total	1,299,294	$ 12.83	1,299,294	$ 16,673,207

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
As of 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

We have restated the selected financial data presented in this report as of and for the fiscal year ended October 31, 2013. This Part II, Item 6, *Selected Consolidated Financial Data* of this Annual Report on Form 10-K includes the following:

- The restated selected financial data for the annual period described above;
- The selected financial data for the year ended October 31, 2014;
- Schedules presenting the details of the nature and impact of the restatement adjustments. For further information regarding our restatement, see Note 2, *Restatement*, in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

The following selected consolidated financial data should be read in conjunction with Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 8, Financial Statements and Supplementary Data, of this Annual Report on

Form 10-K. Financial information for the fiscal years ended October 31, 2014, 2013, 2012, 2011 and 2010 are derived from the consolidated financial statements, which have been audited by Ernst & Young LLP, the Company s independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments), which are necessary to present fairly the results for such interim periods. See Management s Discussion and Analysis of Financial Condition and Results of Operations for more information.

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The account balances labeled As Published in the fiscal year ended October 31, 2013, represent the amounts derived from previously reported balances in the Company s Annual Report on Form 10-K for the year ended October 31, 2013.

Selected Consolidated Financial Data

	Year Ended October 31,				
	2014	2013 (restated)1	2012	2011	2010
	(In thousands, except per share data)				
Operating Data:					
Interest and related portfolio income:					
Interest and dividend income	$ 15,311	$ 19,621	$ 25,205	$ 11,450	$ 19,315
Fee income	1,562	2,853	1,940	2,784	3,696
Fee income - asset management	1,910	1,795	2,300	396	
Other income	1,033	493	442	1,341	510
Total operating income	19,816	24,762	29,887	15,971	23,521
Expenses:					
Management fee	8,681	7,833	8,588	8,845	9,330
Portfolio fees - asset management	986	418	968		
Management fee - asset management	354	929	757	297	
Administrative	3,672	3,712	3,573	4,320	3,395
Interest and other borrowing costs	9,442	6,724	3,367	3,082	2,825
Net Incentive compensation (Note 6)	(4,750)	3,828	(5,937)	1,948	2,479
Total operating expenses	18,385	23,444	11,316	18,492	18,029
Total waiver by adviser	(150)	(150)	(2,554)	(251)	(150)
Total net operating expenses	18,235	23,294	8,762	18,241	17,879
Net operating income (loss) before taxes	1,581	1,468	21,125	(2,270)	5,642
Tax expense, net	2	4	4	14	8
Net operating income (loss)	1,579	1,464	21,121	(2,284)	5,634
Net realized and unrealized (loss) gain:					
Net realized gain (loss) on investments	16,520	43,665	(20,518)	(26,422)	32,188
Net unrealized (depreciation) appreciation on investments	(37,941)	(25,860)	(22,257)	35,677	(21,689)
Net realized and unrealized (loss) gain on investments	(21,421)	17,805	(42,775)	9,255	10,499
Net (decrease) increase in net assets resulting from operations	$ (19,842)	$ 19,269	$ (21,654)	$ 6,971	$ 16,133
Per Share:					
Net (decrease) increase in net assets per share resulting from operations	$ (0.88)	$ 0.82	$ (0.90)	$ 0.30	$ 0.66
Dividends per share	$ 0.540	$ 0.540	$ 0.495	$ 0.480	$ 0.480

Balance Sheet Data:										
Portfolio at value	$	447,630	$	417,921	$	404,171	$	452,215	$	433,901
Portfolio at cost		439,970		371,932		332,432		358,219		375,582
Total assets		577,713		564,450		456,431		497,107		500,373
Shareholders equity		343,903		376,086		386,016		419,510		424,994
Shareholders equity per share (net asset value)	$	15.15	$	16.63	$	16.14	$	17.54	$	17.71
Common shares outstanding at period end		22,703		22,618		23,917		23,917		23,991
Other Data:										
Number of Investments funded in period		24		15		11		13		5
Investments funded ($) in period	$	103,671	$	95,701	$	11,300	$	43,235	$	8,332
Repayment/sales in period		62,508		103,069		19,950		60,157		94,232
Net investment activity in period		41,163		(7,368)		(8,650)		(16,922)		(85,900)

1 Certain financial statement amounts included in the fiscal year ended October 31, 2013 have been restated to correct accounting errors in the valuation of certain portfolio companies. The restatement adjustments are described in detail in Note 2, Restatement, in the Notes to Consolidated Financial Statements.

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	2014				2013				2012			
	Qtr 4	Qtr 3 (restated)	Qtr 2 (restated)	Qtr 1 (restated)	Qtr 4 (restated)	Qtr 3 (restated)	Qtr 2 (restated)	Qtr 1 (restated)	Qtr 4	Qtr 3	Qtr 2	Qtr 1
	(In thousands, except per share data)											
Quarterly Data (Unaudited):												
Total operating income	4,325	5,016	5,862	4,613	4,469	7,245	6,663	6,386	6,148	3,931	16,164	3,644
Management fee	2,121	2,144	2,227	2,189	2,109	1,986	1,758	1,979	2,027	2,127	2,177	2,257
Portfolio fees - asset management	386	153	341	106	105	103	103	106	106	338	462	62
Management fee - asset management	(126)	17	231	232	233	232	232	232	140	41	188	388
Administrative	942	1,095	727	908	1,024	897	902	890	862	971	817	923
Interest, fees and other borrowing costs	2,355	2,426	2,406	2,255	2,254	2,115	1,418	937	886	854	832	795
Net Incentive compensation	(2,339)	568	(3,414)	435	2,248	3,674	794	(2,888)	(1,410)	(2,415)	(175)	(1,937)
Total waiver by adviser	(37)	(38)	(37)	(38)	(37)	(38)	(37)	(38)	(38)	(37)	(2,383)	(96)
Tax expense		1		1	1	1	1	1	3			1
Net operating (loss) income before net realized and unrealized gains	1,023	(1,350)	3,381	(1,475)	(3,468)	(1,725)	1,492	5,167	3,572	2,052	14,246	1,251
Net increase (decrease) in net assets resulting from operations	(10,614)	1,738	(12,651)	1,685	4,319	17,081	7,143	(9,273)	(3,556)	(10,595)	1,515	(9,018)
Net increase (decrease) in net assets resulting from operations per share	(0.46)	0.07	(0.57)	0.08	0.16	0.74	0.30	(0.38)	(0.14)	(0.45)	0.06	(0.37)
Net asset value per share	15.15	15.75	15.89	16.57	16.63	16.57	15.84	15.62	16.14	16.42	16.99	17.04

Impact of Restatement and Correction Adjustments on the Fiscal Year Ended October 31, 2013 Consolidated Statement of Operations

The following table presents the impact of the restatement and correction adjustments on our Consolidated Statement of Operations for the fiscal year ended October 31, 2013:

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Year Ended October 31, 2013		
	As published	Adjustments	Restated
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 1,993	$	$ 1,993
Affiliate investments	7,852,217		7,852,217
Control investments	426,300		426,300
Total dividend income	8,280,510		8,280,510
Payment-in-kind dividend income			
Affiliate investments	269,900		269,900
Total payment-in-kind dividend income	269,900		269,900
Interest income			
Non-control/Non-affiliated investments	3,206,590		3,206,590
Affiliate investments	3,319,241		3,319,241
Control investments	1,458,138		1,458,138
Total interest income	7,983,969		7,983,969
Payment-in-kind interest income			
Non-control/Non-affiliated investments	1,497,860		1,497,860
Affiliate investments	969,775		969,775
Control investments	619,495		619,495
Total payment-in-kind interest income	3,087,130		3,087,130
Fee income			
Non-control/Non-affiliated investments	846,598		846,598
Affiliate investments	937,309		937,309
Control investments	1,068,910		1,068,910
Total fee income	2,852,817		2,852,817
Fee income - Asset Management [1]			
Portfolio fees	557,071		557,071
Management fees	1,238,301		1,238,301
Total fee income - Asset Management	1,795,372		1,795,372
Other income	492,743		492,743
Total operating income	24,762,441		24,762,441
Operating Expenses:			
Net Incentive compensation (Note 5)	8,303,671	(4,475,487)	3,828,184
Management fee	8,267,079	(434,468)	7,832,611
Interest and other borrowing costs	6,724,270		6,724,270

Management fee - Asset Management 1		928,722				928,722
Consulting fees		722,996				722,996
Audit & tax preparation fees		652,700				652,700
Other expenses		543,422				543,422
Legal fees		523,000				523,000
Portfolio fees - Asset Management 1		417,803				417,803
Directors fees		412,500				412,500
Insurance		333,700				333,700
Administration		254,961				254,961
Public relations fees		184,500				184,500
Printing and postage		84,712				84,712
Total operating expenses		28,354,036		(4,909,955)		23,444,081
Less: Voluntary Expense Waiver by Adviser 2		(150,000)				(150,000)
Less: Voluntary Management Fee Waiver by Adviser 3						
Less: Voluntary Incentive Fee Waiver by Adviser 4						
Total waivers		(150,000)				(150,000)
Net operating (loss) income before taxes		(3,441,595)		4,909,955		1,468,360
Tax Expenses:						
Current tax expense		3,600				3,600
Total tax expense		3,600				3,600
Net operating (loss) income		(3,445,195)		4,909,955		1,464,760
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
Non-control/Non-affiliated investments		(6,073,420)				(6,073,420)
Affiliate investments		82,512				82,512
Control investments		49,655,826				49,655,826
Total net realized gain on investments		43,664,918				43,664,918
Net unrealized (depreciation) appreciation on investments		(3,482,873)		(22,377,434)		(25,860,307)
Net realized and unrealized gain (loss) on investments		40,182,045		(22,377,434)		17,804,611
Net increase (decrease) in net assets resulting from operations	$	36,736,850	$	(17,467,479)	$	19,269,371
Net increase (decrease) in net assets per share resulting from operations	$	1.59	$	(0.77)	$	0.82
Dividends declared per share	$	0.540	$		$	0.540
Weighted average number of shares outstanding		23,334,367				23,334,367

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Impact of Restatement and Correction Adjustments as of October 31, 2013 Consolidated Balance Sheet

The following table presents the impact of the restatement and correction adjustments on our Consolidated Balance Sheet as of October 31, 2013:

MVC Capital, Inc.

Consolidated Balance Sheets

	As published	As of October 31, 2013 Adjustments	As restated
ASSETS			
Assets			
Cash	$ 9,134,246	$	$ 9,134,246
Restricted cash equivalents (cost $6,792,000)	6,792,000		6,792,000
Cash equivalents (cost $65,100,314)	65,100,314		65,100,314
Investments at fair value			
Short-term investments (cost $49,937,320)	49,826,893		49,826,893
Non-control/Non-affiliated investments (cost $92,139,375)	74,433,413		74,433,413
Affiliate investments (cost $136,499,386)	219,694,633	(2,642,190)	217,052,443
Control investments (cost $143,292,881)	146,169,917	(19,735,244)	126,434,673
Total investments at fair value (cost $421,868,962)	490,124,856	(22,377,434)	467,747,422
Escrow receivables, net of reserves	6,236,928		6,236,928
Dividends and interest receivables, net of reserves	3,528,899		3,528,899
Deferred financing fees	3,265,495		3,265,495
Fee and other receivables	2,109,538		2,109,538
Prepaid expenses	534,904		534,904
Prepaid taxes	336		336
Total assets	$ 586,827,516	$ (22,377,434)	$ 564,450,082
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	50,000,000		50,000,000
Provision for incentive compensation (Note 5)	23,959,109	(4,475,487)	19,483,622
Management fee payable	2,221,213	(434,468)	1,786,745
Professional fees payable	742,859		742,859
Accrued expenses and liabilities	655,615		655,615
Management fee payable - Asset Management	606,766		606,766
Interest payable	371,817		371,817
Consulting fees payable	167,968		167,968
Portfolio fees payable - Asset Management	140,347		140,347
Term loan			

Total liabilities		193,274,444		(4,909,955)		188,364,489
Shareholders equity						
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,617,688 shares outstanding		283,044				283,044
Additional paid-in-capital		420,165,045				420,165,045
Accumulated earnings		66,030,475		4,909,955		70,940,430
Dividends paid to stockholders		(104,537,479)				(104,537,479)
Accumulated net realized loss		(2,201,455)				(2,201,455)
Net unrealized appreciation		68,255,894		(22,377,434)		45,878,460
Treasury stock, at cost, 5,686,760 shares held		(54,442,452)				(54,442,452)
Total shareholders equity		393,553,072		(17,467,479)		376,085,593
Total liabilities and shareholders equity	$	586,827,516	$	(22,377,434)	$	564,450,082
Net asset value per share	$	17.40	$	(0.77)	$	16.63

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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.

Restatement of Previously Issued Financial Statements

As discussed further in Note 2, *Restatement*, in the Notes to Consolidated Financial Statements, we have restated our consolidated financial statement for the fiscal year ended October 31, 2013 and our unaudited quarterly financial information for each of the quarters in the fiscal year ended October 31, 2013 and for the first three quarters in the fiscal year ended October 31, 2014 (collectively, the Restated Periods).

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

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equity interests and other private equity transactions, among other investments. During the fiscal year ended October 31, 2013, the Company made six new investments and made nine follow-on investments in five existing portfolio companies committing a total of $95.7 million of capital to these 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 $105.8 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, 2014, 1.0% 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 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

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direction, TTG Advisers is entitled to receive the balance of the fees and any carried interest generated by the PE Fund and its portfolio companies. Given this separate arrangement with the GP and the PE Fund, under the terms of the Company s Advisory Agreement with TTG Advisers, TTG Advisers is not entitled to receive from the Company a management fee or an incentive fee on assets of the Company that are invested in the PE Fund. During the fiscal year ended October 31, 2012 and thereafter, MVC Partners was consolidated with the operations of the Company as MVC Partners limited partnership interest in the PE Fund is a substantial portion of MVC Partners operations. Previously, MVC Partners was presented as a portfolio company on the Schedule of Investments. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. There are additional disclosures resulting from this consolidation. Please see Note 3 of our consolidated financial statements Consolidation for more information. Also, during fiscal year ended October 31, 2014, MVC Turf, LLC (MVC Turf) was consolidated with the Company as MVC Turf is a 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.

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. 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.

Restatement for Corrections of Errors

Throughout this Annual Report on Form 10-K, certain financial information has been restated for the correction of accounting errors. Further information about these error corrections, and their effect, is outlined below:

The Company s oversight of two of its foreign portfolio companies contributed to a material adjustment to the financial statements. The Company found that certain supporting valuation information submitted for two affiliated/controlled portfolio companies were not accurate or in full conformity with the Company s established investment valuation policy. The inaccurate financial information was relied upon and utilized by management in the preparation of the quarterly valuations for the Valuation Committee.

Throughout this Management s Discussion and Analysis of Financial Condition and Results of Operations, references to prior period amounts are as restated.

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OPERATING INCOME

For the Fiscal Years Ended October 31, 2014, 2013 and 2012. Total operating income was $19.8 million for the fiscal year ended October 31, 2014 and $24.8 million for the fiscal year ended October 31, 2013, a decrease of $5.0 million. Fiscal year 2013 operating income decreased by $5.1 million compared to fiscal year 2012 operating income of $29.9 million.

	Year Ended October 31, 2014	Year Ended October 31, 2013 (restated)	Year Ended October 31, 2012
	(In thousands)		
Operating Income:			
Interest and dividend income	$ 15,311	$ 19,621	$ 25,205
Fee income	1,562	2,853	1,940
Fee income - asset management	1,910	1,795	2,300
Other income	1,033	493	442
Total operating income	$ 19,816	$ 24,762	$ 29,887

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

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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 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.

For the Fiscal Year Ended October 31, 2012

Total operating income was $29.9 million for the fiscal year ended October 31, 2012. The increase in operating income over the same period ended October 31, 2011 was primarily due to an increase in dividend income and fee income from asset management offset by a decrease in fees from portfolio companies and other income. The main components of operating income for the fiscal year ended October 31, 2012, was dividend income from portfolio companies and the interest earned on loans. The Company earned approximately $25.2 million in interest and dividend income from investments in portfolio companies, of which $12.0 million was a non-recurring dividend. Of the $25.2 million recorded in interest/dividend income, approximately $3.1 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 14%, excluding those investments, which interest is being reserved against. The Company also received fee income from asset management of the PE Fund and its portfolio companies totaling approximately $2.3 million and fee income from portfolio companies of approximately $1.9 million, totaling approximately $4.2 million. Of the $2.3 million of fee income from 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 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, 2014, 2013 and 2012. Net Operating expenses were $18.2 million for the fiscal year ended October 31, 2014 and $23.3 million for the fiscal year ended October 31, 2013, a decrease of $5.1 million. Fiscal year 2013 operating expenses increased by approximately $14.5 million compared to fiscal year 2012 operating expenses of $8.8 million.

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	Year Ended October 31, 2014	Year Ended October 31, 2013 (restated)	Year Ended October 31, 2012
	(In thousands)		
Operating Expenses:			
Management fee	$ 8,681	$ 7,833	$ 8,588
Portfolio fees - asset management	986	418	968
Management fee - asset management	354	929	757
Administrative	3,672	3,712	3,573
Interest and other borrowing costs	9,442	6,724	3,367
Net Incentive compensation (Note 6)	(4,750)	3,828	(5,937)
Total operating expenses	18,385	23,444	11,316
Total waiver by adviser	(150)	(150)	(2,554)
Total net operating expenses	$ 18,235	$ 23,294	$ 8,762

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 have 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 may determine to revise the present calculation methodology later in the year. For fiscal year 2013 and fiscal year 2014, the Company s expense ratio was 3.03%

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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, 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 6 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 includes 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 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 2011through 2014 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

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account the same carve outs as those applicable to the expense cap). The Company and the Adviser have 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 SIA Tekers Invest 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, 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, 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 6 of our consolidated financial statements Incentive Compensation for more information.

For the Fiscal Year Ended October 31, 2012

Operating expenses, net of the Voluntary Waivers (as described below), were approximately $8.8 million or 2.17% of the Company s average net assets, when annualized, for the fiscal year ended October 31, 2012. Significant components of operating expenses for the year ended October 31, 2012 were management fee expense totaling approximately $9.3 million, which includes management fees related to the Company of approximately $8.6 million and the PE Fund of approximately $757,000, and interest and other borrowing costs of approximately $3.4 million.

The $9.4 million decrease in the Company s net operating expenses for the fiscal year ended October 31, 2012 compared to the fiscal year ended October 31, 2011, was primarily due to the $7.9 million decrease in the estimated provision for incentive compensation expense and the $2.3 million voluntary waiver of the income incentive fee payment, which were offset by the addition of approximately $968,000 in portfolio fees asset management expense. The portfolio fees 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, 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 2010 through 2012 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). On October 23, 2012, TTG Advisers and the Company entered into an agreement to extend the expense cap of 3.5% and the

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Voluntary Waiver to the 2013 fiscal year. TTG Advisers also voluntarily agreed that any assets of the Company that were invested in exchange-traded funds and the Octagon Fund 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 2011 and fiscal year 2012, the Company s expense ratio was 3.18% and 2.95%, 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 year ended October 31, 2012, the provision for incentive compensation was decreased by a net amount of approximately $8.3 million to approximately $15.7 million. The net decrease in the provision for incentive compensation during the fiscal year ended October 31, 2012 reflects the Valuation Committee s determination to decrease the fair values of eleven portfolio investments (BP Clothing LLC (BP), HH&B, MVC Automotive, Security Holdings, SGDA Europe, NPWT, Tekers), Velocitius B.V. (Velocitius), BPC II, LLC (BPC), Centile and Ohio Medical) by a total of $35.4 million and the dividend distribution of $12.0 million received from Summit. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of five portfolio investments (Octagon Fund, Vestal, Octagon, Turf and RuMe) by a total of approximately $5.7 million. The Valuation Committee also increased the fair value of the Company s escrow receivable related to Vitality Foodservice, Inc. (Vitality) by $130,000. For the fiscal year ended October 31, 2012, a provision of approximately $2.3 million was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income exceeded the hurdle rate for the quarter ended April 30, 2012. TTG Advisers has voluntarily agreed to waive the income-related incentive fee payment of approximately $2.3 million that the Company would otherwise be obligated to pay to TTG Advisers under the Advisory Agreement. Please see Note 6 of our consolidated financial statements Incentive Compensation for more information.

REALIZED GAINS AND LOSSES ON PORTFOLIO SECURITIES

For the Fiscal Years Ended October 31, 2014, 2013 and 2012. Net realized gains for the fiscal year ended October 31, 2014 were $16.5 million and $43.7 million for the fiscal year ended October 31, 2013, a decrease of approximately $27.2 million. Net realized losses for the fiscal year ended October 31, 2012 were $20.5 million.

	Year Ended October 31, 2014	2013 (restated)	2012
	(In thousands)		
Net realized gain (loss) on investments	$ 16,520	$ 43,665	$ (20,518)

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.

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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.

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

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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.

For the Fiscal Year Ended October 31, 2012

Net realized losses for the year ended October 31, 2012 were approximately $20.5 million. The significant components of the Company s net realized losses for the year ended October 31, 2012 were primarily due to the reorganization of BP, the sale of Safestone Technologies Limited (Safestone), and the realization of the losses on GDC and MVC Partners, which were partially offset by the realized gain from the sale of SHL Group Limited.

On December 12, 2011, BP filed for Chapter 11 protection in New York with agreement to turn ownership over to secured lenders under a bankruptcy reorganization plan. On June 20, 2012, BP completed the bankruptcy process, which resulted in a realized loss of approximately $23.4 million on the Company s second lien loan, term loan A and term loan B.

On March 23, 2012, the Company sold its shares in the Octagon Fund for approximately $3.0 million resulting in a realized gain of approximately $18,000. Also during the year ended October 31, 2012, the Company received distributions from the Octagon Fund of approximately $45,000, which were treated as realized gains.

On July 10, 2012, the Company sold its 21,064 common shares of Safestone, a Legacy Investment. The amount received from the sale was approximately $50,000 and resulted in a realized loss of approximately $2.0 million.

On August 9, 2012, the Company sold its common shares of SHL Group Limited and received gross proceeds of approximately $15.3 million, resulting in a realized gain of approximately $9.2 million. The $15.3 million in proceeds included all transaction expenses and approximately

$225,000 held in escrow, which was fair valued at $135,000 as of October 31, 2012.

On October 31, 2012, the Company realized a loss of approximately $3.2 million on GDC because GDC was no longer doing business due to alleged accounting discrepancies, which resulted in an investigation by the U.S. Department of Justice.

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During the year ended October 31, 2012, MVC Partners and MVCFS General Partnership interest received distributions totaling approximately $41,000 from the PE Fund, which were treated as realized gains.

During the fiscal year ended October 31, 2012, the Company realized a loss on its investment in MVC Partners of approximately $1.4 million. Please see Note 3 of our consolidated financial statements Consolidation for more information.

During the year ended October 31, 2012, the Valuation Committee determined to increase the fair values of the Vitality and Vendio escrows by a combined amount of approximately $143,000, which were recorded as realized gains.

UNREALIZED APPRECIATION AND DEPRECIATION ON PORTFOLIO SECURITIES

For the Fiscal Years Ended October 31, 2014, 2013 and 2012. The Company had a net change in unrealized depreciation on portfolio investments of $37.9 million for the fiscal year ended October 31, 2014 and $25.9 million for the fiscal year ended October 31, 2013, an increase of $12.0 million. The Company had a net change in unrealized depreciation on portfolio investments of $22.3 million for the fiscal year ended October 31, 2012.

	Year Ended October 31,		
	2014	**2013 (restated)**	**2012**
	(In thousands)		
Net unrealized depreciation on investments	$ (37,941)	$ (25,860)	$ (22,257)

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 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

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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.

For the Fiscal Year Ended October 31, 2012

The Company had a net change in unrealized depreciation on portfolio investments of approximately $22.3 million for the fiscal year ended October 31, 2012. The change in unrealized depreciation for the fiscal year ended October 31, 2012 primarily resulted from the $12.0 million cash dividend received from Summit, the reclassification from unrealized appreciation to realized gain, caused by the sale of SHL Group Limited of approximately $9.2 million and the Valuation Committee s decision to decrease the fair values of the Company s

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investments in BP term loan A by $100,000, HH&B common stock by $900,000, MVC Automotive equity interest by approximately $8.9 million, SGDA Europe equity interest by approximately $2.6 million, Security Holdings equity interest by approximately $9.2 million, BPC equity interest by $180,000, MVC Partners equity interest by approximately $1.1 million, NPWT common and preferred stock by approximately $31,000 and $560,000, respectively, Tekers common stock by $278,000, Velocitius equity interest by approximately $3.4 million, Ohio Medical preferred stock by $8.4 million, Centile equity interest by approximately $34,000 and value the liability associated with the Ohio Medical guarantee at $825,000. These changes in unrealized depreciation were partially off-set by the reclassifications from unrealized depreciation to realized losses caused by BP, Safestone, MVC Partners and GDC of approximately $29.9 million and the Valuation Committee decision to increase the fair values of the Company s investments in Octagon Fund by approximately $227,000, RuMe preferred stock by approximately $417,000, Turf equity interest by approximately $153,000, MVCFS General Partnership interest in the PE Fund by approximately $1,000, Octagon equity interest by $700,000 and Vestal common stock by approximately $4.2 million.

PORTFOLIO INVESTMENTS

For the Fiscal Years Ended October 31, 2014 and October 31, 2013. The cost of the portfolio investments held by the Company at October 31, 2014 and October 31, 2013 was $440.0 million and $372.0 million, respectively, representing an increase of $68.0 million. The aggregate fair value of portfolio investments at October 31, 2014 and at October 31, 2013 was $447.6 million and $417.9 million, respectively, representing an increase of $29.7 million. The cost and fair value of cash and cash equivalents held by the Company at October 31, 2014 and October 31, 2013 was $23.4 million and $81.0 million, respectively, representing a decrease of approximately $57.6 million. The cost and fair value of short-term investments held by the Company at October 31, 2014 was $100.0 million and $99.9 million, respectively and at October 31, 2013 was $49.9 million and $49.8 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 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

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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, 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.

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.

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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 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.

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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 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

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$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 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 short-term investments 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 short-term investments and escrow receivables, was $417.9 million with a cost basis

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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.

For the Fiscal Year Ended October 31, 2013

During the year ended October 31, 2013, the Company made six new investments, committing capital totaling approximately $62.4 million. The investments were made in Summit ($22.0 million), SCSD ($5.5 million), Prepaid Legal ($9.9 million), Morey s ($8.0 million), Biogenic ($9.5 million) and Advantage ($7.5 million).

During the year ended October 31, 2013, the Company made nine follow-on investments into five existing portfolio companies totaling approximately $33.3 million. On November 26, 2012, the Company loaned an additional $8.0 million to JSC Tekers, increasing the secured loan amount to $12.0 million. The interest rate remains at 8% per annum and the maturity date was extended to December 31, 2014. On February 15, 2013 and May 7, 2013, the Company contributed a total of approximately $1.1 million to the PE Fund related to expenses and an additional investment in Plymouth Rock Energy, LLC. As of October 31, 2013, the PE Fund has invested in Plymouth Rock Energy, LLC, Gibdock Limited and Focus Pointe Holdings, Inc. On June 11, 2013, the Company invested $22.6 million in Ohio Medical in the form of 7,477 shares of series C convertible preferred stock. This follow-on investment replaced the guarantee the Company had with Ohio Medical. The guarantee is no longer a commitment of the Company. On August 2, 2013, the Company increased its common equity interest in MVC Automotive by approximately $133,000. During the year ended October 31, 2013, the Company loaned an additional $1.5 million to Biovation, increasing the loan amount to approximately $3.1 million. The Company also received Biovation warrants at no cost and allocated a portion of the cost basis of the additional loan to the warrants at the time the investment was made.

On December 17, 2012, the Company received a dividend from Vestal of approximately $426,000.

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 19, 2012, MVC Automotive made a principal payment of approximately $2.0 million on its bridge loan. As of October 31, 2013, the balance of the bridge loan was approximately $1.6 million.

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 its 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 8, 2013, the Company received a $70,000 dividend from Marine Exhibition Corporation (Marine).

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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 includes 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. Also, as part of the sale, the $12.1 million second lien loan to Summit was repaid in full, including all accrued interest. The Company then provided Summit with a $22.0 million second lien loan with an annual interest rate of 14% and a maturity date of October 1, 2018.

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 June 10, 2013, Teleguam repaid its $7.0 million second lien loan in full, including all accrued interest.

On July 1, 2013, Prepaid Legal repaid its tranches A and B term loans in full including all accrued interest. Total proceeds received were approximately $6.8 million.

During the year ended October 31, 2013, the Company received dividend payments from U.S. Gas totaling approximately $7.6 million.

During the year ended October 31, 2013, Marine made principal payments totaling $900,000 on its senior subordinated loan. As of October 31, 2013, the balance of the loan was approximately $11.4 million.

During the year ended October 31, 2013, Custom Alloy made principal payments of approximately $8.2 million on its loan. As of October 31, 2013, the outstanding balance of the loan was approximately $7.5 million.

During the quarter ended January 31, 2013, the Valuation Committee increased the fair value of the Company s investments in Custom Alloy series A preferred stock by approximately $4,000 and series B preferred stock by approximately $836,000, Turf equity interest by $180,000, Octagon equity interest by $450,000, Tekers common stock by $234,000, Vestal common stock by approximately $1.7 million, Pre-Paid Legal term loans A and B by a total of approximately $119,000, RuMe preferred stock by $423,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $12,000, Centile equity interest by $90,000 and Security Holdings equity interest by $3.0 million. In addition, increases in the cost basis and fair value of the loans to Custom Alloy, Marine, Summit, Freshii and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $648,977. The Valuation Committee also

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decreased the fair value of the Company s investments in SGDA Europe equity interest by approximately $4.8 million, MVC Automotive equity interest by approximately $15.1 million, HH&B common stock by $100,000, NPWT preferred stock by approximately $84,000 due to the distribution received, and Velocitius equity interest by approximately $1.1 million. The Valuation Committee also determined to increase the liability associated with the Ohio Medical guarantee by $350,000. Also, during the quarter ended January 31, 2013, the undistributed allocation of flow through losses from the Company s equity investment in Octagon decreased the cost basis and fair value of this investment by approximately $30,000.

During the quarter ended April 30, 2013, the Valuation Committee increased the fair value of the Company s investments in NPWT preferred and common stock by a total of approximately $70,000, Security Holdings equity interest by approximately $4.0 million, SGDA Europe equity interest by approximately $762,000, Turf equity interest by $412,000, Vestal common stock by approximately $1.4 million, Centile equity interest by $505,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.7 million and Freshii warrant by approximately $5,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $453,990. The Valuation Committee also decreased the fair value of the Company s investments in Ohio Medical Preferred stock by $4.6 million, Tekers common stock by $218,000, MVC Automotive equity interest by approximately $552,000, Velocitius equity interest by approximately $1.2 million, JSC Tekers secured loan by $1.0 million and the Biovation loan and warrant by a total of approximately $50,000. The Valuation Committee also determined to remove the liability associated with the Ohio Medical guarantee, which had a fair value as of January 31, 2013 of approximately $1.2 million. Also, during the quarter ended April 30, 2013, 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 $110,000.

During the quarter ended July 31, 2013, the Valuation Committee increased the fair value of the Company s investments in Custom Alloy series A preferred stock by approximately $22,000 and series B preferred stock by approximately $5.0 million, Security Holdings equity interest by approximately $1.9 million, U.S. Gas convertible series I preferred stock by $11.6 million, Vestal common stock by $1.0 million, Centile equity interest by $474,000 and the Biovation bridge loan by approximately $135,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biovation and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $1,198,394. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $201,000 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 NPWT preferred and common stock by a total of approximately $210,000, MVC Automotive equity interest by approximately $1.3 million, SGDA Europe equity interest by approximately $365,000, Velocitius equity interest by approximately $116,000, Freshii warrant by approximately $8,000, Biovation warrant by $82,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $85,000. Also, during the quarter ended July 31, 2013, 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 $70,000.

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During the quarter ended October 31, 2013, 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 $4.1 million, Security Holdings equity interest by approximately $3.4 million, Vestal common stock by $2.7 million, Centile equity interest by $568,000, MVC Automotive equity interest by approximately $879,000, NPWT preferred and common stock by a total of approximately $19,000, SGDA Europe equity interest by approximately $615,000, Velocitius equity interest by approximately $505,000, Tekers common stock by $214,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $649,000, Pre-Paid Legal second lien loan by approximately $144,000 and the Biovation bridge loan by approximately $87,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biovation and U.S. Gas, Biogenic and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $968,538. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $900,000 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 the Freshii warrant by approximately $12,000, RuMe preferred stock by $750,000, Ohio Medical Preferred stock by $1.9 million and Foliofn preferred stock by approximately $3.8 million. Also, during the quarter ended October 31, 2013, 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 $97,000.

During the year ended October 31, 2013, the Valuation Committee increased 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 $9.9 million, Octagon equity interest by $450,000, Pre-Paid Legal term loans A and B by a total of approximately $119,000, 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, Pre-Paid Legal second lien loan by approximately $144,000, Centile equity interest by $1.7 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. In addition, increases in the cost basis and fair value of the loans to Custom Alloy, Marine, Summit, Freshii, Biogenic and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $3,269,909. 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 Ohio Medical Preferred stock by $6.5 million, MVC Automotive equity interest by approximately $16.1 million, SGDA Europe equity interest by approximately $3.8 million, NPWT preferred and common stock by a total of approximately $205,000, Freshii warrant by approximately $15,000, Foliofn preferred stock by approximately $3.8 million, RuMe preferred stock by $327,000, HH&B common stock by $100,000, Velocitius equity interest by approximately $1.9 million, JSC Tekers secured loan by $1.0 million and the Biovation warrant by $87,000. The Valuation Committee also determined to remove the liability associated with the Ohio Medical guarantee which had a net change of $825,000. Also, during the year ended October 31, 2013, 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 $247,000.

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At October 31, 2013, the fair value of all portfolio investments, exclusive of short-term 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. At October 31, 2012, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was $404.2 million with a cost basis of $332.4 million. At October 31, 2012, the fair value and cost basis of the Legacy Investments were $10.8 million and $30.3 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team were $393.4 million and $302.1 million, respectively.

Portfolio Companies

During the fiscal year ended October 31, 2014, 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, 2013 and October 31, 2014, 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, 2013, the Company s investment in Advantage consisted of 750,000 shares of preferred stock with a cost basis and fair value of $7.5 million.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the preferred stock by $221,000.

At October 31, 2014, the 750,000 shares of preferred stock had a cost basis of $7.5 million and a fair value of approximately $7.7 million.

Biogenic Reagents

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

At October 31, 2013, the Company s investment in Biogenic consisted of a senior note and a senior convertible note. The notes have an interest rate of 16% and a maturity date of July 21, 2018. The loans had a combined outstanding balance, cost basis and fair value of $9.6 million.

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.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the senior convertible note by $305,000.

At October 31, 2014, the Company s loans had a combined outstanding balance and cost basis of approximately $14.0 million and a combined fair value of approximately $14.3 million.

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The increase in cost and fair value of the loans is due to the capitalization of payment in kind interest. These increases were approved by the Company s Valuation Committee.

Biovation Holdings Inc.

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

At October 31, 2013, the Company s investment in Biovation consisted of a bridge loan with an annual interest of 12% and a maturity date of August 31, 2014. The loan had an outstanding balance of approximately $3.1 million, a cost basis of approximately $3.0 million and a fair value of approximately $3.2 million. The warrants had a cost of $288,000 and a fair value of $201,000.

On May 9, 2014, the Company loaned an additional $500,000 to Biovation 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.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair values of the loan by approximately $439,000 and the warrants by approximately $311,000.

At October 31, 2014, the Company s investment consisted of a bridge loan with an 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. The increase in cost and fair value of the loan is due to the capitalization of payment in kind interest. The increase in the fair value was approved by the Company s Valuation Committee. The Company has reserved in full against all of the accrued interest starting August 1, 2014.

Peter Seidenberg and Jim Lynch, representatives of the Company, serve as directors of Biovation.

BPC II, LLC

BPC, Arcadia, California, is a company that designs, manufactures, markets and distributes women s apparel under several brand names.

On December 12, 2011, BP filed for Chapter 11 protection in New York with agreement to turn ownership over to secured lenders under a bankruptcy reorganization plan. Secured lenders, including the Company, agreed to support a Chapter 11 reorganization.

On June 20, 2012, BP completed the bankruptcy process that resulted in a realized loss of approximately $23.4 million on the Company s second lien loan, term loan A and term loan B. As a result of the bankruptcy process, the Company received limited liability company interest in BPC.

At October 31, 2013, the equity investment had a cost basis of $180,000 and a fair value of $0.

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

At October 31, 2014, the Company no longer held an investment in BPC.

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.

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At October 31, 2013, the Company s investment in Centile consisted of common equity interest at a cost of $3.2 million and a fair value of approximately $4.8 million.

On November 19, 2013, the Company increased its common equity interest in Centile by $100,000.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the common equity interest by approximately $117,000.

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.

Christopher Sullivan, 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, 2013, the Company s investment in Custom Alloy consisted of nine shares of convertible series A preferred stock at a cost of $44,000 and a fair value of approximately $88,000 and 1,991 shares of convertible series B preferred stock at a cost of $10.0 million and fair value of approximately $19.9 million. The unsecured subordinated loan, which bears annual interest at 12% and has a maturity date of September 4, 2016, had a cost basis, outstanding balance and fair value of approximately $7.5 million.

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

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the series A preferred stock by approximately $12,000 and the series B preferred stock by approximately $2.7 million.

On October 31, 2014, the Company redeemed its convertible series A and series B preferred shares 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.

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.

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).

On May 14, 2014, the Company signed a share exchange agreement with Equus 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 MVC. The exchange was calculated based upon each company s respective net asset value per

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share published at the 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. Consistent with the Company s valuation procedures, the Company has valued the common stock to its market price.

During the fiscal year ended October 31, 2014, as part of the Equus plan of reorganization, the Company purchased 2,332,644 additional outstanding common shares of Equus at a total cost of approximately $5.7 million.

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.

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, 2013, 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 $7.0 million.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the preferred stock by approximately $1.1 million.

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.

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

Freshii USA, Inc.

Freshii, Chicago, Illinois, is a chain of fast casual restaurants serving fresh and healthy food for breakfast, lunch and dinner. Freshii currently has 33 locations in 21 cities and four countries.

At October 31, 2013, the Company s investment in Freshii consisted of a senior secured loan, bearing annual interest of 12% and a maturity date of January 11, 2017. The loan had an outstanding balance, cost basis and fair value of approximately $1.1 million. The warrant had a cost of approximately $34,000 and a fair value of approximately $19,000.

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.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the warrant by approximately $23,000.

At October 31, 2014, the Company no longer held an investment in Freshii.

G3K Displays, Inc.

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

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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 the loan proceeds. All legal options available are being examined. The Company did recover $375,000 in principal prior to October 31, 2014.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the loan by approximately $5.6 million.

At October 31, 2014, 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.

Harmony Health & Beauty, Inc.

Harmony Health & Beauty, 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 is a distributor of health and beauty products. The Company s initial investment consisted of 100,010 shares of common stock.

At October 31, 2013 and October 31, 2014, the Company s investment in HH&B consisted of 147,621 shares of common stock with a cost of $6.7 million and fair value of $0.

Michael Tokarz, Chairman of the Company, serves as a director of HH&B.

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.

On April 17, 2014, the Company loaned $13.0 million of its $15.0 million commitment to Inland in the form of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019. The Company also received warrants for shares of common stock in Inland and allocated $713,000 of the cost basis of the loan to the warrants at the time the investment was made.

On May 19, 2014, the Company loaned an additional $2.0 million to Inland.

At October 31, 2014, the Company s investment in Inland consisted of a senior secured loan with 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. The increase in cost and fair value of the loan is due to the capitalization of payment in kind interest. The increase in the fair value was approved by the Company s Valuation Committee.

JSC Tekers Holdings

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

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At October 31, 2013, the Company s investment in JSC Tekers consisted of a secured loan with an outstanding balance and cost basis of $12.0 million and a fair value of $11.0 million and 2,250 shares of common stock with a cost basis and fair value of $4,500. The secured loan had an interest rate of 8% and a maturity date of December 31, 2014. The Company had reserved in full against all of the accrued interest starting February 1, 2013.

On May 1, 2014, the Company converted its $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.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair values of the common stock and preferred stock by a total of approximately $5.6 million.

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 approximately $6.2 million and 3,201 shares of common stock with a cost basis of $4,500 and a fair value of $4,200.

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, 2013 and October 31, 2014, 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.

Marine Exhibition Corporation

Marine, Miami, Florida, owns and operates the Miami Seaquarium. The Miami Seaquarium is a family-oriented entertainment park.

At October 31, 2013, the Company s investment in Marine consisted of a senior secured loan and 20,000 shares of preferred stock. The senior secured loan had an outstanding balance, cost basis and fair value of approximately $11.4 million. The senior secured loan bears annual interest at 11% and matures on August 30, 2017. The preferred stock was fair valued at approximately $3.5 million. The dividend rate on the preferred stock is 12% per annum.

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 matures on June 30, 2014.

During the fiscal year ended October 31, 2014, Marine made principal payments totaling $100,000 on its senior subordinated loan and paid $700,000 in dividends to the Company.

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 preferred stock were also sold for approximately $3.8 million, which resulted in no gain or loss.

At October 31, 2014, the Company no longer held an investment in Marine.

Morey s Seafood International LLC

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

At October 31, 2013, the Company s investment in Morey s consisted of a $8.0 million second lien loan. The loan had an interest rate of 10% and a maturity date of August 12, 2018.

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On January 2, 2014, the Company loaned $7.0 million to Morey s, increasing the second lien loan amount to $15.0 million. The interest rate on the total loan amount was increased to 13%.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair values of the loan by approximately $253,000.

At October 31, 2014, the loan had an outstanding balance and cost basis of $15.3 million and a fair value of $15.6 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 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, 2013, the Company s investment in MVC Automotive consisted of an equity interest with a cost of approximately $34.9 million and a fair value of approximately $17.5 million. The bridge loan, which bears annual interest at 10% and matures on December 31, 2013, had a cost and fair value of approximately $1.6 million. The guarantee for MVC Automotive was equivalent to approximately $5.4 million at October 31, 2013.

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

On November 19, 2013, the Company invested an additional $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 March 5, 2014, the Company invested an additional $4.0 million into MVC Automotive in the form of common equity interest.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the equity interest by approximately $6.7 million.

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.

Michael Tokarz, Chairman of the Company, and Christopher Sullivan, 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

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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 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, 2013, the cost basis of the limited partnership interest in the PE Fund was equal to the investments made in the PE Fund of approximately $9.1 million and had a fair value of approximately $11.4 million. The Company s general partnership interest in the PE Fund had a cost basis of approximately $232,000 and fair value of approximately $288,000.

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 October 7, 2014, the Company contributed a total of approximately $2.4 million to the PE Fund related to an investment in AccuMed Corp.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair values of the limited partnership and general partnership interests totaling approximately $3.6 million.

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. 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.

NPWT Corporation

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

At October 31, 2013, 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 $14,000 and 5,000 shares of convertible preferred stock with a cost basis of $0 and a fair value of $241,000.

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

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair values of the common stock and preferred stock totaling approximately $169,000.

At October 31, 2014, the common stock had a cost basis of approximately $1.2 million and a fair value of approximately $5,000. The convertible preferred stock had a cost basis of $0 and a fair value of approximately $81,000.

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

Octagon Credit Investors, LLC

Octagon, is a New York-based asset management company that manages leveraged loans and high yield bonds through collateralized debt obligations (CDO) funds.

At October 31, 2013, the Company s investment in Octagon consisted of an equity investment with a cost basis of approximately $2.6 million and a fair value of approximately $6.9 million.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the equity investment by approximately $750,000.

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.

At October 31, 2014, the Company no longer held an investment in Octagon.

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, 2013, 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, 24,773 shares of series A convertible preferred stock with a cost basis of $30.0 million and a fair value of $24.6 million and 7,845 shares of series C convertible preferred stock with a cost basis of $22.6 million and a fair value of $23.7 million.

On May 27, 2014, the Company purchased 2,893 common shares of Ohio Medical from Champlain Capital Partners at a nominal cost.

During the fiscal year ended October 31, 2014, the fair value of the series C convertible preferred stock was increased by approximately $4.0 million due to a PIK distribution, which was treated as a return of capital.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the common stock by approximately $800,000.

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.

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

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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, 2013 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 Alternate Base rate (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 approximately $10.0 million.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the loan by $100,000.

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. The increase in the cost of the loan is due to the amortization of the original issue discount.

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, 2013, the Company s investment in RuMe consisted of 999,999 shares of common stock with a cost basis and fair value of approximately $160,000 and 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 $1.1 million.

On December 23, 2013, the Company loaned $3.3 million to RuMe in the form of a senior secured loan with a cash interest rate of 12% and had 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 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 May 7, 2014, the Company converted its $3.3 million senior secured loan and accrued interest of approximately $161,000 into 23,896,634 shares of series C preferred stock.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the series C preferred stock by approximately $875,000.

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 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.

Christopher Sullivan, 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 on the Company s

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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, 2013, the Company s common equity interest in Security Holdings had a cost basis of approximately $40.2 million and a fair value of $36.3 million.

On November 13, 2013, the Company loaned $4.0 million to Security Holdings in the form of a 5% cash bridge loan which had a maturity date of February 15, 2014.

On August 26, 2014, the Company invested approximately $12.7 million in Security Holdings for additional common equity interest.

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

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the common equity interest by approximately $1.7 million.

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.

Christopher Sullivan, 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, 2013, the Company s equity investment had a cost basis of approximately $20.1 million and a fair value of $4.1 million.

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.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the common equity interest by approximately $2.6 million.

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.

Christopher Sullivan, a representative of the Company, serves as a director of SGDA Europe.

SGDA Sanierungsgesellschaft fur Deponien und Altasten GmbH

SGDA, Zella-Mehlis, Germany, is a company that is in the business of landfill remediation and revitalization of contaminated soil.

At October 31, 2013, the Company s investment in SGDA consisted of a term loan with an outstanding balance, cost basis and fair value of approximately $6.5 million. The term loan had an annual interest of 7.0% and matured on August 31, 2014.

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

At October 31, 2014, the Company no longer held a direct investment in SGDA.

SIA Tekers Invest

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

At October 31, 2013, 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 $1.5 million. The Company guaranteed a 1.4 million Euro mortgage for Tekers. The guarantee was equivalent to approximately $68,000 at October 31, 2013 for Tekers.

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During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the common stock by approximately $252,000.

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. This guarantee was taken into account in the valuation of Tekers.

Summit Research Labs, Inc.

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

At October 31, 2013, the Company s investment in Summit consisted of a second lien loan that had an outstanding balance, cost basis and fair value of approximately $23.1 million. The second lien loan bears annual interest at 14% and matures on October 1, 2018.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the loan by approximately $253,000.

At October 31, 2014, the Company s second lien loan had an outstanding balance and cost basis of approximately $25.1 million and a fair value of approximately $25.4 million. The increase in cost and fair value of the loan is due to the capitalization of payment in kind interest. The increase in the fair value was approved by the Company s Valuation Committee.

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, 2013, the Company s investment in Turf consisted of a senior subordinated loan, bearing interest at 13% per annum with a maturity date of January 31, 2014, a junior revolving note, bearing interest at 6% per annum with a maturity date of January 31, 2014, LLC membership interest, and warrants. The senior subordinated loan had an outstanding balance, cost basis and a fair valued of $8.4 million. The junior revolving note had an outstanding balance, cost, and fair value of $1.0 million. The membership interest has a cost and fair value of approximately $3.5 million. The warrants had a cost of $0 and a fair value of $0.

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. The interest rate on the loan was decreased to 11% per annum with a new maturity date of November 1, 2018. The Company also guaranteed $1.0 million of Turf s indebtedness to Berkshire Bank.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the membership interest by $525,000, decreased the fair value of the loan by approximately $31,000 and fair valued the guarantee at negative $67,000.

At October 31, 2014, 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 negative $67,000.

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

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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, 2013, the Company s investment in U.S. Gas consisted of a second lien loan with an outstanding balance, cost and fair value of $10.1 million. The second lien loan bears annual interest at 14% and has a maturity date of July 25, 2015. The 32,200 shares of convertible Series I preferred stock had a fair value of $92.7 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.

On December 16, 2013, the Company announced the termination of its agreement to sell U.S. Gas to 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 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. Also 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.

During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the preferred stock by approximately $9.0 million.

At October 31, 2014, the loans had a combined outstanding balance, cost basis and a fair value of approximately $10.5 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, 2013, 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.

On May 2, 2014, the Company loaned $1.5 million to SCSD in the form of a secured loan. The secured loan has an interest rate of 12% and a maturity date of May 2, 2019.

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.

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

Velocitius B.V.

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

At October 31, 2013, the Company s investment in Velocitius consisted of an equity investment with a cost of $11.4 million and a fair value of $19.9 million.

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During the fiscal year ended October 31, 2014, the Valuation Committee decreased the fair value of the equity investment by approximately $8.4 million.

At October 31, 2014, the equity investment in Velocitius had a cost of approximately $11.4 million and a fair value of approximately $11.5 million.

Peter Seidenberg, a representative of the Company, serves as a director of 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, 2013, 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 $12.5 million.

During the fiscal year ended October 31, 2014, the Valuation Committee increased the fair value of the common stock by approximately $4.5 million.

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 outstanding balance, cost, and fair value of $600,000. The 81,000 shares of common stock had a cost basis of approximately $1.9 million and a fair value of $16.9 million.

Bruce Shewmaker and Scott Schuenke, officers of the Company, serve as directors of Vestal.

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, 2014, the Company had investments in portfolio companies totaling $447.6 million. Also, at October 31, 2014, the Company had investments in cash and cash equivalents totaling approximately $23.4 million. Of the $23.4 million in cash and cash equivalents, $6.3 million was restricted cash related to the project guarantee for Security Holdings. The Company considers all money market and other cash investments purchased with an original maturity of less than three months to be cash equivalents. U.S. government securities and cash equivalents are highly liquid. Pending investments in portfolio companies pursuant to our principal investment strategy, the Company may make other short-term or temporary investments, including in exchange-traded funds, in U.S. Government issued securities, and private investment funds offering significantly more liquidity than traditional portfolio company investments.

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).

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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 the 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,

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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.

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, 2014 and October 31, 2013, the Company s existing commitments to portfolio companies consisted of the following:

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**

Portfolio Company	Amount Committed	Amount Funded at October 31, 2013
Turf Revolver	$1.0 million	$1.0 million
MVC Private Equity Fund LP	$20.1 million	$9.3 million
Total	**$21.1 million**	**$10.3 million**

Guarantees

As of October 31, 2014 and October 31, 2013, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded at October 31, 2014
MVC Automotive	$5.0 million	
Tekers		
Turf	$1.0 million	
Total	**$6.0 million**	

Guarantee	Amount Committed	Amount Funded at October 31, 2013
MVC Automotive	$5.4 million	
Tekers	$68,000	
Total	**$5.5 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, 2014, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be negative $67,000.

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

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On July 19, 2007, the Company agreed to guarantee a 1.4 million Euro mortgage for Tekers. The guarantee did not have an outstanding balance as of October 31, 2014.

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 (equivalent to approximately $5.0 million at October 31, 2014) through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. The Company has consistently reported the amount of the guarantee as 4.0 million Euro. The Company and MVC Automotive continue to view this amount as the full amount of our commitment. Erste Bank, the bank extending the mortgage to MVC Automotive, believes, based on a different methodology, that the balance of the guarantee as of October 31, 2014 is approximately 6.3 million Euro (equivalent to approximately $7.8 million).

On July 31, 2008, the Company extended a $1.0 million loan to Turf in the form of a secured junior revolving note. The note had an annual interest at 6.0% and was to expire on January 31, 2014. On November 1, 2013, Turf repaid its junior revolving note in full including all accrued interest. The junior revolving note is no longer a commitment of the Company. The Company also guaranteed $1.0 million of Turf s indebtedness to Berkshire Bank, which had a fair value of negative $67,000 as of October 31, 2014.

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. As of October 31, 2014, $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 $6.3 million at October 31, 2014), which is classified as restricted cash 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.

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 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.

On April 17, 2014, the Company loaned $13.0 million of its $15.0 million commitment to Inland in the form of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019. The Company also received warrants for shares of common stock in Inland and allocated a portion of the cost basis of the loan to the warrants at the time the investment was

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made. On May 19, 2014, the Company loaned the remaining $2.0 million to Inland, which increased the total amount outstanding as of October 31, 2014 to $15.0 million.

Commitments of the Company

Effective November 1, 2006, under the terms of the Investment Advisory and Management Agreement with TTG Advisers, which has since been amended and restated (the Advisory Agreement), and described in Note 5 of the consolidated financial statements, Management , 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, New York 10577.

On April 27, 2006, the Company and MVCFS, as co-borrowers, entered into a four-year, $100 million credit facility (the Credit Facility), consisting of $50.0 million in term debt and $50.0 million in revolving credit, with Guggenheim as administrative agent for the lenders. On April 13, 2010, the Company renewed the Credit Facility for three years. The Credit Facility consisted of a $50.0 million term loan with an interest rate of LIBOR plus 450 basis points with a 1.25% LIBOR floor and had a maturity date of April 27, 2013.

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 in full, including all accrued interest. The Company intends to use 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, 2014, the total outstanding amount of the Senior Notes was approximately $114.4 million with a market value of approximately $115.3 million. The market value of the Senior Notes is based on the closing price of the security as of October 31, 2014 on the New York Stock Exchange (NYSE:MVCB).

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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, 2013, the balance of Credit Facility II was $50.0 million. On January 31, 2014, Credit Facility II was increased to a $100 million revolving credit facility. On July 30, 2014, Credit Facility II was renewed for an additional one-year period. Credit Facility II will now expire on July 31, 2015, at which time all outstanding amounts under it will be due and payable. During the fiscal year ended October 31, 2014, the Company s net borrowings on Credit Facility II were $50.0 million, resulting in an outstanding balance of $100 million at October 31, 2014. Credit Facility II will be used to provide the Company with better overall financial flexibility in managing its investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 100 basis points. In addition, the Company is also subject to a 25 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II are secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

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

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. The total distribution amounted to $3,064,881.

On December 30, 2014, the Company entered into a 6 month $25.0 million bridge loan with Firstrust Bank. Borrowing under the bridge loan bears interest at 5%. On June 29, 2015, the bridge loan was extended to October 31, 2015 and the amount of the bridge loan increased to $30.0 million. The balance of the bridge loan at the time of this filing was approximately $12.8 million.

On December 30, 2014, the Company invested a total of approximately $39.8 million in the form of senior subordinated notes in RXInnovations, Inc. (RX) ($10.3 million), Agri-Carriers Group, Inc. (Agri-Carriers) ($11.8 million), Legal Solutions Holdings, Inc. (Legal Solutions) ($8.7 million) and The Results Companies, LLC (Results Companies) ($9.0 million).

On February 9, 2015, the New York Stock Exchange (NYSE) notified the Company that it is out of compliance with the NYSE s continued listing requirements under the timely filing criteria set forth in Section 802.01E of its Listed Company Manual. The Company had until January 14, 2015 and received an extension to July 30, 2015 to file its 2014 Annual Report on Form 10-K with the SEC. The Company then received an additional 6 month extension to January 30, 2016 to file its 2014 Annual Report on Form 10-K with the SEC.

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On March 24, 2015 and July 30, 2015, the NYSE notified the Company that it is out of compliance with the NYSE s continued listing requirements under the timely filing criteria set forth in Section 802.01E of its Listed Company Manual related to the periods ended January 31,2015 and 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. The total distribution amounted to $3,064,881.

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

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 27, 2015, the Company invested approximately $1.1 million in MVC Automotive for additional common equity interest.

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million which includes a $1.0 million dividend and assumes 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 3, 2015, the Company invested $250,000 in Centile for additional common equity interest.

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.

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

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

On June 29, 2015, Ernst & Young LLP informed the Company of its determination not to stand for reappointment as the independent registered public accounting firm of the Fund for the fiscal year ending October 31, 2015. The determination was accepted by the Fund s Audit Committee at a meeting held the following day.

During the month ended June 30, 2015, Prepaid Legal repaid its $10.0 million loan in full including all accrued interest.

On July 7, 2015, the Company invested $1.0 million into Biogenics in the form of a senior secured bridge loan and a warrant. The loan has an interest rate of 16% and matures on September 15, 2015.

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

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. The total distribution amounted to $3,064,881.

On July 31, 2015, the Company renewed Credit Facility II with a new maturity date of September 30, 2015. On September 30, 2015, the maturity date of Credit Facility II was extended to November 30, 2015.

Please refer to the Restatement Note for matters related to MVC Auto and SGDA.

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 are effective for the Company beginning in fiscal year 2015. These updates are expected to have no impact on the Company s financial condition or results of operations.

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 14 and 15. Notes to 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. At October 31, 2013, the Company had $906,000 in capital loss carryforwards. During fiscal year 2014, the Company had net realized

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gains of approximately $16.5 million, net of book/tax difference related to the treatment of partnership income, and as a result, the Company had no capital loss carryforwards as of October 31, 2014. The Company also has approximately $17.9 million in unrealized losses associated with Legacy Investments.

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 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. 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. 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, 2014, approximately 75.79% 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

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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.

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.

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

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investees. The requirements of ASU 2013-08 are effective for the Company beginning in fiscal year 2015. These updates are expected to have no impact on the Company s financial condition or results of operations.

Our investments are carried at fair value in accordance with the 1940 Act and 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, 2014, 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, 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 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 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.

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

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

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

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

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

As permitted under GAAP, the Company s interests in private investment funds are generally valued, as a practical expedient, utilizing the net asset valuations provided by management of the underlying Investment Vehicles, without adjustment, unless TTG Advisers is aware of information indicating that a value reported does not accurately reflect the value of the

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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. 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

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

Investment Classification

We classify our investments by level of control. As defined in the 1940 Act, Control Investments are investments in those companies that we are deemed to Control.   Affiliate Investments are investments in those companies that are Affiliated Companies of us, as defined in the 1940 Act, other than Control Investments.   Non-Control/Non-Affiliate Investments are those that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, we are deemed to control a company in which we have invested if we own 25% or more of the voting securities of such company or have greater than 50% representation on its board. We are deemed to be an affiliate of a company in which we have invested if we own 5% or more and less than 25% of the voting securities of such company.

Investment Transactions and Related Operating Income

Investment transactions and related revenues and expenses are accounted for on the trade date (the date the order to buy or sell is executed). The cost of securities sold is determined on a first-in, first-out basis, unless otherwise specified. Dividend income and distributions on investment securities is recorded on the ex-dividend date. The tax characteristics of such distributions received from our portfolio companies will be determined by whether or not the distribution was made from the investment s current taxable earnings and profits or accumulated taxable earnings and profits from prior years. Interest income, which includes accretion of discount and amortization of premium, if applicable, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Fee income includes fees for guarantees and services rendered by the Company or its wholly-owned subsidiary to portfolio companies and other third parties such as due diligence, structuring, transaction services, monitoring services, and investment advisory services. Guaranty fees are recognized as income over the related period of the guaranty. Due diligence, structuring, and transaction services fees are generally recognized as income when services are rendered or when the related transactions are completed. Monitoring and investment advisory services fees are generally recognized as income as the services are rendered. Any fee income determined to be loan origination fees is recorded as income at the time that the investment is made and any original issue discount and market discount are capitalized and then amortized into income using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as 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.

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As of October 31, 2014, the Company had approximately $14.7 million in cash equivalents and restricted cash equivalents and approximately $8.7 million in cash totaling approximately $23.4 million. Of the $14.7 million in cash equivalents, approximately $380,000 was held by MVC Turf, a 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 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 $6.3 million at October 31, 2014 and approximately $6.8 million at October 31, 2013).

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.

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

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expense in the consolidated statement of operations. During the fiscal year ended October 31, 2014, 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 2011, 2012, 2013 and 2014 for the Company and MVCFS remain subject to examination by federal, state and local tax authorities.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS

MVC Capital, Inc.

Consolidated Balance Sheets

	October 31, 2014	October 31, 2013 (restated)
ASSETS		
Assets		
Cash	$ 8,781,375	$ 9,134,246
Restricted cash equivalents (cost $6,265,500 and $6,792,000)	6,265,500	6,792,000
Cash equivalents (cost $8,391,089 and $65,100,314)	8,391,089	65,100,314
Investments at fair value		
Short-term investments (cost $99,999,629 and $49,937,320)	99,897,404	49,826,893
Non-control/Non-affiliated investments (cost $150,682,873 and $92,139,375)	126,303,048	74,433,413
Affiliate investments (cost $115,021,554 and $136,499,386)	173,682,927	217,052,443
Control investments (cost $174,266,037 and $143,292,881)	147,644,189	126,434,673
Total investments at fair value (cost $539,970,093 and $421,868,962)	547,527,568	467,747,422
Escrow receivables, net of reserves		6,236,928
Deferred financing fees	2,972,864	3,265,495
Dividends and interest receivables, net of reserves	1,188,398	3,528,899
Prepaid expenses	646,801	534,904
Fee and other receivables	1,939,827	2,109,538
Prepaid taxes		336
Total assets	$ 577,713,422	$ 564,450,082
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Senior notes	$ 114,408,750	$ 114,408,750
Revolving credit facility	100,000,000	50,000,000
Provision for incentive compensation (Note 6)	14,733,887	19,483,622
Management fee payable	1,474,223	1,786,745
Professional fees payable	1,309,085	742,859
Accrued expenses and liabilities	456,148	655,615
Portfolio fees payable - Asset Management	436,791	140,347
Interest payable	374,875	371,817
Management fee payable - Asset Management	296,812	606,766
Liability for share exchange	221,424	
Consulting fees payable	97,250	167,968

Taxes payable		1,219		
Total liabilities		233,810,464		188,364,489
Commitments and Contingencies (Note 11)				
Shareholders equity				
Common stock, $0.01 par value; 150,000,000 shares authorized; 28,304,448 shares issued, and 22,702,821 and 22,617,688 shares outstanding, respectively		283,044		283,044
Additional paid-in-capital		421,037,726		420,336,629
Accumulated earnings		83,996,734		70,768,846
Dividends paid to stockholders		(116,753,378)		(104,537,479)
Accumulated net realized gain (loss)		2,697,840		(2,201,455)
Net unrealized appreciation		7,937,198		45,878,460
Treasury stock, at cost, 5,601,627 and 5,686,760 shares held, respectively		(55,296,206)		(54,442,452)
Total shareholders equity		343,902,958		376,085,593
Total liabilities and shareholders equity	$	577,713,422	$	564,450,082
Net asset value per share	$	15.15	$	16.63

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

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MVC Capital, Inc.

Consolidated Schedule of Investments

October 31, 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, 7.3% Cash, 3.7% 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, 4/11/2019 (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, 4/17/2019	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, 5/02/2019	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, 07/1/2019	7,500,000	7,500,000	7,500,000
		Unsecured Loan 10.0000% Cash, 4.0000% PIK , 07/1/2018 (b)	3,041,550	3,041,550	3,041,550
		Convertible Series I Preferred Stock (32,200 shares) (d), (k)		500,000	83,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d)			
				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.

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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)					
Equus Total Return, Inc.	Regulated Investment Company	Common Stock (4,444,644 shares) (d)		$ 10,030,272	$ 9,778,217
Harmony Health & Beauty, Inc.	Health & Beauty - Distributor	Common Stock (147,621 shares) (a), (d)		6,700,000	
MVC Automotive Group GmbH	Automotive Dealerships	Common Equity Interest (a), (d), (e)		45,662,438	21,548,000
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
Ohio Medical Corporation	Medical Device Manufacturer	Common Stock (8,512 shares) (a), (d)		15,763,637	
		Series A Convertible Preferred Stock 16.0000% PIK (28,981 shares) (a), (b)		30,000,000	23,800,000
		Series C Convertible Preferred Stock 16.0000% PIK (9,178 shares) (a), (b)		22,618,466	27,763,434
				68,382,103	51,563,434
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
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (a), (d), (e)		2,300,000	1,225,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 11/1/2018 (a), (b)	$ 3,895,262	3,895,262	3,864,272
	Irrigation Equipment	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
Velocitius B.V.	Renewable Energy	Common Equity Interest (a), (d), (e)		11,395,315	11,467,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 04/29/2015 (a)	600,000	600,000	600,000
				1,850,000	16,900,000

		Common Stock (81,000 shares) (a), (d)		
			2,450,000	17,500,000
Sub Total Control Investments			**174,266,037**	**147,644,189**
TOTAL PORTFOLIO INVESTMENTS - 130.16% (f)			**$ 439,970,464**	**$ 447,630,164**
Short-Term investments - 29.05% (f), (g)				
U.S. Treasury Bill	U.S. Government Securities	1.5000%, 10/31/19 (l)	$ 99,999,629	$ 99,897,404
Sub Total Short-Term investments			**99,999,629**	**99,897,404**
Cash Equivalents and Restricted Cash Equivalents - 4.26% (f), (g)				
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (7,156,858 shares)	7,156,858	7,156,858
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (7,499,731 shares)	7,499,731	7,499,731
Total Cash Equivalents and Restricted Cash Equivalents			**14,656,589**	**14,656,589**
TOTAL INVESTMENTS - 163.47%			**$ 554,626,682**	**$ 562,184,157**

(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.

(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.

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

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MVC Capital, Inc.

Consolidated Schedule of Investments

October 31, 2013 (restated)

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Non-control/Non-affiliated investments - 19.79% (a), (c), (f), (g)					
Actelis Networks, Inc.	Technology Investment	Preferred Stock (150,602 shares) (d), (i)		$ 5,000,003	$
Biogenic Reagents	Manufacturer of Remediation Materials	Senior Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	$ 5,039,444	5,039,444	5,039,444
		Senior Convertible Note 12.0000% Cash, 4.0000% PIK, 07/21/2018 (b)	4,535,500	4,535,500	4,535,500
				9,574,944	9,574,944
Biovation Holdings, Inc.	Manufacturer of Laminate Material and Composites	Bridge Loan 6.0000% Cash, 6.0000% PIK, 08/31/2014 (b)	3,105,038	2,985,749	3,156,172
		Warrants (d)		288,000	201,000
				3,273,749	3,357,172
BPC II, LLC	Apparel	Limited Liability Company Interest (d)		180,000	
FOLIOfn, Inc.	Technology Investment	Preferred Stock (5,802,259 shares) (d), (i)		15,000,000	6,982,000
Freshii USA, Inc.	Food Services	Senior Secured Loan 6.0000% Cash, 6.0000% PIK, 01/11/2017 (b)	1,109,296	1,081,242	1,087,636
		Warrants (d), (l)		33,873	18,654
				1,115,115	1,106,290
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, 08/12/2018	8,000,000	8,000,000	8,000,000
NPWT Corporation	Medical Device Manufacturer	Series B Common Stock (281 shares) (d)		1,231,638	14,000
		Series A Convertible Preferred Stock (5,000 shares) (d)			241,000
				1,231,638	255,000
Prepaid Legal Services, Inc.	Consumer Services	2nd Lien Term Loan 9.7500% Cash, 07/01/2020	10,000,000	9,855,919	10,000,000
SGDA Sanierungsgesellschaft fur Deponien und Altlasten GmbH	Soil Remediation	Term Loan 7.0000% Cash, 08/31/2014 (e)	6,547,350	6,547,350	6,547,350
Summit Research Labs, Inc.	Specialty Chemicals	Second Lien Loan 4.2500% Cash, 9.7500% PIK , 10/01/2018 (b)	23,122,657	23,122,657	23,122,657

U.S. Spray Drying Holding Company	Specialty Chemicals	Class B Common Stock (784 shares)		5,488,000	5,488,000
Sub Total Non-control/Non-affiliated investments				**92,139,375**	**74,433,413**
Affiliate investments - 57.71% (a), (c), (f), (g)					
Advantage Insurance Holdings LTD	Insurance	Preferred Stock (750,000 shares) (c), (d), (e)		7,500,000	7,500,000
Centile Holdings B.V.	Software	Common Equity Interest (d), (e)		3,174,376	4,777,000
Custom Alloy Corporation	Manufacturer of Pipe Fittings	Unsecured Subordinated Loan 12.0000% Cash, 09/04/2016	7,500,000	7,500,000	7,500,000
		Convertible Series A Preferred Stock (9 shares) (d)		44,000	88,000
		Convertible Series B Preferred Stock (1,991 shares) (d)		9,956,000	19,912,000
				17,500,000	27,500,000
Harmony Health & Beauty, Inc.	Health & Beauty - Retail	Common Stock (147,621 shares) (d)		6,700,000	
JSC Tekers Holdings	Real Estate Management	Common Stock (2,250 shares) (d), (e)		4,500	4,500
		Secured Loan 8.0000% Cash, 12/31/2014 (e), (h)	12,000,000	12,000,000	11,000,000
				12,004,500	11,004,500
Marine Exhibition Corporation	Theme Park	Senior Subordinated Debt 7.0000% Cash, 4.0000% PIK, 06/30/2017 (b)	11,415,060	11,415,060	11,415,060
		Convertible Preferred Stock (20,000 shares) (b)		3,544,119	3,544,119
				14,959,179	14,959,179
Octagon Credit Investors, LLC	Financial Services	Limited Liability Company Interest		2,611,499	6,918,549
RuMe Inc.	Consumer Products	Common Stock (999,999 shares) (d)		160,000	160,000
		Series B-1 Preferred Stock (4,999,076 shares) (d)		999,815	1,090,000
				1,159,815	1,250,000
Security Holdings B.V.	Electrical Engineering	Common Equity Interest (d), (e)		40,186,620	36,258,000
SGDA Europe B.V.	Soil Remediation	Common Equity Interest (d), (e)		20,084,599	4,098,810
U.S. Gas & Electric, Inc.	Energy Services	Second Lien Loan 9.0000% Cash, 5.0000% PIK , 07/25/2015 (b)	10,118,798	10,118,798	10,118,798
		Convertible Series I Preferred Stock (32,200 shares) (k)		500,000	92,667,607
		Convertible Series J Preferred Stock (8,216 shares) (d)			
				10,618,798	102,786,405
Sub Total Affiliate investments				**136,499,386**	**217,052,443**

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

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MVC Capital, Inc.

Consolidated Schedule of Investments - (Continued)

October 31, 2013 (restated)

Company	Industry	Investment	Principal	Cost	Fair Value/Market Value
Control investments - 33.62% (a), (c), (f), (g)					
MVC Automotive Group B.V.	Automotive Dealerships	Common Equity Interest (d), (e)		$ 34,870,029	$ 17,540,756
		Bridge Loan 10.0000% Cash, 12/31/2013 (e)	$ 1,635,244	1,635,244	1,635,244
				36,505,273	19,176,000
MVC Private Equity Fund LP	Private Equity	Limited Partnership Interest (d), (j)		9,097,164	11,384,168
		General Partnership Interest (d), (j)		232,071	288,150
				9,329,235	11,672,318
Ohio Medical Corporation	Medical Device Manufacturer	Common Stock (5,620 shares) (d)		15,763,636	
		Series A Convertible Preferred Stock (24,773 shares) (b)		30,000,000	24,600,000
		Series C Convertible Preferred Stock (7,845 shares) (b)		22,618,466	23,732,299
				68,382,102	48,332,299
SIA Tekers Invest	Port Facilities	Common Stock (68,800 shares) (d), (e)		2,300,000	1,477,000
Turf Products, LLC	Distributor - Landscaping and	Senior Subordinated Debt 9.0000% Cash, 4.0000% PIK , 01/31/2014 (b)	8,395,262	8,395,262	8,395,262
	Irrigation Equipment	Junior Revolving Note 6.0000% Cash, 01/31/2014	1,000,000	1,000,000	1,000,000
		Limited Liability Company Interest (d)		3,535,694	3,466,794
		Warrants (d)			
				12,930,956	12,862,056
Velocitius B.V.	Renewable Energy	Common Equity Interest (d), (e)		11,395,315	19,865,000
Vestal Manufacturing Enterprises, Inc.	Iron Foundries	Senior Subordinated Debt 12.0000% Cash, 04/29/2015	600,000	600,000	600,000
		Common Stock (81,000 shares) (d)		1,850,000	12,450,000
				2,450,000	13,050,000

Sub Total Control investments			**143,292,881**	**126,434,673**
TOTAL PORTFOLIO INVESTMENTS - 111.12% (f)			**$ 371,931,642**	**$ 417,920,529**
Short-Term investments - 13.25% (f), (g)				
U.S. Treasury Bill	U.S. Government Securities	1.3750%, 09/30/2018 (m)	$ 49,937,320	$ 49,826,893
Sub Total Short-Term investments			**49,937,320**	**49,826,893**
Cash Equivalents and Restricted Cash Equivalents - 19.12% (f), (g)				
Fidelity Institutional Government Money Market Fund	Money Market Fund	Beneficial Shares (64,393,032 shares)	64,393,032	64,393,032
JP Morgan Prime Money Market Fund	Money Market Fund	Beneficial Shares (7,499,282 shares)	7,499,282	7,499,282
Total Cash Equivalents and Restricted Cash Equivalents			**71,892,314**	**71,892,314**
TOTAL INVESTMENT ASSETS - 143.49% (f)			**$ 493,761,276**	**$ 539,639,736**

(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 B.V., Security Holdings B.V., SGDA Europe B.V., SGDA Sanierungsgesellschaft fur Deponien und Altlasten mbH, SIA Tekers Invest, JSC Tekers Holdings, Centile Holdings B.V., Velocitius B.V., MVC Private Equity Fund L.P., Freshii USA, Inc., and Advantage Insurance Holdings 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 outside of North America which represents approximately 29% of the net assets. The remaining portfolio companies are located in North America which represents approximately 82% of the net assets.

(f) Percentages are based on net assets of $376,085,593 as of October 31, 2013.

(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 against.

(i) Legacy Investments.

(j) MVC Private Equity Fund, L.P. is a private equity fund focused on control equity investments in the lower middle market. The fund currently holds three investments, two located in the United States and one in Gibraltar, which are in the energy, services, and industrial sectors, respectively.

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

(l) Includes a warrant in Freshii One LLC, an affiliate of Freshii USA, Inc.

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

PIK - Payment-in-kind

- Denotes zero cost or fair value.

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

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013 (restated)	For the Year Ended October 31, 2012
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 69,956	$ 1,993	$ 7,755
Affiliate investments	867,916	7,852,217	2,481,234
Control investments		426,300	12,000,000
Total dividend income	937,872	8,280,510	14,488,989
Payment-in-kind dividend income			
Affiliate investments	216,928	269,900	249,347
Total payment-in-kind dividend income	216,928	269,900	249,347
Interest income			
Non-control/Non-affiliated investments	7,074,870	3,206,590	2,050,801
Affiliate investments	2,756,306	3,319,241	3,111,318
Control investments	353,844	1,458,138	2,423,174
Total interest income	10,185,020	7,983,969	7,585,293
Payment-in-kind interest income			
Non-control/Non-affiliated investments	3,058,577	1,497,860	44,304
Affiliate investments	756,954	969,775	2,024,462
Control investments	155,810	619,495	812,929
Total payment-in-kind interest income	3,971,341	3,087,130	2,881,695
Fee income			
Non-control/Non-affiliated investments	306,393	846,598	68,056
Affiliate investments	932,335	937,309	1,105,226
Control investments	323,001	1,068,910	766,631
Total fee income	1,561,729	2,852,817	1,939,913
Fee income - Asset Management [1]			
Portfolio fees	1,314,441	557,071	1,290,160
Management fees	595,534	1,238,301	1,009,577
Total fee income - Asset Management	1,909,975	1,795,372	2,299,737
Other income	1,033,560	492,743	442,138
Total operating income	19,816,425	24,762,441	29,887,112
Operating Expenses:			
Interest and other borrowing costs	9,442,466	6,724,270	3,366,756
Management fee	8,681,175	7,832,611	8,587,992

Portfolio fees - Asset Management 1		985,831		417,803		967,620
Legal fees		925,000		523,000		635,238
Audit & tax preparation fees		634,200		652,700		769,500
Consulting fees		475,404		722,996		384,104
Other expenses		411,266		543,422		590,859
Directors fees		400,625		412,500		348,833
Management fee - Asset Management 1		354,298		928,722		757,183
Insurance		346,020		333,700		333,752
Administration		259,351		254,961		261,914
Public relations fees		198,000		184,500		119,700
Printing and postage		21,352		84,712		129,942
Net Incentive compensation (Note 6)		(4,749,735)		3,828,184		(5,937,431)
Total operating expenses		18,385,253		23,444,081		11,315,962
Less: Voluntary Expense Waiver by Adviser 2		(150,000)		(150,000)		(150,000)
Less: Voluntary Management Fee Waiver by Adviser 3						(58,728)
Less: Voluntary Incentive Fee Waiver by Adviser 4						(2,345,189)
Total waivers		(150,000)		(150,000)		(2,553,917)
Net operating income before taxes		1,581,172		1,468,360		21,125,067
Tax Expenses:						
Current tax expense		1,755		3,600		3,997
Total tax expense		1,755		3,600		3,997
Net operating income		1,579,417		1,464,760		21,121,070
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
Non-control/Non-affiliated investments		(575,763)		(6,073,420)		(19,209,277)
Affiliate investments		15,979,686		82,512		
Control investments		1,115,855		49,655,826		(1,309,156)
Total net realized gain (loss) on investments		16,519,778		43,664,918		(20,518,433)
Net unrealized depreciation on investments		(37,941,262)		(25,860,307)		(22,257,313)
Net realized and unrealized (loss) gain on investments		(21,421,484)		17,804,611		(42,775,746)
Net (decrease) increase in net assets resulting from operations	$	(19,842,067)	$	19,269,371	$	(21,654,676)
Net (decrease) increase in net assets per share resulting from operations	$	(0.88)	$	0.82	$	(0.90)
Dividends declared per share	$	0.540	$	0.540	$	0.495
Weighted average number of shares outstanding5		22,632,584		23,334,367		23,916,982

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

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1 These items are related to the management of the MVC Private Equity Fund, L.P. (PE Fund). Please see Note 5 Management for more information.

2 Reflects TTG Advisers voluntary waiver of $150,000 of expenses for the 2014, 2013 and 2012 fiscal years that the Company would otherwise be obligated to reimburse TTG Advisers under the Advisory Agreement. Please see Note 5 Management for more information.

3 Reflects TTG Advisers voluntary agreement that any assets of the Company invested in exchange-traded funds or the Octagon High Income Cayman

Fund Ltd. would not be taken into the calculation of the base management fee due to TTG Advisers under the Advisory Agreement. Please see Note 5 Management for more information.

4 Reflects TTG Advisers voluntary waiver of the Incentive Fee associated with pre-incentive fee net operationg income for the fiscal year ended October 31, 2012. Please see Note 5 Management for more information.

5Please see Note 7 Dividends and Distributions to Shareholders and Share Repurchase Program for more information.

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MVC Capital, Inc.

Consolidated Statements of Cash Flows

	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013 (restated)	For the Year Ended October 31, 2012
Cash flows from Operating Activities:			
Net (decrease) increase in net assets resulting from operations	$ (19,842,067)	$ 19,269,371	$ (21,654,676)
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized (gain) loss	(16,519,778)	(43,664,918)	20,518,433
Net change in unrealized depreciation	37,941,262	25,860,307	22,257,313
Amortization of discounts and fees	(1,077,667)	(206,914)	(62,602)
Increase in accrued payment-in-kind dividends and interest	(3,928,997)	(3,269,909)	(3,131,042)
Amortization of deferred financing fees	565,723	258,242	
Allocation of flow through income	(485,973)	(246,753)	(188,138)
Changes in operating assets and liabilities:			
Dividends, interest and fees receivable	2,340,501	1,030,804	(1,282,577)
Fee and other receivables	169,711	1,204,578	1,281,625
Escrow receivables, net of reserves	6,236,928	(5,245,365)	155,336
Prepaid expenses	(111,897)	218,597	(123,633)
Prepaid taxes	336	255	(591)
Incentive compensation (Note 6)	(4,749,735)	3,828,184	(8,282,620)
Other liabilities	195,710	(286,992)	1,099,702
Purchases of equity investments	(35,743,194)	(36,626,663)	(8,439,513)
Purchases of debt instruments	(67,927,323)	(58,890,199)	(2,860,000)
Purchases of short-term investments	(398,801,536)	(99,447,664)	
Proceeds from equity investments (1)	33,896,303	65,708,035	18,187,072
Proceeds from debt instruments	28,612,098	37,361,029	1,762,916
Sales/maturities of short-term investments	348,605,381	49,846,875	
Net cash (used in) provided by operating activities	(90,624,214)	(43,299,100)	19,237,005
Cash flows from Financing Activities:			
Proceeds from senior notes		114,408,750	
Net proceeds from revolving credit facility	50,000,000	50,000,000	
Repayments of revolving credit facility		(50,000,000)	
Offering expenses	(139,000)		
Repurchase of common stock	(4,114,967)	(16,673,207)	
Share Exchange	(221,424)		
Financing fees paid	(273,092)	(3,523,737)	
Distributions paid to shareholders	(12,215,899)	(12,526,704)	(11,838,907)
Net cash provided by (used in) financing activities	33,035,618	81,685,102	(11,838,907)
Net change in cash and cash equivalents for the year	(57,588,596)	38,386,002	7,398,098
Unrestricted and restricted cash and cash equivalents, beginning of year	$ 81,026,560	$ 42,640,558	$ 35,242,460
	$ 23,437,964	$ 81,026,560	$ 42,640,558

Unrestricted and restricted cash and cash equivalents, end of year	

(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, 2014, 2013 and 2012 MVC Capital, Inc. paid $8,729,321, $5,890,475 and $2,968,757 in interest expense, respectively.

During the year ended October 31, 2014, 2013 and 2012 MVC Capital, Inc. paid $1,420, $3,345 and $6,815 in income taxes, respectively.

Non-cash activity:

During the year ended October 31, 2014, 2013 and 2012, MVC Capital, Inc. recorded payment in kind dividend and interest of $3,928,997, $3,269,909 and $3,131,042, 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, 2013 and 2012, MVC Capital, Inc. was allocated $1,033,361, $492,743 and $442,138, respectively, in flow-through income from its equity investment in Octagon Credit Investors, LLC. Of these amounts, $547,388, $245,990 and $254,000, respectively, was received in cash and the balance of $485,973, $246,753 and $188,138, respectively, was undistributed and therefore increased the cost of the investment. The fair value was then increased by $101,099, $246,753 and $188,138, respectively, by the Company s Valuation Committee.

On December 12, 2011, BP Clothing, LLC (BP) filed for Chapter 11 protection in New York with agreement to turn ownership over to secured lenders under a bankruptcy reorganization plan. On June 20, 2012, BP completed the bankruptcy process which resulted in a realized loss of approximately $23.4 million on the second lien loan, term loan A and term loan B. As a result of the bankruptcy process, the Company received limited liability company interest in BPC II, LLC (BPC).

On January 13, 2012, the Company received free warrants related to their debt investment in Freshii USA, Inc. The Company allocated the cost basis in the investment between the senior secured loan and the warrant at the time the investment was made. The Company will amortize the discount associated with the warrant over the four year life of the loan. During the year ended October 31, 2012, the Company recorded $6,793 of amortization.

On March 23, 2012, the Company sold its shares in the Octagon High Income Cayman Fund Ltd. (Octagon Fund). As part of this transaction, there was $152,000 held back until Octagon Fund s fiscal year 2012 audit is complete.

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.

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

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MVC Capital, Inc.

Consolidated Statements of Changes in Net Assets

	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013 (restated)	For the Year Ended October 31, 2012
Operations:			
Net operating income (loss)	$ 1,579,417	$ 1,464,760	$ 21,121,070
Net realized gain (loss) on investments	16,519,778	43,664,918	(20,518,433)
Net change in unrealized depreciation on investments	(37,941,262)	(25,860,307)	(22,257,313)
Net (decrease) increase in net assets from operations	(19,842,067)	19,269,371	(21,654,676)
Shareholder Distributions from:			
Income	(1,579,417)	(10,746,923)	(11,838,907)
Realized Gain	(10,636,482)		
Return of capital		(1,779,781)	
Net decrease in net assets from shareholder distributions	(12,215,899)	(12,526,704)	(11,838,907)
Capital Share Transactions:			
Reissuance of treasury stock for share exchange	4,350,722		
Provision for share exchange	(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	(124,669)	(16,673,207)	
Total (decrease) increase in net assets	(32,182,635)	(9,930,540)	(33,493,583)
Net assets, beginning of year	376,085,593	386,016,133	419,509,716
Net assets, end of year	$ 343,902,958	$ 376,085,593	$ 386,016,133
Common shares outstanding, end of year	22,702,821	22,617,688	23,916,982
Undistributed net operating income	$	$	$ 9,282,163

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

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MVC Capital, Inc.

Consolidated Selected Per Share Data and Ratios

	For the Year Ended October 31, 2014	For the Year Ended October 31, 2013 (restated)	For the Year Ended October 31, 2012	For the Year Ended October 31, 2011	For the Year Ended October 31, 2010
Net asset value, beginning of year	$ 16.63	$ 16.14	$ 17.54	$ 17.71	$ 17.47
Gain from operations:					
Net operating income (loss)	0.07	0.06	0.88	(0.10)	0.23
Net realized and unrealized (loss) gain on investments	(0.95)	0.76	(1.78)	0.40	0.43
Total (loss) gain from investment operations	(0.88)	0.82	(0.90)	0.30	0.66
Less distributions from:					
Income	(0.07)	(0.46)	(0.50)		(0.23)
Realized gain	(0.47)				(0.08)
Return of capital		(0.08)		(0.48)	(0.17)
Total distributions	(0.54)	(0.54)	(0.50)	(0.48)	(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	0.06
Total capital share transactions	(0.06)	0.21		0.01	0.06
Net asset value, end of year	$ 15.15	$ 16.63	$ 16.14	$ 17.54	$ 17.71
Market value, end of year	$ 11.27	$ 13.83	$ 12.36	$ 12.93	$ 13.35
Market discount	(25.61)%	(16.84)%	(23.42)%	(26.28)%	(24.62)%
Total Return - At NAV (a)	(5.75)%	6.52%	(5.21)%	1.80%	4.16%
Total Return - At Market (a)	(14.97)%	16.65%	0.44%	0.35%	50.86%
Ratios and Supplemental Data:					
Portfolio turnover ratio	14.16%	25.20%	3.31%	13.90%	3.15%
Net assets, end of year (in thousands)	$ 343,903	$ 376,086	$ 386,016	$ 419,510	$ 424,994

Ratios to average net assets:					
Expenses including tax expense	5.04%	6.19%	2.17%	4.38%	4.19%
Expenses excluding tax expense	5.04%	6.19%	2.17%	4.39%	4.19%
Net operating income (loss) before tax expense	0.44%	0.39%	5.22%	(0.54)%	1.32%
Net operating income (loss) after tax expense	0.44%	0.39%	5.22%	(0.55)%	1.32%
Ratios to average net assets excluding waivers:					
Expenses including tax expense	5.08%	6.23%	2.80%	4.44%	4.22%
Expenses excluding tax expense	5.08%	6.23%	2.80%	4.45%	4.22%
Net operating income (loss) before tax expense	0.40%	0.35%	4.59%	(0.60)%	1.29%
Net operating income (loss) after tax expense	0.40%	0.35%	4.59%	(0.61)%	1.29%
Ratios to average net assets: (b)					
Expenses excluding incentive compensation	6.35%	5.17%	4.21%	3.92%	3.61%
Expenses excluding incentive compensation, interest and other borrowing costs	3.75%	3.39%	3.38%	3.18%	2.95%
Net operating (loss) income before incentive compensation	(0.87)%	1.41%	3.18%	(0.08)%	1.90%
Net operating income before incentive compensation, interest and other borrowing costs	1.73%	3.19%	4.01%	0.66%	2.56%
Ratios to average net assets excluding waivers: (b)					
Expenses excluding incentive compensation	6.40%	5.21%	4.27%	3.98%	3.64%
Expenses excluding incentive compensation, interest and other borrowing costs	3.79%	3.43%	3.44%	3.24%	2.98%
Net operating (loss) income before incentive compensation	(0.92)%	1.37%	3.12%	(0.14)%	1.87%
Net operating income before incentive compensation, interest and other borrowing costs	1.69%	3.15%	3.95%	0.60%	2.53%

(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

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

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MVC Capital, Inc.

Notes to Consolidated Financial Statements

October 31, 2014

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 the Company s 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

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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. Restatement

Restatement of Financial Statements The Company has restated its financial statements to correct errors related to the valuations of certain portfolio companies. Specifically, there were valuation input errors for MVC Automotive Group B.V. (MVC Automotive) and SGDA Europe B.V. (SGDA Europe). As a result of the errors, the prior period financial statements for the fiscal year ended October 31, 2013 have been restated. For the fiscal year ended October 31, 2013, the Consolidated Statements of Operations was corrected as follows: Net unrealized depreciation on investments increased by approximately $22.4 million and as a result, Management fees and Net incentive compensation expenses decreased by $434,468 and approximately $4.5 million, respectively. The cumulative impact of these adjusting entries was approximately $17.5 million on the Net Increase in Net Assets Resulting from Operations. The Consolidated Balance Sheets were corrected as follows: Total investments at fair value was decreased by approximately $22.4 million, the Provision for Incentive Compensation decreased by approximately $4.5 million and Management Fee payable decreased by $434,468. The cumulative impact of these adjusting entries was a decrease of approximately $17.5 million to shareholders equity of the Company.

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The following tables reflect the impact of this restatement on selected line items on the Balance Sheet for fiscal year 2013 and on the Statements of Operations for fiscal year 2013:

Impact of Restatement Adjustments on the October 31, 2013 Consolidated Balance Sheets

The following table presents the impact of the restatement adjustments on our Consolidated Balance Sheets as of October 31, 2013:

MVC Capital, Inc.

Consolidated Balance Sheets

	As of October 31, 2013 As published	Adjustments	As restated
ASSETS			
Assets			
Cash	$ 9,134,246	$	$ 9,134,246
Restricted cash equivalents (cost $6,792,000)	6,792,000		6,792,000
Cash equivalents (cost $65,100,314)	65,100,314		65,100,314
Investments at fair value			
Short-term investments (cost $49,937,320)	49,826,893		49,826,893
Non-control/Non-affiliated investments (cost $92,139,375)	74,433,413		74,433,413
Affiliate investments (cost $136,499,386)	219,694,633	(2,642,190)	217,052,443
Control investments (cost $143,292,881)	146,169,917	(19,735,244)	126,434,673
Total investments at fair value (cost $421,868,962)	490,124,856	(22,377,434)	467,747,422
Escrow receivables, net of reserves	6,236,928		6,236,928
Dividends and interest receivables, net of reserves	3,528,899		3,528,899
Deferred financing fees	3,265,495		3,265,495
Fee and other receivables	2,109,538		2,109,538
Prepaid expenses	534,904		534,904
Prepaid taxes	336		336
Total assets	$ 586,827,516	$ (22,377,434)	$ 564,450,082
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	50,000,000		50,000,000
Provision for incentive compensation (Note 5)	23,959,109	(4,475,487)	19,483,622
Management fee payable	2,221,213	(434,468)	1,786,745
Professional fees payable	742,859		742,859
Accrued expenses and liabilities	655,615		655,615
Management fee payable - Asset Management	606,766		606,766

Interest payable		371,817				371,817
Consulting fees payable		167,968				167,968
Portfolio fees payable - Asset Management		140,347				140,347
Term loan						
Total liabilities		193,274,444		(4,909,955)		188,364,489
Shareholders equity						
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,617,688 shares outstanding		283,044				283,044
Additional paid-in-capital		420,165,045				420,165,045
Accumulated earnings		66,030,475		4,909,955		70,940,430
Dividends paid to stockholders		(104,537,479)				(104,537,479)
Accumulated net realized loss		(2,201,455)				(2,201,455)
Net unrealized appreciation		68,255,894		(22,377,434)		45,878,460
Treasury stock, at cost, 5,686,760 shares held		(54,442,452)				(54,442,452)
Total shareholders equity		393,553,072		(17,467,479)		376,085,593
Total liabilities and shareholders equity	$	586,827,516	$	(22,377,434)	$	564,450,082
Net asset value per share	$	17.40	$	(0.77)	$	16.63

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The following table presents the impact of the restatement adjustments on our Consolidated Statement of Operations for the fiscal year ended October 31, 2013:

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Year Ended October 31, 2013		
	As published	**Adjustments**	**Restated**
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 1,993	$	$ 1,993
Affiliate investments	7,852,217		7,852,217
Control investments	426,300		426,300
Total dividend income	8,280,510		8,280,510
Payment-in-kind dividend income			
Affiliate investments	269,900		269,900
Total payment-in-kind dividend income	269,900		269,900
Interest income			
Non-control/Non-affiliated investments	3,206,590		3,206,590
Affiliate investments	3,319,241		3,319,241
Control investments	1,458,138		1,458,138
Total interest income	7,983,969		7,983,969
Payment-in-kind interest income			
Non-control/Non-affiliated investments	1,497,860		1,497,860
Affiliate investments	969,775		969,775
Control investments	619,495		619,495
Total payment-in-kind interest income	3,087,130		3,087,130
Fee income			
Non-control/Non-affiliated investments	846,598		846,598
Affiliate investments	937,309		937,309
Control investments	1,068,910		1,068,910
Total fee income	2,852,817		2,852,817
Fee income - Asset Management 1			
Portfolio fees	557,071		557,071
Management fees	1,238,301		1,238,301
Total fee income - Asset Management	1,795,372		1,795,372
Other income	492,743		492,743
Total operating income	24,762,441		24,762,441
Operating Expenses:			
Net Incentive compensation (Note 5)	8,303,671	(4,475,487)	3,828,184
Management fee	8,267,079	(434,468)	7,832,611
Interest and other borrowing costs	6,724,270		6,724,270

Management fee - Asset Management 1		928,722				928,722
Consulting fees		722,996				722,996
Audit & tax preparation fees		652,700				652,700
Other expenses		543,422				543,422
Legal fees		523,000				523,000
Portfolio fees - Asset Management 1		417,803				417,803
Directors fees		412,500				412,500
Insurance		333,700				333,700
Administration		254,961				254,961
Public relations fees		184,500				184,500
Printing and postage		84,712				84,712
Total operating expenses		28,354,036		(4,909,955)		23,444,081
Less: Voluntary Expense Waiver by Adviser 2		(150,000)				(150,000)
Less: Voluntary Management Fee Waiver by Adviser 3						
Less: Voluntary Incentive Fee Waiver by Adviser 4						
Total waivers		(150,000)				(150,000)
Net operating (loss) income before taxes		(3,441,595)		4,909,955		1,468,360
Tax Expenses:						
Current tax expense		3,600				3,600
Total tax expense		3,600				3,600
Net operating (loss) income		(3,445,195)		4,909,955		1,464,760
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
Non-control/Non-affiliated investments		(6,073,420)				(6,073,420)
Affiliate investments		82,512				82,512
Control investments		49,655,826				49,655,826
Total net realized gain on investments		43,664,918				43,664,918
Net unrealized (depreciation) appreciation on investments		(3,482,873)		(22,377,434)		(25,860,307)
Net realized and unrealized gain (loss) on investments		40,182,045		(22,377,434)		17,804,611
Net increase (decrease) in net assets resulting from operations	$	36,736,850	$	(17,467,479)	$	19,269,371
Net increase (decrease) in net assets per share resulting from operations	$	1.59	$	(0.77)	$	0.82
Dividends declared per share	$	0.540	$		$	0.540
Weighted average number of shares outstanding		23,334,367				23,334,367

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In addition to the restatement of the fiscal year 2013 consolidated financial statements, the Company has also restated the following notes for the fiscal year ended October 31, 2013, to reflect the error corrections noted above: Note 6 Incentive Compensation , Note 9 Concentration of Market and Credit Risk , Note 10 Portfolio Investments , Note 15 Income Taxes and Note 16 Segment Data .

3. Consolidation

On July 16, 2004, the Company formed a wholly-owned subsidiary, 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 PE Fund is a substantial portion of MVC Partners operations. Previously, MVC Partners was presented as a portfolio company on the Consolidated Schedule of Investments. The consolidation of MVC Partners has not had any material effect on the financial position or net results of operations of the Company. There are additional disclosures resulting from this consolidation.

MVC GP II, LLC (MVC GP II), an indirect wholly-owned subsidiary of the Company, serves as the general partner to the MVC Private Equity Fund, L.P. (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 a 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 $14.7 million in cash equivalents on the Company s Consolidated Balance Sheets as of October 31, 2014, approximately $380,000 was held by MVC Turf, a wholly owned holding company.

4. 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.

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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. These updates have not had an impact on the Company s financial condition or results of operations.

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

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

Pursuant to our Valuation Procedures, the Valuation Committee (which is comprised of three Independent Directors) determines fair values of portfolio company investments on a quarterly basis (or more frequently, if deemed appropriate under the circumstances). In doing so, the Committee considers the recommendations of 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 following

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, 2014 and October 31, 2013, approximately 75.79% and 74.04%, respectively, of total assets represented investments in portfolio companies recorded at fair value (Fair Value Investments).

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

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

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

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

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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.

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 are effective for the Company beginning in fiscal year 2015. These updates are expected to have no impact on the Company s financial condition or results of operations.

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, 2014, the Company made four new investments and made 20 follow-on investments in 13 existing portfolio companies committing a total of $105.8 million of capital to these investments. At October 31, 2014, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was $447.6 million with a cost basis of $440.0 million.

Our investments are carried at fair value in accordance with the 1940 Act and 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, 2014, 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, 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 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

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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 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.

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

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

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

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

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

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

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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. 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 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

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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 the investment is made and any original issue discount and market discount are capitalized and then amortized into income using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized original issue discount or market discount is recorded as 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, 2014, the Company had approximately $14.7 million in cash equivalents and restricted cash equivalents and approximately $8.7 million in cash totaling approximately $23.4 million. Of the $14.7 million in cash equivalents, approximately $380,000 was held by MVC Turf, a wholly owned holding company. As of October 31, 2013, the Company had approximately $71.9 million in cash equivalents and restricted cash equivalents and approximately $9.1 million in cash totaling approximately $81.0 million.

Restricted Cash and Cash Equivalents - Cash and cash equivalent accounts that are not available to the Company for day to-day use 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 $6.3 million at October 31, 2014 and approximately $6.8 million at October 31, 2013).

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 It is the policy of the Company to meet the requirements for qualification as a regulated investment company (RIC) under Subchapter M of the Code. The Company is not subject to income tax to the extent that it distributes all of its investment company taxable income and net realized gains for its taxable year. The Company is also exempt from excise tax if it distributes most of its ordinary income and/or capital gains during each calendar year.

Our consolidated operating subsidiary, MVCFS, is subject to federal and state income tax. We use the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported 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, 2014, 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 2011, 2012, 2013 and 2014 for the Company and MVCFS remain subject to examination by the federal, state and local tax authorities.

5. 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 Mr. Tokarz s 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 directors who are not interested persons, as defined under the 1940 Act, of the Company (the Independent Directors), last approved a renewal of the Advisory Agreement at their in-person meeting held on October 23, 2014.

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

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

On various dates, TTG Advisers and the Company entered into annual agreements to extend the expense cap of 3.5% to the 2011, 2012, 2013 and 2014 fiscal years (Expense Limitation Agreement). The Company and the Adviser have agreed to continue the expense cap into fiscal year 2015, though they may determine to revise the present calculation methodology later in the year. 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 was 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 or the Octagon Fund 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.

Management and portfolio fees (e.g., closing or monitoring fees) generated by the PE Fund (including its portfolio companies) that are paid to the GP are classified on the consolidated statements of operations as Management fee income - Asset Management and Portfolio fee income - Asset Management, respectively. The portion of such fees that the GP pays to TTG Advisers (in accordance with its PM Agreement described above) are classified on the consolidated statements of operations as Management fee - Asset Management and Portfolio fees - Asset Management. Under the PE Fund s agreements, a significant portion of the portfolio fees that are paid by the PE Fund s portfolio companies to the GP and TTG Advisers is subject to recoupment by the PE Fund in the form of an offset to future management fees paid by the PE Fund.

6. Incentive Compensation (Restated)

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, 2011, the provision for estimated incentive compensation was approximately $23.9 million. During the fiscal year ended October 31, 2012, this provision for incentive compensation was decreased by a net amount of approximately $8.2 million to approximately $15.7 million. The decrease in the provision for incentive compensation during the fiscal year ended October 31, 2012 reflects both increases and decreases by the Valuation Committee in the fair values of certain Portfolio Companies. Specifically, it reflects the Valuation Committee s determination to decrease the fair values of eleven portfolio investments (BP, HH&B, MVC

Automotive, Security Holdings, SGDA Europe, NPWT, Tekers, Velocitius, BPC, Centile and Ohio Medical) by a total of $35.4 million and the dividend distribution of $12.0 million received from Summit. The net decrease in the provision also reflects the Valuation Committee s determination to increase the fair values of five portfolio investments (Octagon Fund, Vestal, Octagon, Turf and RuMe) by a total of approximately $5.7 million. The Valuation Committee also increased the fair value of the Company s escrow receivable related to Vitality by $130,000. For the year ended October 31, 2012, a provision of approximately $2.3 million was recorded for the net operating income portion of the incentive fee as pre-incentive fee net operating income exceeded the hurdle rate for the quarter ended April 30, 2012. TTG Advisers has voluntarily agreed to waive the income-related incentive fee payment of approximately $2.3 million that the Company would otherwise be obligated to pay to TTG Advisers under the Advisory Agreement.

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 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 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.

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7. 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. 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, 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.

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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 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.

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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.

For the Fiscal Year Ended October 31, 2012

On December 16, 2011, the Company s Board of Directors declared a dividend of $0.12 per share. The dividend was payable on January 6, 2012 to shareholders of record on December 30, 2011. The total distribution amounted to $2,870,038.

During the quarter ended January 31, 2012, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 1,108 shares of common stock at an average price of $11.98, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On April 13, 2012, the Company s Board of Directors declared a dividend of $0.12 per share. The dividend was payable on April 30, 2012 to shareholders of record on April 23, 2012. The total distribution amounted to $2,870,038.

During the quarter ended April 30, 2012, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 648 shares of common stock at an average price of $12.95, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On July 13, 2012, the Company s Board of Directors declared a dividend of $0.12 per share. The dividend was payable on July 31, 2012 to shareholders of record on July 24, 2012. The total distribution amounted to $2,870,038.

During the quarter ended July 31, 2012, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 671 shares of common stock at an average price of $12.55, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

On October 15, 2012, the Company s Board of Directors declared a dividend of $0.135 per share. The dividend was payable on October 31, 2012 to shareholders of record on October 25, 2012 and represents a 12.5% increase over the prior dividend. The total distribution amounted to $3,228,793.

During the quarter ended October 31, 2012, as part of the Company s dividend reinvestment plan for our common stockholders, the Plan Agent purchased 766 shares of common stock at an

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average price of $12.29, including commission, in the open market in order to satisfy the reinvestment portion of our dividends under the Plan.

8. Transactions with Other Parties

The Company has procedures in place for the review, approval and monitoring of transactions involving the Company and certain persons related to the Company. For example, the Company has a code of ethics that generally prohibits, among others, any officer or director of the Company from engaging in any transaction where there is a conflict between such individual s personal interest and the interests of the Company. As a business development company, the 1940 Act also imposes regulatory restrictions on the Company s ability to engage in certain related-party transactions. However, the Company is permitted to co-invest in certain Portfolio Companies with its affiliates to the extent consistent with applicable law or regulation and, if necessary, subject to specified conditions set forth in an exemptive order obtained from the SEC. 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 which is set forth in this Form 10-K.

9. Concentration of Market and Credit Risk (Restated)

Financial instruments that subjected the Company to concentrations of market risk consisted principally of equity investments, subordinated notes and debt instruments which represented approximately 77.48% of the Company s total assets at October 31, 2014. As discussed in Note 10, 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. As of October 31, 2014, the Company held one investment in which quoted prices in active markets are accessible at the measurement date. The Company s investment strategy represents a high degree of business and financial risk due to the fact that the investments (other than cash equivalents) are generally illiquid, in small and middle market companies, and include entities with little operating history or entities that possess operations in new or developing industries. These investments, should they become publicly traded, would generally be (i) subject to restrictions on resale, if they were acquired from the issuer in private placement transactions; and (ii) susceptible to market risk. 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 in a limited number of industries. At this time, the Company s investments in short-term securities are in Treasury Bills and other U.S. Government securities, which are federally guaranteed securities, or other high quality, highly liquid investments. The Company s cash balances, if not large

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enough to be invested in 90-day Treasury Bills or other high quality, highly liquid investments, are swept into designated money market accounts or other interest bearing accounts.

The following table shows the portfolio composition by industry grouping at fair value as a percentage of net assets as of October 31, 2014 and 2013.

	October 31, 2014	October 31, 2013 (restated)
Energy Services	27.39%	27.33%
Medical Device Manufacturer	15.02%	12.92%
Electrical Engineering	14.71%	9.64%
Specialty Chemicals	9.42%	7.61%
Manufacturer of Pipe Fittings	8.58%	7.31%
Renewable Energy	7.49%	7.83%
Environmental Services	7.29%	2.83%
Automotive Dealerships	6.27%	5.10%
Private Equity	5.95%	3.10%
Iron Foundries	5.09%	3.47%
Food Services	4.53%	2.42%
Consumer Services	2.94%	2.66%
Regulated Investment Company	2.84%	0.00%
Distributor - Landscaping and Irrigation Equipment	2.26%	3.42%
Insurance	2.25%	1.99%
Consumer Products	1.83%	0.33%
Real Estate Management	1.79%	2.93%
Technology Investment - Financial Services	1.71%	1.86%
Software	1.45%	1.27%
Manufacturer of Laminate Material and Composites	0.99%	0.89%
Port Facilities	0.36%	0.39%
Theme Park	0.00%	3.98%
Financial Services	0.00%	1.84%
Health & Beauty - Distributor	0.00%	0.00%
Retail Store Fixtures	0.00%	0.00%
	130.16%	111.12%

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. As of October 31, 2014, our largest investment, U.S. Gas, comprised 27.39% of our net assets and as of October 31, 2013 comprised 27.33% 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.

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10. Portfolio Investments (Restated)

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

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

- ***Level 1:*** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We use Level 1 inputs for investments in publicly traded unrestricted securities for which we do not have a controlling interest. Such investments are valued at the closing price on the measurement date. We valued one of our investments using Level 1 inputs as of October 31, 2014.

- ***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 short-term investment using Level 2 inputs as of October 31, 2014.

- ***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 4 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.

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The following fair value hierarchy table sets forth our investment portfolio by level as of October 31, 2014 and 2013 (in thousands):

	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			19,969	19,969
GP Interest			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

	October 31, 2013 (restated)			
	Level 1	Level 2	Level 3	Total (restated)
Senior/Subordinated Loans and credit facilities	$	$	$ 113,153	$ 113,153
Common Stock			19,593	19,593
Preferred Stock			180,357	180,357
Warrants			220	220
Other Equity Investments			104,597	104,597
Escrow receivables			6,237	6,237
Short-term investments		49,827		49,827
Total Investments, net	$	$ 49,827	$ 424,157	$ 473,984

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, 2014 and October 31, 2013, 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, 2014 and October 31, 2013 (in thousands):

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	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
Senior/Subordinated Loans and credit facilities	$ 113,153	$ (170)	$ 980	$ (6,010)	$ 72,050	$ (50,874)	$	$ 129,129
Common Stock	19,593			4,190	764			24,547
Preferred Stock	180,357	13,000	(10,000)	(15,606)	19,469	(26,761)		160,459
Warrants	220	(34)	15	409	825	(722)		713
Common Equity Interest	82,539			(15,946)	32,013			98,606
LP Interest	11,384			3,465	5,120			19,969
GP Interest	288			85	131			504
LLC Interest	10,386	2,989	(4,128)	525	487	(6,267)		3,992
Guarantees				(67)				(67)
Escrow receivables	6,237	869				(7,106)		
Total	$ 424,157	$ 16,654	$ (13,133)	$ (28,955)	$ 130,859	$ (91,730)	$	$ 437,852

	Balances, November 1, 2012	Realized Gains (Losses) (1)	Reversal of Prior Period (Appreciation) Depreciation on Realization (2)	Unrealized Appreciation (Depreciation) (3) (restated)	Purchases (4)	Sales (5)	Transfers In & Out of Level 3	Balances, October 31, 2013 (restated)
Senior/Subordinated Loans and credit facilities	$ 89,502	$ 152	$ (2)	$ (748)	$ 61,609	$ (37,360)	$	$ 113,153
Common Stock	69,686	48,281	(44,497)	6,924	5,487	(66,288)		19,593
Preferred Stock	138,089	(4,421)	4,505	11,893	30,388	(97)		180,357
Warrants	34			(102)	288			220
Other Equity Investments	107,685			(4,580)	1,522	(30)		104,597
Guarantees	(825)			825				
Escrow receivables	991	(684)			6,311	(381)		6,237
Total	$ 405,162	$ 43,328	$ (39,994)	$ 14,212	$ 105,605	$ (104,156)	$	$ 424,157

(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, 2014 and 2013, respectively.

(3) Included in net unrealized appreciation (depreciation) of investments in the Consolidated Statement of Operations related to securities held at October 31, 2014 and 2013, respectively.

(4) Includes increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts, premiums and closing fees and the exchange of one or more existing securities for 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, 2014 and October 31, 2013 (Fair Value is disclosed in thousands):

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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	$ 19,969	Adjusted Net Asset Approach	Discount to Net Asset Value	N/A	N/A	N/A
GP Interest	$ 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.

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

NM - Not Meaningful

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Quantitative Information about Level 3 Fair Value Measurements*

	Fair value as of 10/31/2013 -(restated)	Valuation technique	Unobservable input	Range Low	High	Weighted average (a)
Common Stock (c) (d)	$ 19,593	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	13.3%	15.0%	13.3%
		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)	$ 113,153	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	EBITDA Multiple	5.0x	11.8x	6.4x
			Forward EBITDA Multiple	5.0x	5.0x	5.0x
			Market Quotes	100.0%	100.0%	100.0%
		Income Approach	Discount Rate	13.3%	13.5%	13.4%
			Required Rate of Return	15.0%	16.0%	15.4%
Other Equity Investments (d)	$ 104,597	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
			Multiple of Book Value	1.0x	1.0x	1.0x
			Real Estate Appraisals	N/A	N/A	N/A
		Market Approach	EBIT Multiple	8.0x	8.0x	8.0x
			Discount to notional value of CLO equity	20.0%	20.0%	20.0%
			Revenue Multiple	2.0x	2.0x	2.0x
			Forward EBITDA Multiple	5.0x	8.0x	7.7x
			EBITDA Multiple	6.0x	7.7x	7.4x
			Euros per TTM MWhr	0.70	0.70	0.70
			Euros per Expected MWhr new P50	0.70	0.70	0.70
		Income Approach	Discount Rate	7.5%	17.3%	9.6%

Preferred Stock (c)	$	180,357	Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	$ 0.0	$ 0.0
			Market Approach	Revenue Multiple	2.0x	2.0x	0.3x
				EBITDA Multiple	5.0x	9.0x	6.5x
				% of AUM	0.8%	0.8%	0.8%
				Illiquidity Discount	30.0%	30.0%	30.0%
			Income Approach	Discount Rate	15.0%	16.5%	16.4%
Warrants	$	220	Market Approach	EBITDA Multiple	11.8x	11.8x	11.8x
			Income Approach	Discount Rate	13.5%	23.8%	23.0%
				Illiquidity Discount	25.0%	25.0%	25.0%
			Adjusted Net Asset Approach	Discount to Net Asset Value	0.0%	0.0%	0.0%
Escrow Receivables	$	6,237	Adjusted Net Asset Approach	Discount to Net Asset Value	6.0%	100.0%	7.4%
Total	**$**	**424,157**					

Notes:

(a) Calculated based on fair values.

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

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

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

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

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

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additional disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy, including the valuation processes used by the reporting entity, the sensitivity of the fair value to changes in unobservable inputs and the interrelationships between those unobservable inputs, if any.

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

For the Fiscal Year Ended October 31, 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 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.

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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.

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.

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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 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

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$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

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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 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 short-term investments 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 short-term 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.

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For the Fiscal Year Ended October 31, 2013 (Restated)

During the year ended October 31, 2013, the Company made six new investments, committing capital totaling approximately $62.4 million. The investments were made in Summit ($22.0 million), SCSD ($5.5 million), Prepaid Legal ($9.9 million), Morey s ($8.0 million), Biogenic ($9.5 million) and Advantage ($7.5 million).

During the year ended October 31, 2013, the Company made nine follow-on investments into five existing portfolio companies totaling approximately $33.3 million. On November 26, 2012, the Company loaned an additional $8.0 million to JSC Tekers, increasing the secured loan amount to $12.0 million. The interest rate remains at 8% per annum and the maturity date was extended to December 31, 2014. On February 15, 2013 and May 7, 2013, the Company contributed a total of approximately $1.1 million to the PE Fund related to expenses and an additional investment in Plymouth Rock Energy, LLC. As of October 31, 2013, the PE Fund has invested in Plymouth Rock Energy, LLC, Gibdock Limited and Focus Pointe Holdings, Inc. On June 11, 2013, the Company invested $22.6 million in Ohio Medical in the form of 7,477 shares of series C convertible preferred stock. This follow-on investment replaced the guarantee the Company had with Ohio Medical. The guarantee is no longer a commitment of the Company. On August 2, 2013, the Company increased its common equity interest in MVC Automotive by approximately $133,000. During the year ended October 31, 2013, the Company loaned an additional $1.5 million to Biovation, increasing the loan amount to approximately $3.1 million. The Company also received warrants at no cost. The Company allocated a portion of the cost basis of the additional loan to the warrants at the time the investment was made.

On December 17, 2012, the Company received a dividend from Vestal of approximately $426,000.

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 19, 2012, MVC Automotive made a principal payment of approximately $2.0 million on its bridge loan. As of October 31, 2013, the balance of the bridge loan was approximately $1.6 million.

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 its 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 8, 2013, the Company received a $70,000 dividend from Marine.

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

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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 includes 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. Also, as part of the sale, the $12.1 million second lien loan to Summit was repaid in full, including all accrued interest. The Company then provided Summit with a $22.0 million second lien loan with an annual interest rate of 14% and a maturity date of October 1, 2018.

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 June 10, 2013, Teleguam repaid its $7.0 million second lien loan in full, including all accrued interest.

On July 1, 2013, Prepaid Legal repaid its tranches A and B term loans in full including all accrued interest. Total proceeds received were approximately $6.8 million.

During the year ended October 31, 2013, the Company received dividend payments from U.S. Gas totaling approximately $7.6 million.

During the year ended October 31, 2013, Marine made principal payments totaling $900,000 on its senior subordinated loan. As of October 31, 2013, the balance of the loan was approximately $11.4 million.

During the year ended October 31, 2013, Custom Alloy made principal payments of approximately $8.2 million on its loan. As of October 31, 2013, the outstanding balance of the loan was approximately $7.5 million.

During the quarter ended January 31, 2013, the Valuation Committee increased the fair value of the Company s investments in Custom Alloy series A preferred stock by approximately $4,000 and series B preferred stock by approximately $836,000, Turf equity interest by $180,000, Octagon equity interest by $450,000, Tekers common stock by $234,000, Vestal common stock by approximately $1.7 million, Pre-Paid Legal term loans A and B by a total of approximately $119,000, RuMe preferred stock by $423,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $12,000, Centile equity interest by $90,000 and Security Holdings equity interest by $3.0 million. In addition, increases in the cost basis and fair value of the loans to Custom Alloy, Marine, Summit, Freshii and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $648,977. The Valuation Committee also decreased the fair value of the Company s investments in SGDA Europe equity interest by approximately $4.8 million, MVC Automotive equity interest by approximately $15.1 million, HH&B common stock by $100,000, NPWT preferred stock by approximately $84,000 due to the distribution received, and Velocitius equity interest by approximately $1.1 million. The Valuation Committee also determined to increase the liability associated with the Ohio Medical guarantee by $350,000. Also, during the quarter ended January 31, 2013, the undistributed

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allocation of flow through losses from the Company s equity investment in Octagon decreased the cost basis and fair value of this investment by approximately $30,000.

During the quarter ended April 30, 2013, the Valuation Committee increased the fair value of the Company s investments in NPWT preferred and common stock by a total of approximately $70,000, Security Holdings equity interest by approximately $4.0 million, SGDA Europe equity interest by approximately $762,000, Turf equity interest by $412,000, Vestal common stock by approximately $1.4 million, Centile equity interest by $505,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $1.7 million and Freshii warrant by approximately $5,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $453,990. The Valuation Committee also decreased the fair value of the Company s investments in Ohio Medical Preferred stock by $4.6 million, Tekers common stock by $218,000, MVC Automotive equity interest by approximately $552,000, Velocitius equity interest by approximately $1.2 million, JSC Tekers secured loan by $1.0 million and the Biovation loan and warrant by a total of approximately $50,000. The Valuation Committee also determined to remove the liability associated with the Ohio Medical guarantee, which had a fair value as of January 31, 2013 of approximately $1.2 million. Also, during the quarter ended April 30, 2013, 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 $110,000.

During the quarter ended July 31, 2013, the Valuation Committee increased the fair value of the Company s investments in Custom Alloy series A preferred stock by approximately $22,000 and series B preferred stock by approximately $5.0 million, Security Holdings equity interest by approximately $1.9 million, U.S. Gas convertible series I preferred stock by $11.6 million, Vestal common stock by $1.0 million, Centile equity interest by $474,000 and the Biovation bridge loan by approximately $135,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biovation and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $1,198,394. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $201,000 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 NPWT preferred and common stock by a total of approximately $210,000, MVC Automotive equity interest by approximately $1.3 million, SGDA Europe equity interest by approximately $365,000, Velocitius equity interest by approximately $116,000, Freshii warrant by approximately $8,000, Biovation warrant by $82,000 and the MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $85,000. Also, during the quarter ended July 31, 2013, 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 $70,000.

During the quarter ended October 31, 2013, 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 $4.1 million, Security Holdings equity interest by approximately $3.4 million, Vestal common stock by $2.7 million, Centile equity interest by $568,000, MVC Automotive equity interest by approximately $879,000, NPWT preferred and common stock by a total of approximately $19,000, SGDA Europe equity interest by approximately $615,000, Velocitius equity interest by approximately $505,000, Tekers

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common stock by $214,000, MVC Private Equity Fund L.P. general partnership interest and limited partnership interest in the PE Fund by a total of approximately $649,000, Pre-Paid Legal second lien loan by approximately $144,000 and the Biovation bridge loan by approximately $87,000. In addition, increases in the cost basis and fair value of the loans to Marine, Summit, Freshii, Biovation and U.S. Gas, Biogenic and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $968,538. The Valuation Committee also increased the fair value of the Ohio Medical series C convertible preferred stock by approximately $900,000 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 the Freshii warrant by approximately $12,000, RuMe preferred stock by $750,000, Ohio Medical Preferred stock by $1.9 million and Foliofn preferred stock by approximately $3.8 million. Also, during the quarter ended October 31, 2013, 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 $97,000.

During the year ended October 31, 2013, the Valuation Committee increased 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 $9.9 million, Octagon equity interest by $450,000, Pre-Paid Legal term loans A and B by a total of approximately $119,000, 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, Pre-Paid Legal second lien loan by approximately $144,000, Centile equity interest by $1.7 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. In addition, increases in the cost basis and fair value of the loans to Custom Alloy, Marine, Summit, Freshii, Biogenic and U.S. Gas, and the Marine preferred stock were due to the capitalization of PIK interest/dividends totaling $3,269,909. 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 Ohio Medical Preferred stock by $6.5 million, MVC Automotive equity interest by approximately $16.1 million, SGDA Europe equity interest by approximately $3.8 million, NPWT preferred and common stock by a total of approximately $205,000, Freshii warrant by approximately $15,000, Foliofn preferred stock by approximately $3.8 million, RuMe preferred stock by $327,000, HH&B common stock by $100,000, Velocitius equity interest by approximately $1.9 million, JSC Tekers secured loan by $1.0 million and the Biovation warrant by $87,000. The Valuation Committee also determined to remove the liability associated with the Ohio Medical guarantee which had a net change of $825,000. Also, during the year ended October 31, 2013, 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 $247,000.

At October 31, 2013, the fair value of all portfolio investments, exclusive of short-term 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. At October 31, 2012, the fair value of all portfolio investments, exclusive of short-term investments and escrow receivables, was $404.2 million with a cost basis of $332.4 million. At October 31,

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2012, the fair value and cost basis of the Legacy Investments were $10.8 million and $30.3 million, respectively, and the fair value and cost basis of portfolio investments made by the Company s current management team were $393.4 million and $302.1 million, respectively.

11. Commitments and Contingencies

Commitments to/for Portfolio Companies:

At October 31, 2014 and October 31, 2013, the Company s existing commitments to portfolio companies consisted of the following:

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**

Portfolio Company	Amount Committed	Amount Funded at October 31, 2013
Turf Revolver	$1.0 million	$1.0 million
MVC Private Equity Fund LP	$20.1 million	$9.3 million
Total	**$21.1 million**	**$10.3 million**

Guarantees

As of October 31, 2014 and October 31, 2013, the Company had the following commitments to guarantee various loans and mortgages:

Guarantee	Amount Committed	Amount Funded at October 31, 2014
MVC Automotive	$5.0 million	
Tekers		
Turf	$1.0 million	
Total	**$6.0 million**	

Guarantee	Amount Committed	Amount Funded at October 31, 2013
MVC Automotive	$5.4 million	
Tekers	$68,000	
Total	**$5.5 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, 2014, the Valuation Committee estimated the fair values of the guarantee obligations noted above to be negative $67,000.

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. The guarantee did not have an outstanding balance as of October 31, 2014.

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 (equivalent to approximately $5.0 million at October 31, 2014) through making financing available to the dealership and agreeing under certain circumstances not to reduce its equity stake in MVC Automotive. The Company has consistently reported the amount of the guarantee as 4.0 million Euro. The Company and MVC

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Automotive continue to view this amount as the full amount of our commitment. Erste Bank, the bank extending the mortgage to MVC Automotive, believes, based on a different methodology, that the balance of the guarantee as of October 31, 2014 is approximately 6.3 million Euro (equivalent to approximately $7.8 million).

On July 31, 2008, the Company extended a $1.0 million loan to Turf in the form of a secured junior revolving note. The note had an annual interest at 6.0% and was to expire on January 31, 2014. On November 1, 2013, Turf repaid its junior revolving note in full including all accrued interest. The junior revolving note is no longer a commitment of the Company. The Company also guaranteed $1.0 million of Turf s indebtedness to Berkshire Bank, which had a fair value of negative $67,000 as of October 31, 2014.

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. As of October 31, 2014, $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 $6.3 million at October 31, 2014), which is classified as restricted cash 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.

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 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.

On April 17, 2014, the Company loaned $13.0 million of its $15.0 million commitment to Inland in the form of a senior secured loan with a cash interest rate of 12% and a maturity date of April 17, 2019. The Company also received warrants for shares of common stock in Inland and allocated a portion of the cost basis of the loan to the warrants at the time the investment was made. On May 19, 2014, the Company loaned the remaining $2.0 million to Inland, which increased the total amount outstanding as of October 31, 2014 to $15.0 million.

Commitments of the Company

Effective November 1, 2006, under the terms of the Investment Advisory and Management Agreement with TTG Advisers, which has since been amended and restated (the Advisory Agreement), and described in Note 4 of the consolidated financial statements, Management , TTG Advisers is responsible for providing office space to the Company and for the costs

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associated with providing such office space. The Company s offices continue to be located on the second floor of 287 Bowman Avenue, Purchase, New York 10577.

On April 27, 2006, the Company and MVCFS, as co-borrowers, entered into a four-year, $100 million credit facility (the Credit Facility), consisting of $50.0 million in term debt and $50.0 million in revolving credit, with Guggenheim as administrative agent for the lenders. On April 13, 2010, the Company renewed the Credit Facility for three years. The Credit Facility consisted of a $50.0 million term loan with an interest rate of LIBOR plus 450 basis points with a 1.25% LIBOR floor and had a maturity date of April 27, 2013.

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 in full, including all accrued interest. The Company intends to use 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, 2014, the total outstanding amount of the Senior Notes was approximately $114.4 million with a market value of approximately $115.3 million. The market value of the Senior Notes is based on the closing price of the security as of October 31, 2014 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, 2013, the balance of Credit Facility II was $50.0 million. On January 31, 2014, Credit Facility II was increased to a $100 million revolving credit facility. On July 30, 2014, Credit Facility II was renewed for an additional one-year period. Credit Facility II will now expire on July 31, 2015, at which time all outstanding amounts under it will be due and payable. During the fiscal year ended October 31, 2014, the Company s net borrowings on Credit Facility II were $50.0 million, resulting in an outstanding balance of $100 million at October 31, 2014. Credit Facility II will be used to provide the Company with better overall financial flexibility in managing its

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investment portfolio. Borrowings under Credit Facility II bear interest at LIBOR plus 100 basis points. In addition, the Company is also subject to a 25 basis point commitment fee for the average amount of Credit Facility II that is unused during each fiscal quarter. The Company paid closing fees, legal and other costs associated with these transactions. These costs will be amortized over the life of the facility. Borrowings under Credit Facility II will be secured by cash, short-term and long-term U.S. Treasury securities and other governmental agency securities.

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.

12. Selected Quarterly Data (Unaudited) (Restated)

MVC Capital, Inc.

Consolidated Balance Sheets

	January 31, 2014 (restated)	April 30, 2014 (restated)	July 31, 2014 (restated)	October 31, 2014
ASSETS				
Assets				
Cash and cash equivalents	$ 55,049,730	$ 23,124,065	$ 29,105,583	$ 17,172,464
Restricted cash and cash equivalents	6,743,000	6,933,500	6,694,500	6,265,500
Investments at fair value				
Short-term investments	99,777,105			99,897,404
Non-control/Non-affiliated investments	81,144,593	95,093,412	93,398,599	126,303,048
Affiliate investments	227,640,549	220,629,030	197,472,136	173,682,927
Control investments	127,041,601	131,700,347	154,316,356	147,644,189
Total investments at fair value	535,603,848	447,422,789	445,187,091	547,527,568
Receivable on sale of short-term investments		99,783,203	99,698,193	
Escrow receivables, net of reserves	5,936,928	5,936,928	5,936,928	
Dividends and interest receivables, net of reserves	3,909,563	4,236,637	1,286,429	1,188,398
Deferred financing fees	3,141,895	3,051,835	3,095,180	2,972,864
Fee and other receivables	2,607,037	1,925,720	1,830,048	1,939,827
Prepaid expenses	565,086	508,708	399,088	646,801
Total assets	$ 613,557,087	$ 592,923,385	$ 593,233,040	$ 577,713,422
LIABILITIES AND SHAREHOLDERS EQUITY				
Liabilities				
Senior notes	$ 114,408,750	$ 114,408,750	$ 114,408,750	$ 114,408,750
Revolving credit facility	100,000,000	100,000,000	100,000,000	100,000,000
Provision for incentive compensation	19,918,473	16,504,667	17,072,435	14,733,887

Management fee payable	1,754,610	1,678,124	1,516,184	1,474,223
Management fee payable - Asset Management	838,347	1,069,880	261,223	296,812
Accrued expenses and liabilities	769,915	650,067	342,183	456,148
Professional fees payable	500,499	820,631	1,133,054	1,309,085
Interest payable	371,915	374,387	371,789	374,875
Portfolio fees payable - Asset Management	141,084	375,802	197,706	436,791
Consulting fees payable	135,511	115,983	125,229	97,250
Taxes payable	564	541	780	1,219
Liability for share exchange			219,567	221,424
Total liabilities	238,839,668	235,998,832	235,648,900	233,810,464
Shareholders equity				
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,702,821 shares outstanding at October 31, 2014	283,044	283,044	283,044	283,044
Additional paid-in-capital	420,165,045	423,933,478	420,895,987	421,037,726
Accumulated earnings	69,465,593	69,078,307	71,496,613	83,996,734
Dividends paid to stockholders	(107,590,867)	(110,623,617)	(113,688,497)	(116,753,378)
Accumulated net realized loss	(2,438,594)	(1,716,744)	955,008	2,697,840
Net unrealized appreciation	49,275,650	32,521,624	32,938,191	7,937,198
Treasury stock, at cost, 5,686,760 shares held at October 31, 2014	(54,442,452)	(56,551,539)	(55,296,206)	(55,296,206)
Total shareholders equity	374,717,419	356,924,553	357,584,140	343,902,958
Total liabilities and shareholders equity	$ 613,557,087	$ 592,923,385	$ 593,233,040	$ 577,713,422
Net asset value per share	$ 16.57	$ 15.89	$ 15.75	$ 15.15

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Impact of Restatement and Correction Adjustments on the January 31, 2014, April 30, 2014 and July 31, 2014 Consolidated Balance Sheets

The following tables present the impact of the restatement and correction adjustments on our Consolidated Balance Sheets as of January 31, 2014, April 30, 2014 and July 31, 2014:

MVC Capital, Inc.

Consolidated Balance Sheets

	As published	As of January 31, 2014 Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 55,049,730	$	$ 55,049,730
Restricted cash and cash equivalents	6,743,000		6,743,000
Investments at fair value			
Short-term investments (cost $99,703,383)	99,777,105		99,777,105
Non-control/Non-affiliated investments (cost $99,750,278)	81,144,593		81,144,593
Affiliate investments (cost $137,224,491)	229,576,433	(1,935,884)	227,640,549
Control investments (cost $149,650,046)	148,078,601	(21,037,000)	127,041,601
Total investments at fair value (cost $486,328,198)	558,576,732	(22,972,884)	535,603,848
Escrow receivables, net of reserves	5,936,928		5,936,928
Dividends and interest receivables, net of reserves	3,909,563		3,909,563
Deferred financing fees	3,141,895		3,141,895
Fee and other receivables	2,607,037		2,607,037
Prepaid expenses	565,086		565,086
Total assets	$ 636,529,971	$ (22,972,884)	$ 613,557,087
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	100,000,000		100,000,000
Provision for incentive compensation	24,513,050	(4,594,577)	19,918,473
Management fee payable	2,303,942	(549,332)	1,754,610
Management fee payable - Asset Management	838,347		838,347
Accrued expenses and liabilities	769,915		769,915
Professional fees payable	500,499		500,499
Interest payable	371,915		371,915
Portfolio fees payable - Asset Management	141,084		141,084
Consulting fees payable	135,511		135,511
Taxes payable	564		564
Total liabilities	243,983,577	(5,143,909)	238,839,668

Shareholders equity						
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,617,688 shares outstanding at January 31, 2014		283,044				283,044
Additional paid-in-capital		420,165,045				420,165,045
Accumulated earnings		64,321,684		5,143,909		69,465,593
Dividends paid to stockholders		(107,590,867)				(107,590,867)
Accumulated net realized loss		(2,438,594)				(2,438,594)
Net unrealized appreciation		72,248,534		(22,972,884)		49,275,650
Treasury stock, at cost, 5,686,760 shares held		(54,442,452)				(54,442,452)
Total shareholders equity		392,546,394		(17,828,975)		374,717,419
Total liabilities and shareholders equity	$	636,529,971	$	(22,972,884)	$	613,557,087
Net asset value per share	$	17.36	$	(0.79)	$	16.57

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MVC Capital, Inc.

Consolidated Balance Sheets

	As of April 30, 2014 As published	Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 23,124,065	$	$ 23,124,065
Restricted cash and cash equivalents	6,933,500		6,933,500
Investments at fair value			
Short-term investments (cost $0)			
Non-control/Non-affiliated investments (cost $119,215,249)	95,093,412		95,093,412
Affiliate investments (cost $139,232,093)	223,025,960	(2,396,930)	220,629,030
Control investments (cost $156,453,823)	145,006,347	(13,306,000)	131,700,347
Total investments at fair value (cost $414,901,165)	463,125,719	(15,702,930)	447,422,789
Receivable on sale of short-term investments	99,783,203		99,783,203
Escrow receivables, net of reserves	5,936,928		5,936,928
Dividends and interest receivables, net of reserves	4,236,637		4,236,637
Deferred financing fees	3,051,835		3,051,835
Fee and other receivables	1,925,720		1,925,720
Prepaid expenses	508,708		508,708
Total assets	$ 608,626,315	$ (15,702,930)	$ 592,923,385
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	100,000,000		100,000,000
Provision for incentive compensation	19,645,253	(3,140,586)	16,504,667
Management fee payable	2,305,971	(627,847)	1,678,124
Management fee payable - Asset Management	1,069,880		1,069,880
Professional fees payable	820,631		820,631
Accrued expenses and liabilities	650,067		650,067
Portfolio fees payable - Asset Management	375,802		375,802
Interest payable	374,387		374,387
Consulting fees payable	115,983		115,983
Taxes payable	541		541
Total liabilities	239,767,265	(3,768,433)	235,998,832
Shareholders equity			
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,464,814 shares outstanding at April 30, 2014	283,044		283,044
Additional paid-in-capital	420,165,045	3,768,433	423,933,478
Accumulated earnings	69,078,307		69,078,307
Dividends paid to stockholders	(110,623,617)		(110,623,617)
Accumulated net realized loss	(1,716,744)		(1,716,744)
Net unrealized appreciation	48,224,554	(15,702,930)	32,521,624

Treasury stock, at cost, 5,839,634 shares held		(56,551,539)				(56,551,539)
Total shareholders equity		368,859,050		(11,934,497)		356,924,553
Total liabilities and shareholders equity	$	608,626,315	$	(15,702,930)	$	592,923,385
Net asset value per share	$	16.42	$	(0.53)	$	15.89

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MVC Capital, Inc.

Consolidated Balance Sheets

	As of July 31, 2014 As published	Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 29,105,583	$	$ 29,105,583
Restricted cash and cash equivalents	6,694,500		6,694,500
Investments at fair value			
Short-term investments (cost $0)			
Non-control/Non-affiliated investments (cost $117,598,667)	93,398,599		93,398,599
Affiliate investments (cost $122,831,153)	200,673,576	(3,201,440)	197,472,136
Control investments (cost $171,819,080)	154,823,356	(507,000)	154,316,356
Total investments at fair value (cost $412,248,900)	448,895,531	(3,708,440)	445,187,091
Receivable on sale of short-term investments	99,698,193		99,698,193
Escrow receivables, net of reserves	5,936,928		5,936,928
Dividends and interest receivables, net of reserves	1,286,429		1,286,429
Deferred financing fees	3,095,180		3,095,180
Fee and other receivables	1,830,048		1,830,048
Prepaid expenses	399,088		399,088
Total assets	$ 596,941,480	$ (3,708,440)	$ 593,233,040
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	100,000,000		100,000,000
Provision for incentive compensation	17,814,123	(741,688)	17,072,435
Management fee payable	2,162,573	(646,389)	1,516,184
Management fee payable - Asset Management	261,223		261,223
Professional fees payable	1,133,054		1,133,054
Accrued expenses and liabilities	342,183		342,183
Liability for share exchange		219,567	219,567
Portfolio fees payable - Asset Management	197,706		197,706
Interest payable	371,789		371,789
Consulting fees payable	125,229		125,229
Taxes payable	780		780
Total liabilities	236,817,410	(1,168,510)	235,648,900
Shareholders equity			
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,702,821 shares outstanding at July 31, 2014	283,044		283,044
Additional paid-in-capital	421,115,554	(219,567)	420,895,987
Accumulated earnings	70,108,536	1,388,077	71,496,613
Dividends paid to stockholders	(113,688,497)		(113,688,497)
Accumulated net realized loss	955,008		955,008

Net unrealized appreciation		36,646,631		(3,708,440)		32,938,191
Treasury stock, at cost, 5,601,627 shares held		(55,296,206)				(55,296,206)
Total shareholders equity		360,124,070		(2,539,930)		357,584,140
Total liabilities and shareholders equity	$	596,941,480	$	(3,708,440)	$	593,233,040
Net asset value per share	$	15.86	$	(0.11)	$	15.75

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MVC Capital, Inc.

Consolidated Statements of Operations

	Q1 2014 (restated)	Q2 2014 (restated)	Q3 2014 (restated)	Q4 2014
Operating Income:				
Dividend income				
Non-control/Non-affiliated investments	$ 190	$ 69,390	$ 187	$ 189
Affiliate investments	106,323	36,149	736,873	(11,429)
Total dividend income	106,513	105,539	737,060	(11,240)
Payment-in-kind dividend income				
Affiliate investments		72,300	73,746	70,882
Total payment-in-kind dividend income		72,300	73,746	70,882
Interest income				
Non-control/Non-affiliated investments	1,303,394	1,389,257	2,062,925	2,319,294
Affiliate investments	1,076,169	1,330,673	86,587	262,877
Control investments	95,305	96,493	44,313	117,733
Total interest income	2,474,868	2,816,423	2,193,825	2,699,904
Payment-in-kind interest income				
Non-control/Non-affiliated investments	782,066	852,407	827,099	597,005
Affiliate investments	246,873	251,784	83,534	174,763
Control investments	39,272	37,992	91,295	(12,749)
Total payment-in-kind interest income	1,068,211	1,142,183	1,001,928	759,019
Fee income				
Non-control/Non-affiliated investments	504	300,487	504	4,898
Affiliate investments	230,000	230,001	240,834	231,500
Control investments	80,750	80,749	80,751	80,751
Total fee income	311,254	611,237	322,089	317,149
Fee income - Asset Management1				
Portfolio fees	141,435	454,392	203,736	514,878
Management Fees	308,775	308,710	75,548	(97,499)
Total fee income - Asset Management	450,210	763,102	279,284	417,379
Other (loss) Income	202,198	351,571	408,483	71,308
Total operating income	4,613,254	5,862,355	5,016,415	4,324,401
Operating Expenses:				
Management fee	2,189,078	2,227,455	2,144,031	2,120,611
Interest and other borrowing costs	2,255,510	2,405,389	2,426,105	2,355,462
Management fee - Asset Management	231,581	231,533	16,408	(125,224)
Legal fees	138,000	152,000	326,000	309,000
Audit fees	162,400	161,700	154,100	156,000
Other expenses	140,738	(36,941)	160,738	146,731
Consulting fees	135,151	124,251	139,251	76,751
Portfolio fees - Asset Management	106,076	340,794	152,802	386,159
Directors fees	103,125	103,125	96,375	98,000
Insurance	86,700	86,700	86,700	85,920

Administration		64,675		61,448		71,998		61,230
Public relations fees		51,000		51,000		51,000		45,000
Printing and postage		25,806		24,083		10,327		(38,864)
Incentive compensation		434,851		(3,413,806)		567,768		(2,338,548)
Total operating expenses		6,124,691		2,518,731		6,403,603		3,338,228
Less: Voluntary Expense Waiver by Adviser		(37,500)		(37,500)		(37,500)		(37,500)
Less: Voluntary Management Fee Waiver by Adviser								
Total waivers		(37,500)		(37,500)		(37,500)		(37,500)
Net operating income before taxes		(1,473,937)		3,381,124		(1,349,688)		1,023,673
Tax Expenses:								
Current tax expense		900		(23)		439		439
Total tax expense		900		(23)		439		439
Net operating income		(1,474,837)		3,381,147		(1,350,127)		1,023,234
Net Realized and Unrealized Gain (Loss) on Investments:								
Net realized (loss) gain on investments								
Short-term investments				338,448		(307,933)		(30,515)
Non-control/Non-affiliated investments		(237,139)		383,402				(722,026)
Affiliate investments						2,979,685		13,000,001
Control investments								1,115,855
Total net realized (loss) gain on investments		(237,139)		721,850		2,671,752		13,363,315
Net change in unrealized appreciation (depreciation) on investments		3,397,190		(16,754,026)		416,567		(25,000,993)
Net realized and unrealized gain (loss) on investments		3,160,051		(16,032,176)		3,088,319		(11,637,678)
Net increase (decrease) in net assets resulting from operations	$	1,685,214	$	(12,651,029)	$	1,738,192	$	(10,614,444)
Net increase (decrease) in net assets per share resulting from operations	$	0.08	$	(0.57)	$	0.07	$	(0.46)
Dividends declared per share	$	0.135	$	0.135	$	0.135	$	0.135
Weighted average number of shares outstanding		22,617,688		22,541,251		22,699,020		22,632,584

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Impact of Restatement and Correction Adjustments on the January 31, 2014, April 30, 2014 and July 31, 2014 Quarter-to-Date and Year-to-Date Consolidated Statement of Operations

The following tables present the impact of the restatement and correction adjustments on our quarter-to-date and year-to-date Consolidated Statements of Operations for the periods ending January 31, 2014, April 30, 2014 and July 31, 2014:

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Quarter Ended January 31, 2014		
	As published	Adjustments	Restated
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 190	$	$ 190
Affiliate investments	106,323		106,323
Total dividend income	106,513		106,513
Payment-in-kind dividend income			
Affiliate investments			
Total payment-in-kind dividend income			
Interest income			
Non-control/Non-affiliated investments	1,303,394		1,303,394
Affiliate investments	1,076,169		1,076,169
Control investments	95,305		95,305
Total interest income	2,474,868		2,474,868
Payment-in-kind interest income			
Non-control/Non-affiliated investments	782,066		782,066
Affiliate investments	246,873		246,873
Control investments	39,272		39,272
Total payment-in-kind interest income	1,068,211		1,068,211
Fee income			
Non-control/Non-affiliated investments	504		504
Affiliate investments	230,000		230,000
Control investments	80,750		80,750
Total fee income	311,254		311,254
Fee income - Asset Management1			
Portfolio fees	141,435		141,435
Management Fees	308,775		308,775
Total fee income - Asset Management	450,210		450,210
Other income	202,198		202,198
Total operating income	4,613,254		4,613,254
Operating Expenses:			
Management fee	2,303,942	(114,864)	2,189,078
Interest and other borrowing costs	2,255,510		2,255,510
Management fee - Asset Management	231,581		231,581
Legal fees	138,000		138,000
Audit fees	162,400		162,400
Other expenses	140,738		140,738
Consulting fees	135,151		135,151
Portfolio fees - Asset Management	106,076		106,076
Directors fees	103,125		103,125
Insurance	86,700		86,700

Administration		64,675				64,675
Public relations fees		51,000				51,000
Printing and postage		25,806				25,806
Incentive compensation		553,941		(119,090)		434,851
Total operating expenses		6,358,645		(233,954)		6,124,691
Less: Voluntary Expense Waiver by Adviser		(37,500)				(37,500)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers		(37,500)				(37,500)
Net operating income before taxes		(1,707,891)		233,954		(1,473,937)
Tax Expenses:						
Current tax expense		900				900
Total tax expense		900				900
Net operating income		(1,708,791)		233,954		(1,474,837)
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized (loss) gain on investments						
Non-control/Non-affiliated investments		(237,139)				(237,139)
Total net realized (loss) gain on investments		(237,139)				(237,139)
Net change in unrealized appreciation (depreciation) on investments		3,992,640		(595,450)		3,397,190
Net realized and unrealized gain (loss) on investments		3,755,501		(595,450)		3,160,051
Net increase (decrease) in net assets resulting from operations	$	2,046,710	$	(361,496)	$	1,685,214
Net increase (decrease) in net assets per share resulting from operations	$	0.10	$	(0.02)	$	0.08
Dividends declared per share	$	0.135	$		$	0.135
Weighted average number of shares outstanding		22,617,688				22,617,688

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MVC Capital, Inc.

Consolidated Statements of Operations

	As published	Adjustments	Restated	As published	Adjustments	Restated
Operating Income:						
Dividend income						
Non-control/Non-affiliated investments	$ 69,390	$	$ 69,390	$ 69,580	$	$ 69,580
Affiliate investments	36,149		36,149	71,590		71,590
Total dividend income	105,539		105,539	141,170		141,170
Payment-in-kind dividend income						
Affiliate investments	72,300		72,300	143,182		143,182
Total payment-in-kind dividend income	72,300		72,300	143,182		143,182
Interest income						
Non-control/Non-affiliated investments	1,389,257		1,389,257	2,692,651		2,692,651
Affiliate investments	1,330,673		1,330,673	2,406,842		2,406,842
Control investments	96,493		96,493	191,798		191,798
Total interest income	2,816,423		2,816,423	5,291,291		5,291,291
Payment-in-kind interest income						
Non-control/Non-affiliated investments	852,407		852,407	1,634,473		1,634,473
Affiliate investments	251,784		251,784	498,657		498,657
Control investments	37,992		37,992	77,264		77,264
Total payment-in-kind interest income	1,142,183		1,142,183	2,210,394		2,210,394
Fee income						
Non-control/Non-affiliated investments	300,487		300,487	300,991		300,991
Affiliate investments	230,001		230,001	460,001		460,001
Control investments	80,749		80,749	161,499		161,499
Total fee income	611,237		611,237	922,491		922,491
Fee income - Asset Management1						
Portfolio fees	454,392		454,392	595,827		595,827
Management Fees	308,710		308,710	617,485		617,485
Total fee income - Asset Management	763,102		763,102	1,213,312		1,213,312
Other Income	351,571		351,571	553,769		553,769
Total operating income	5,862,355		5,862,355	10,475,609		10,475,609
Operating Expenses:						

Management fee	2,305,970	(78,515)	2,227,455	4,609,912	(193,379)	4,416,533
Interest and other borrowing costs	2,405,389		2,405,389	4,660,899		4,660,899
Management fee - Asset Management	231,533		231,533	463,114		463,114
Legal fees	152,000		152,000	290,000		290,000
Audit fees	161,700		161,700	324,100		324,100
Other expenses	(36,941)		(36,941)	103,797		103,797
Consulting fees	124,251		124,251	259,402		259,402
Portfolio fees - Asset Management	340,794		340,794	446,870		446,870
Directors fees	103,125		103,125	206,250		206,250
Insurance	86,700		86,700	173,400		173,400
Administration	61,448		61,448	126,123		126,123
Public relations fees	51,000		51,000	102,000		102,000
Printing and postage	24,083		24,083	49,889		49,889
Incentive compensation	(4,867,797)	1,453,991	(3,413,806)	(4,313,856)	1,334,901	(2,978,955)
Total operating expenses	1,143,255	1,375,476	2,518,731	7,501,900	1,141,522	8,643,422
Less: Voluntary Expense Waiver by Adviser	(37,500)		(37,500)	(75,000)		(75,000)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers	(37,500)		(37,500)	(75,000)		(75,000)
Net operating income before taxes	4,756,600	(1,375,476)	3,381,124	3,048,709	(1,141,522)	1,907,187
Tax Expenses:						
Current tax expense	(23)		(23)	877		877
Total tax expense	(23)		(23)	877		877
Net operating income	4,756,623	(1,375,476)	3,381,147	3,047,832	(1,141,522)	1,906,310
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized (loss) gain on investments						
Short-term investments	338,448		338,448	176,515		176,515
Non-control/Non-affiliated investments	383,402		383,402	308,196		308,196
Total net realized gain (loss) on investments	721,850		721,850	484,711		484,711
Net change in unrealized (depreciation) appreciation on investments	(24,023,980)	7,269,954	(16,754,026)	(20,031,340)	6,674,504	(13,356,836)
Net realized and unrealized gain (loss) on investments	(23,302,130)	7,269,954	(16,032,176)	(19,546,629)	6,674,504	(12,872,125)
Net increase (decrease) in net assets resulting from operations	$ (18,545,507)	$ 5,894,478	$ (12,651,029)	$ (16,498,797)	$ 5,532,982	$ (10,965,815)
	$ (0.83)	$ 0.26	$ (0.57)	$ (0.73)	$ 0.24	$ (0.49)

Net increase (decrease) in net assets per share resulting from operations						
Dividends declared per share	$ 0.135	$	$ 0.135	$ 0.270	$	$ 0.270
Weighted average number of shares outstanding	22,541,251		22,541,251	22,574,010		22,574,010

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Quarter Ended July 31, 2014			For the Nine Months Ended July 31, 2014		
	As published	**Adjustments**	**Restated**	**As published**	**Adjustments**	**Restated**
Operating Income:						
Dividend income						
Non-control/Non-affiliated investments	$ 187	$	$ 187	$ 69,767	$	$ 69,767
Affiliate investments	736,873		736,873	808,463		808,463
Total dividend income	737,060		737,060	878,230		878,230
Payment-in-kind dividend income						
Affiliate investments	73,746		73,746	216,928		216,928
Total payment-in-kind dividend income	73,746		73,746	216,928		216,928
Interest income						
Non-control/Non-affiliated investments	2,062,925		2,062,925	4,755,577		4,755,577
Affiliate investments	86,587		86,587	2,493,429		2,493,429
Control investments	44,313		44,313	236,111		236,111
Total interest income	2,193,825		2,193,825	7,485,117		7,485,117
Payment-in-kind interest income						
Non-control/Non-affiliated investments	827,099		827,099	2,461,572		2,461,572
Affiliate investments	83,534		83,534	582,191		582,191
Control investments	91,295		91,295	168,559		168,559
Total payment-in-kind interest income	1,001,928		1,001,928	3,212,322		3,212,322
Fee income						
Non-control/Non-affiliated investments	504		504	301,495		301,495
Affiliate investments	240,834		240,834	700,835		700,835
Control investments	80,751		80,751	242,250		242,250
Total fee income	322,089		322,089	1,244,580		1,244,580
Fee income - Asset Management1						
Portfolio fees	203,736		203,736	799,563		799,563
Management Fees	75,548		75,548	693,033		693,033
Total fee income - Asset Management	279,284		279,284	1,492,596		1,492,596
Other Income	408,483		408,483	962,252		962,252
Total operating income	5,016,415		5,016,415	15,492,025		15,492,025
Operating Expenses:						

Management fee	2,162,573	(18,542)	2,144,031	6,772,485	(211,921)	6,560,564
Interest and other borrowing costs	2,426,105		2,426,105	7,087,004		7,087,004
Management fee - Asset Management	16,408		16,408	479,522		479,522
Legal fees	326,000		326,000	616,000		616,000
Audit fees	154,100		154,100	478,200		478,200
Other expenses	160,738		160,738	264,536		264,535
Consulting fees	139,251		139,251	398,653		398,653
Portfolio fees - Asset Management	152,802		152,802	599,672		599,672
Directors fees	96,375		96,375	302,625		302,625
Insurance	86,700		86,700	260,100		260,100
Administration	71,998		71,998	198,121		198,121
Public relations fees	51,000		51,000	153,000		153,000
Printing and postage	10,327		10,327	60,216		60,216
Incentive compensation	(1,831,130)	2,398,898	567,768	(6,144,986)	3,733,800	(2,411,187)
Total operating expenses	4,023,247	2,380,356	6,403,603	11,525,148	3,521,879	15,047,025
Less: Voluntary Expense Waiver by Adviser	(37,500)		(37,500)	(112,500)		(112,500)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers	(37,500)		(37,500)	(112,500)		(112,500)
Net operating income before taxes	1,030,668	(2,380,356)	(1,349,688)	4,079,377	(3,521,879)	557,500
Tax Expenses:						
Current tax expense	439		439	1,316		1,316
Total tax expense	439		439	1,316		1,316
Net operating income	1,030,229	(2,380,356)	(1,350,127)	4,078,061	(3,521,879)	556,184
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized (loss) gain on investments						
Short-term investments	(307,933)		(307,933)	(131,418)		(131,418)
Non-control/Non-affiliated investments				308,196		308,196
Affiliate investments	2,979,685		2,979,685	2,979,685		2,979,685
Total net realized gain (loss) on investments	2,671,752		2,671,752	3,156,463		3,156,463
Net change in unrealized (depreciation) appreciation on investments	(11,577,923)	11,994,490	416,567	(31,609,263)	18,668,994	(12,940,269)
Net realized and unrealized gain (loss) on investments	(8,906,171)	11,994,490	3,088,319	(28,452,800)	18,668,994	(9,783,806)
Net increase (decrease) in net assets resulting from operations	$ (7,875,942)	$ 9,614,134	$ 1,738,192	$ (24,374,739)	$ 15,147,115	$ (9,227,622)

Net increase (decrease) in net assets per share resulting from operations	$ (0.35)	$ 0.42	$ 0.07	$ (1.08)	$ 0.66	$ (0.42)
Dividends declared per share	$ 0.135	$	$ 0.135	$ 0.405	$	$ 0.405
Weighted average number of shares outstanding	22,699,020		22,699,020	22,611,513		22,611,513

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MVC Capital, Inc.

Consolidated Balance Sheets

	January 31, 2013 (restated)	April 30, 2013 (restated)	July 31, 2013 (restated)	October 31, 2013 (restated)
ASSETS				
Assets				
Cash and cash equivalents	$ 30,339,225	$ 101,929,798	$ 94,631,624	$ 74,234,560
Restricted cash and cash equivalents	6,790,000	6,584,000	6,650,000	6,792,000
Investments at fair value				
Short-term investments			50,026,641	49,826,893
Non-control/Non-affiliated investments	34,656,895	62,158,921	68,294,064	74,433,413
Affiliate investments	186,101,287	185,563,404	202,806,686	217,052,443
Control investments	175,404,786	99,434,563	122,500,299	126,434,673
Total investments at fair value	396,162,968	347,156,888	443,627,690	467,747,422
Receivable on sale of short-term investments				
Escrow receivables, net of reserves	494,827	5,962,431	5,912,749	6,236,928
Dividends and interest receivables, net of reserves	2,811,833	3,099,320	4,149,151	3,528,899
Deferred financing fees		3,040,333	3,331,810	3,265,495
Fee and other receivables	3,729,860	2,245,982	1,973,959	2,109,538
Prepaid expenses	822,417	541,472	323,985	534,904
Prepaid taxes	415	248	336	336
Total assets	$ 441,151,545	$ 470,560,472	$ 560,601,304	$ 564,450,082
LIABILITIES AND SHAREHOLDERS EQUITY				
Liabilities				
Senior notes	$	$ 80,500,000	$ 114,408,750	$ 114,408,750
Term Loan	50,000,000			
Revolving credit facility			50,000,000	50,000,000
Provision for incentive compensation	12,767,274	13,561,892	17,235,666	19,483,622
Management fee payable	1,978,666	1,656,645	1,777,915	1,786,745
Management fee payable - Asset Management	1,286,063	605,960	374,393	606,766
Accrued expenses and liabilities	800,964	805,490	656,314	655,615
Payable for purchased treasury shares		579,450		
Professional fees payable	612,060	642,334	712,642	742,859
Interest payable		259,388	368,651	371,817
Portfolio fees payable - Asset Management	140,467	138,492	138,528	140,347
Consulting fees payable	52,204	75,144	108,631	167,968
Total liabilities	67,637,698	98,824,795	185,781,490	188,364,489
Shareholders equity				
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,617,688 shares outstanding at October 31, 2014	283,044	283,044	283,044	283,044
Additional paid-in-capital	425,651,660	425,651,660	425,651,660	420,165,045
Accumulated earnings	69,692,161	71,184,261	69,458,415	70,940,430
Dividends paid to stockholders	(95,239,568)	(98,430,704)	(101,484,091)	(104,537,479)

Accumulated net realized loss		(48,324,522)		(3,187,373)		(2,939,916)		(2,201,455)
Net unrealized appreciation		59,220,317		19,733,929		38,293,154		45,878,460
Treasury stock, at cost, 5,686,760 shares held at October 31, 2014		(37,769,245)		(43,499,140)		(54,442,452)		(54,442,452)
Total shareholders equity		373,513,847		371,735,677		374,819,814		376,085,593
Total liabilities and shareholders equity	$	441,151,545	$	470,560,472	$	560,601,304	$	564,450,082
Net asset value per share	$	15.62	$	15.84	$	16.57	$	16.63

Impact of Restatement and Correction Adjustments on the January 31, 2013, April 30, 2013 and July 31, 2013 Consolidated Balance Sheets

The following tables present the impact of the restatement and correction adjustments on our Consolidated Balance Sheets as of January 31, 2013, April 30, 2013 and July 31, 2013:

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MVC Capital, Inc.

Consolidated Balance Sheets

	As of January 31, 2013 As published	Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 30,339,225	$	$ 30,339,225
Restricted cash and cash equivalents	6,790,000		6,790,000
Investments at fair value			
Non-control/Non-affiliated investments (cost $53,047,510)	34,656,895		34,656,895
Affiliate investments (cost $136,400,934)	189,187,170	(3,085,883)	186,101,287
Control investments (cost $147,494,206)	192,633,030	(17,228,244)	175,404,786
Total investments at fair value (cost $336,942,650)	416,477,095	(20,314,127)	396,162,968
Escrow receivables, net of reserves	494,827		494,827
Dividends and interest receivables, net of reserves	2,811,833		2,811,833
Fee and other receivables	3,729,860		3,729,860
Prepaid expenses	822,417		822,417
Prepaid taxes	415		415
Total assets	$ 461,465,672	$ (20,314,127)	$ 441,151,545
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Term Loan	$ 50,000,000	$	$ 50,000,000
Provision for incentive compensation	16,830,099	(4,062,825)	12,767,274
Management fee payable	2,080,237	(101,571)	1,978,666
Management fee payable - Asset Management	1,286,063		1,286,063
Accrued expenses and liabilities	800,964		800,964
Professional fees payable	612,060		612,060
Portfolio fees payable - Asset Management	140,467		140,467
Consulting fees payable	52,204		52,204
Total liabilities	71,802,094	(4,164,396)	67,637,698
Shareholders equity			
Common stock, $0.01 par value; 150,000,000 shares authorized; 23,916,982 shares outstanding at January 31, 2013	283,044		283,044
Additional paid-in-capital	425,651,660		425,651,660
Accumulated earnings	65,527,765	4,164,396	69,692,161
Dividends paid to stockholders	(95,239,568)		(95,239,568)
Accumulated net realized loss	(48,324,522)		(48,324,522)
Net unrealized appreciation	79,534,444	(20,314,127)	59,220,317
Treasury stock, at cost, 5,686,760 shares held	(37,769,245)		(37,769,245)
Total shareholders equity	389,663,578	(16,149,731)	373,513,847
Total liabilities and shareholders equity	$ 461,465,672	$ (20,314,127)	$ 441,151,545
Net asset value per share	$ 16.29	$ (0.67)	$ 15.62

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MVC Capital, Inc.

Consolidated Balance Sheets

	As of April 30, 2013 As published	Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 101,929,798	$	$ 101,929,798
Restricted cash and cash equivalents	6,584,000		6,584,000
Investments at fair value			
Non-control/Non-affiliated investments (cost $76,014,013)	62,158,921		62,158,921
Affiliate investments (cost $131,572,266)	188,501,613	(2,938,209)	185,563,404
Control investments (cost $119,836,680)	117,879,807	(18,445,244)	99,434,563
Total investments at fair value (cost $327,422,959)	368,540,341	(21,383,453)	347,156,888
Escrow receivables, net of reserves	5,962,431		5,962,431
Dividends and interest receivables, net of reserves	3,099,320		3,099,320
Deferred financing fees	3,040,333		3,040,333
Fee and other receivables	2,245,982		2,245,982
Prepaid expenses	541,472		541,472
Prepaid taxes	248		248
Total assets	$ 491,943,925	$ (21,383,453)	$ 470,560,472
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 80,500,000	$	$ 80,500,000
Provision for incentive compensation	17,838,583	(4,276,691)	13,561,892
Management fee payable	1,865,133	(208,488)	1,656,645
Management fee payable - Asset Management	605,960		605,960
Professional fees payable	642,334		642,334
Accrued expenses and liabilities	805,490		805,490
Payable for purchased treasury shares	579,450		579,450
Portfolio fees payable - Asset Management	138,492		138,492
Interest payable	259,388		259,388
Consulting fees payable	75,144		75,144
Total liabilities	103,309,974	(4,485,179)	98,824,795
Shareholders equity			
Common stock, $0.01 par value; 150,000,000 shares authorized; 23,469,342 shares outstanding at April 30, 2013	283,044		283,044
Additional paid-in-capital	425,651,660		425,651,660
Accumulated earnings	66,699,082	4,485,179	71,184,261
Dividends paid to stockholders	(98,430,704)		(98,430,704)
Accumulated net realized loss	(3,187,373)		(3,187,373)
Net unrealized appreciation	41,117,382	(21,383,453)	19,733,929
Treasury stock, at cost, 4,835,106 shares held	(43,499,140)		(43,499,140)
Total shareholders equity	388,633,951	(16,898,274)	371,735,677
Total liabilities and shareholders equity	$ 491,943,925	$ (21,383,453)	$ 470,560,472

Net asset value per share	$	16.56	$	(0.72)	$	15.84

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MVC Capital, Inc.

Consolidated Balance Sheets

	As of July 31, 2013 As published	Adjustments	As Restated
ASSETS			
Assets			
Cash and cash equivalents	$ 94,631,624	$	$ 94,631,624
Restricted cash and cash equivalents	6,650,000		6,650,000
Investments at fair value			
Short term investments (cost $49,508,735)	50,026,641		50,026,641
Non-control/Non-affiliated investments (cost $82,461,260)	68,294,064		68,294,064
Affiliate investments (cost $130,204,755)	205,923,003	(3,116,317)	202,806,686
Control investments (cost $143,159,786)	142,202,543	(19,702,244)	122,500,299
Total investments at fair value (cost $405,334,536)	466,446,251	(22,818,561)	443,627,690
Receivable on sale of short-term investments			
Escrow receivables, net of reserves	5,912,749		5,912,749
Dividends and interest receivables, net of reserves	4,149,151		4,149,151
Deferred financing fees	3,331,810		3,331,810
Fee and other receivables	1,973,959		1,973,959
Prepaid expenses	323,985		323,985
Prepaid taxes	336		336
Total assets	$ 583,419,865	$ (22,818,561)	$ 560,601,304
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Senior notes	$ 114,408,750	$	$ 114,408,750
Revolving credit facility	50,000,000		50,000,000
Provision for incentive compensation	21,799,378	(4,563,712)	17,235,666
Management fee payable	2,100,496	(322,581)	1,777,915
Management fee payable - Asset Management	374,393		374,393
Professional fees payable	712,642		712,642
Accrued expenses and liabilities	656,314		656,314
Portfolio fees payable - Asset Management	138,528		138,528
Interest payable	368,651		368,651
Consulting fees payable	108,631		108,631
Taxes payable			
Total liabilities	190,667,783	(4,886,293)	185,781,490
Shareholders equity			
Common stock, $0.01 par value; 150,000,000 shares authorized; 22,617,688 shares outstanding at July 31, 2013	283,044		283,044
Additional paid-in-capital	425,651,660		425,651,660
Accumulated earnings	64,572,122	4,886,293	69,458,415
Dividends paid to stockholders	(101,484,091)		(101,484,091)
Accumulated net realized loss	(2,939,916)		(2,939,916)
Net unrealized appreciation	61,111,715	(22,818,561)	38,293,154
Treasury stock, at cost, 5,601,627 shares held	(54,442,452)		(54,442,452)

Total shareholders equity		392,752,082		(17,932,268)		374,819,814
Total liabilities and shareholders equity	$	583,419,865	$	(22,818,561)	$	560,601,304
Net asset value per share	$	17.36	$	(0.79)	$	16.57

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MVC Capital, Inc.

Consolidated Statements of Operations

	Q1 2013 (restated)	Q2 2013 (restated)	Q3 2013 (restated)	Q4 2013 (restated)
Operating Income:				
Dividend income				
Non-control/Non-affiliated investments	$ 974	$ 577	$ 253	$ 189
Affiliate investments	2,385,748	2,456,402	2,975,320	34,747
Control investments	426,300			
Total dividend income	2,813,022	2,456,979	2,975,573	34,936
Payment-in-kind dividend income				
Affiliate investments	65,484	66,794	68,130	69,492
Total payment-in-kind dividend income	65,484	66,794	68,130	69,492
Interest income				
Non-control/Non-affiliated investments	543,884	563,080	705,487	1,394,139
Affiliate investments	1,022,952	823,884	732,361	740,044
Control investments	581,774	391,672	264,850	219,842
Total interest income	2,148,610	1,778,636	1,702,698	2,354,025
Payment-in-kind interest income				
Non-control/Non-affiliated investments	16,012	242,520	613,370	625,958
Affiliate investments	338,675	236,846	245,048	149,206
Control investments	213,574	202,830	84,643	118,448
Total payment-in-kind interest income	568,261	682,196	943,061	893,612
Fee income				
Non-control/Non-affiliated investments	104	400,487	285,504	160,503
Affiliate investments	236,846	236,283	234,179	230,001
Control investments	133,800	404,498	449,861	80,751
Total fee income	370,750	1,041,268	969,544	471,255
Fee income - Asset Management[1]				
Portfolio fees	140,613	137,979	138,026	140,453
Management Fees	308,841	309,287	310,343	309,830
Total fee income - Asset Management	449,454	447,266	448,369	450,283
Other (loss) Income	(29,845)	190,042	137,899	194,647
Total operating income	6,385,736	6,663,181	7,245,274	4,468,250
Operating Expenses:				
Management fee	1,978,666	1,758,216	1,986,403	2,109,326
Interest and other borrowing costs	937,043	1,417,818	2,115,603	2,253,806
Management fee - Asset Management	231,631	231,961	232,758	232,372
Legal fees	136,000	140,000	132,000	115,000
Audit fees	158,300	158,100	157,300	179,000
Other expenses	133,553	140,738	133,708	135,423
Consulting fees	132,251	136,251	159,251	295,243
Portfolio fees - Asset Management	105,460	103,484	103,520	105,339
Directors fees	103,125	103,125	103,125	103,125

Insurance	82,770	82,770	82,770	85,390
Administration	63,872	62,315	63,979	64,795
Public relations fees	49,500	48,000	48,000	39,000
Printing and postage	31,000	30,118	15,529	8,065
Incentive compensation	(2,888,164)	794,619	3,673,773	2,247,956
Total operating expenses	1,255,007	5,207,515	9,007,719	7,973,840
Less: Voluntary Expense Waiver by Adviser	(37,500)	(37,500)	(37,500)	(37,500)
Less: Voluntary Management Fee Waiver by Adviser				
Total waivers	(37,500)	(37,500)	(37,500)	(37,500)
Net operating income (loss) before taxes	5,168,229	1,493,166	(1,724,945)	(3,468,090)
Tax Expenses:				
Current tax expense	733	1,067	900	900
Total tax expense	733	1,067	900	900
Net operating income (loss)	5,167,496	1,492,099	(1,725,845)	(3,468,990)
Net Realized and Unrealized Gain (Loss) on Investments:				
Net realized (loss) gain on investments				
Non-control/Non-affiliated investments	(1,922,539)	(4,518,677)	164,945	202,851
Affiliate investments			82,512	
Control investments		49,655,826		
Total net realized (loss) gain on investments	(1,922,539)	45,137,149	247,457	202,851
Net change in unrealized (depreciation) appreciation on investments	(12,518,450)	(39,486,388)	18,559,225	7,585,306
Net realized and unrealized (loss) gain on investments	(14,440,989)	5,650,761	18,806,682	7,788,157
Net (decrease) increase in net assets resulting from operations	$ (9,273,493)	$ 7,142,860	$ 17,080,837	$ 4,319,167
Net (decrease) increase in net assets per share resulting from operations	$ (0.38)	$ 0.30	$ 0.74	$ 0.16
Dividends declared per share	$ 0.135	$ 0.135	$ 0.135	$ 0.135
Weighted average number of shares outstanding	23,916,982	23,469,362	22,617,688	22,617,688

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Impact of Restatement and Correction Adjustments on the January 31, 2013, April 30, 2013 and July 31, 2013 Quarter-to-Date and Year-to-Date Consolidated Statement of Operations

The following tables present the impact of the restatement and correction adjustments on our quarter-to-date and year-to-date Consolidated Statements of Operations for the periods ending January 31, 2013, April 30, 2013 and July 31, 2013:

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Quarter Ended January 31, 2013		
	As published	Adjustments	Restated
Operating Income:			
Dividend income			
Non-control/Non-affiliated investments	$ 974	$	$ 974
Affiliate investments	2,385,748		2,385,748
Control investments	426,300		426,300
Total dividend income	2,813,022		2,813,022
Payment-in-kind dividend income			
Affiliate investments	65,484		65,484
Total payment-in-kind dividend income	65,484		65,484
Interest income			
Non-control/Non-affiliated investments	543,884		543,884
Affiliate investments	1,022,952		1,022,952
Control investments	581,774		581,774
Total interest income	2,148,610		2,148,610
Payment-in-kind interest income			
Non-control/Non-affiliated investments	16,012		16,012
Affiliate investments	338,675		338,675
Control investments	213,574		213,574
Total payment-in-kind interest income	568,261		568,261
Fee income			
Non-control/Non-affiliated investments	104		104
Affiliate investments	236,846		236,846
Control investments	133,800		133,800
Total fee income	370,750		370,750
Fee income - Asset Management1			
Portfolio fees	140,613		140,613
Management Fees	308,841		308,841
Total fee income - Asset Management	449,454		449,454
Other loss	(29,845)		(29,845)
Total operating income	6,385,736		6,385,736
Operating Expenses:			
Management fee	2,080,237	(101,571)	1,978,666
Interest and other borrowing costs	937,043		937,043
Management fee - Asset Management	231,631		231,631
Legal fees	136,000		136,000
Audit fees	158,300		158,300
Other expenses	133,553		133,553
Consulting fees	132,251		132,251
Portfolio fees - Asset Management	105,460		105,460
Directors fees	103,125		103,125

Insurance		82,770				82,770
Administration		63,872				63,872
Public relations fees		49,500				49,500
Printing and postage		31,000				31,000
Incentive compensation		1,174,661		(4,062,825)		(2,888,164)
Total operating expenses		5,419,403		(4,164,396)		1,255,007
Less: Voluntary Expense Waiver by Adviser		(37,500)				(37,500)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers		(37,500)				(37,500)
Net operating income before taxes		1,003,833		4,164,396		5,168,229
Tax Expenses:						
Current tax expense		733				733
Total tax expense		733				733
Net operating income		1,003,100		4,164,396		5,167,496
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized loss on investments						
Non-control/Non-affiliated investments		(1,922,539)				(1,922,539)
Total net realized loss on investments		(1,922,539)				(1,922,539)
Net change in unrealized appreciation (depreciation) on investments		7,795,677		(20,314,127)		(12,518,450)
Net realized and unrealized gain (loss) on investments		5,873,138		(20,314,127)		(14,440,989)
Net increase (decrease) in net assets resulting from operations	$	6,876,238	$	(16,149,731)	$	(9,273,493)
Net increase (decrease) in net assets per share resulting from operations	$	0.29	$	(0.67)	$	(0.38)
Dividends declared per share	$	0.135	$		$	0.135
Weighted average number of shares outstanding		23,916,982				23,916,982

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Quarter Ended April 30, 2013			For the Six Months Ended April 30, 2013		
	As published	Adjustments	Restated	As published	Adjustments	Restated
Operating Income:						
Dividend income						
Non-control/Non-affiliated investments	$ 577	$	$ 577	$ 1,551	$	$ 1,551
Affiliate investments	2,456,402		2,456,402	4,842,150		4,842,150
Control investments				426,300		426,300
Total dividend income	2,456,979		2,456,979	5,270,001		5,270,001
Payment-in-kind dividend income						
Affiliate investments	66,794		66,794	132,278		132,278
Total payment-in-kind dividend income	66,794		66,794	132,278		132,278
Interest income						
Non-control/Non-affiliated investments	563,080		563,080	1,106,964		1,106,964
Affiliate investments	823,884		823,884	1,846,836		1,846,836
Control investments	391,672		391,672	973,446		973,446
Total interest income	1,778,636		1,778,636	3,927,246		3,927,246
Payment-in-kind interest income						
Non-control/Non-affiliated investments	242,520		242,520	258,532		258,532
Affiliate investments	236,846		236,846	575,521		575,521
Control investments	202,830		202,830	416,404		416,404
Total payment-in-kind interest income	682,196		682,196	1,250,457		1,250,457
Fee income						
Non-control/Non-affiliated investments	400,487		400,487	400,591		400,591
Affiliate investments	236,283		236,283	473,129		473,129
Control investments	404,498		404,498	538,298		538,298
Total fee income	1,041,268		1,041,268	1,412,018		1,412,018
Fee income - Asset Management1						
Portfolio fees	137,979		137,979	278,592		278,592
Management Fees	309,287		309,287	618,128		618,128
Total fee income - Asset Management	447,266		447,266	896,720		896,720
Other Income	190,042		190,042	160,197		160,197
Total operating income	6,663,181		6,663,181	13,048,917		13,048,917
Operating Expenses:						

Management fee	1,865,133	(106,917)	1,758,216	3,945,370	(208,488)	3,736,882
Interest and other borrowing costs	1,417,818		1,417,818	2,354,861		2,354,861
Management fee - Asset Management	231,961		231,961	463,592		463,592
Legal fees	140,000		140,000	276,000		276,000
Audit fees	158,100		158,100	316,400		316,400
Other expenses	140,738		140,738	274,291		274,291
Consulting fees	136,251		136,251	268,502		268,502
Portfolio fees - Asset Management	103,484		103,484	208,944		208,944
Directors fees	103,125		103,125	206,250		206,250
Insurance	82,770		82,770	165,540		165,540
Administration	62,315		62,315	126,187		126,187
Public relations fees	48,000		48,000	97,500		97,500
Printing and postage	30,118		30,118	61,118		61,118
Incentive compensation	1,008,484	(213,865)	794,619	2,183,145	(4,276,690)	(2,093,545)
Total operating expenses	5,528,297	(320,782)	5,207,515	10,947,700	(4,485,178)	6,462,522
Less: Voluntary Expense Waiver by Adviser	(37,500)		(37,500)	(75,000)		(75,000)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers	(37,500)		(37,500)	(75,000)		(75,000)
Net operating income before taxes	1,172,384	320,782	1,493,166	2,176,217	4,485,178	6,661,395
Tax Expenses:						
Current tax expense	1,067		1,067	1,800		1,800
Total tax expense	1,067		1,067	1,800		1,800
Net operating income	1,171,317	320,782	1,492,099	2,174,417	4,485,178	6,659,595
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized (loss) gain on investments						
Non-control/Non-affiliated investments	(4,518,677)		(4,518,677)	(6,441,216)		(6,441,216)
Control investments	49,655,826		49,655,826	49,655,826		49,655,826
Total net realized gain (loss) on investments	45,137,149		45,137,149	43,214,610		43,214,610
Net change in unrealized depreciation on investments	(38,417,062)	(1,069,326)	(39,486,388)	(30,621,385)	(21,383,453)	(52,004,838)
Net realized and unrealized gain (loss) on investments	6,720,087	(1,069,326)	5,650,761	12,593,225	(21,383,453)	(8,790,228)
Net increase (decrease) in net assets resulting from operations	$ 7,891,404	$ (748,544)	$ 7,142,860	$ 14,767,642	$ (16,898,275)	$ (2,130,633)
Net increase (decrease) in net assets per share resulting from operations	$ 0.33	$ (0.03)	$ 0.30	$ 0.62	$ (0.70)	$ (0.08)

Dividends declared per share	$ 0.135	$	$ 0.135	$ 0.270	$	$ 0.270
Weighted average number of shares outstanding	23,469,362		23,469,362	23,469,362		23,469,362

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MVC Capital, Inc.

Consolidated Statements of Operations

	For the Quarter Ended July 31, 2013			For the Nine Months Ended July 31, 2013		
	As published	Adjustments	Restated	As published	Adjustments	Restated
Operating Income:						
Dividend income						
Non-control/Non-affiliated investments	$ 253	$	$ 253	$ 1,804	$	$ 1,804
Affiliate investments	2,975,320		2,975,320	7,817,470		7,817,470
Control investments				426,300		426,300
Total dividend income	2,975,573		2,975,573	8,245,574		8,245,574
Payment-in-kind dividend income						
Affiliate investments	68,130		68,130	200,408		200,408
Total payment-in-kind dividend income	68,130		68,130	200,408		200,408
Interest income						
Non-control/Non-affiliated investments	705,487		705,487	1,812,451		1,812,451
Affiliate investments	732,361		732,361	2,579,197		2,579,197
Control investments	264,850		264,850	1,238,296		1,238,296
Total interest income	1,702,698		1,702,698	5,629,944		5,629,944
Payment-in-kind interest income						
Non-control/Non-affiliated investments	613,370		613,370	871,902		871,902
Affiliate investments	245,048		245,048	820,569		820,569
Control investments	84,643		84,643	501,047		501,047
Total payment-in-kind interest income	943,061		943,061	2,193,518		2,193,518
Fee income						
Non-control/Non-affiliated investments	285,504		285,504	686,095		686,095
Affiliate investments	234,179		234,179	707,308		707,308
Control investments	449,861		449,861	988,159		988,159
Total fee income	969,544		969,544	2,381,562		2,381,562
Fee income - Asset Management1						
Portfolio fees	138,026		138,026	416,618		416,618
Management Fees	310,343		310,343	928,471		928,471
Total fee income - Asset Management	448,369		448,369	1,345,089		1,345,089
Other Income	137,899		137,899	298,096		298,096
Total operating income	7,245,274		7,245,274	20,294,191		20,294,191

Operating Expenses:						
Management fee	2,100,496	(114,093)	1,986,403	6,045,866	(322,581)	5,723,285
Interest and other borrowing costs	2,115,603		2,115,603	4,470,464		4,470,464
Management fee - Asset Management	232,758		232,758	696,350		696,350
Legal fees	132,000		132,000	408,000		408,000
Audit fees	157,300		157,300	473,700		473,700
Other expenses	133,708		133,708	407,999		407,999
Consulting fees	159,251		159,251	427,753		427,753
Portfolio fees - Asset Management	103,520		103,520	312,464		312,464
Directors fees	103,125		103,125	309,375		309,375
Insurance	82,770		82,770	248,310		248,310
Administration	63,979		63,979	190,166		190,166
Public relations fees	48,000		48,000	145,500		145,500
Printing and postage	15,529		15,529	76,647		76,647
Incentive compensation	3,960,795	(287,022)	3,673,773	6,143,940	(4,563,712)	1,580,228
Total operating expenses	9,408,834	(401,115)	9,007,719	20,356,534	(4,886,293)	15,470,241
Less: Voluntary Expense Waiver by Adviser	(37,500)		(37,500)	(112,500)		(112,500)
Less: Voluntary Management Fee Waiver by Adviser						
Total waivers	(37,500)		(37,500)	(112,500)		(112,500)
Net operating (loss) income before taxes	(2,126,060)	401,115	(1,724,945)	50,157	4,886,293	4,936,450
Tax Expenses:						
Current tax expense	900		900	2,700		2,700
Total tax expense	900		900	2,700		2,700
Net operating (loss) income	(2,126,960)	401,115	(1,725,845)	47,457	4,886,293	4,933,750
Net Realized and Unrealized Gain (Loss) on Investments:						
Net realized gain (loss) on investments						
Non-control/Non-affiliated investments	164,945		164,945	(6,276,271)		(6,276,271)
Affiliate investments	82,512		82,512	82,512		82,512
Control investments				49,655,826		49,655,826
Total net realized gain (loss) on investments	247,457		247,457	43,462,067		43,462,067
Net change in unrealized appreciation (depreciation) on investments	19,994,333	(1,435,108)	18,559,225	(10,627,052)	(22,818,561)	(33,445,613)
Net realized and unrealized gain (loss) on investments	20,241,790	(1,435,108)	18,806,682	32,835,015	(22,818,561)	10,016,454
Net increase (decrease) in net assets resulting from operations	$ 18,114,830	$ (1,033,993)	$ 17,080,837	$ 32,882,472	$ (17,932,268)	$ 14,950,204

Net increase (decrease) in net assets per share resulting from operations	$	0.79	$	(0.05)	$	0.74	$	1.41	$	(0.75)	$	0.66
Dividends declared per share	$	0.135	$		$	0.135	$	0.405	$		$	0.405
Weighted average number of shares outstanding		22,617,688				22,617,688		22,617,688				22,617,688

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13. Certain Issuances of Equity Securities by the Issuer and Share Repurchase Program

On July 19, 2011, the Company s Board of Directors approved a share repurchase program authorizing up to $5.0 million for share repurchases. No shares were repurchased under this new repurchase program as of October 31, 2012.

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 2014.

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
As of October 31, 2012				
For the Year Ended October 31, 2013	1,299,294	$ 12.83	1,299,294	$ 16,673,207
Total	1,299,294	$ 12.83	1,299,294	$ 16,673,207

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
As of 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 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

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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.

14. Tax Matters

Return of Capital Statement of Position (ROCSOP) Adjustment: During the year ended October 31, 2014, the Company recorded a reclassification for permanent book to tax differences. These differences were primarily due to book/tax treatment of partnership income and reclassification of dividends. These differences resulted in a net decrease in accumulated losses of $11,648,471, a decrease in accumulated net realized gain of $11,620,483, and a decrease in additional paid-in capital of $27,988. This reclassification had no effect on net assets.

Distributions to Shareholders: The table presented below includes MVC Capital, Inc. only. The Company s wholly-owned subsidiary MVC Financial Services, Inc. (MVCFS) has not been included. As of October 31, 2014, 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		
Undistributed Long-Term Capital Gain		4,550,189
Gross unrealized appreciation		114,761,654
Gross unrealized depreciation		(108,296,289)
Net unrealized appreciation	$	6,465,365
Total tax basis accumulated earnings		11,015,554
Tax cost of investments		440,660,875
Current year distributions to shareholders on a tax basis:		
Ordinary income	$	411,491
Long Term Capital Gain	$	11,804,408

The Company designated as long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Company related to net capital gain to zero for the tax year ended October 31, 2014.

Prior year distributions to shareholders on a tax basis:

Ordinary income	$	12,526,704

On October 31, 2014, the Fund had no net capital loss carryforward.

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Qualified Dividend Income Percentage

The Fund designated 100.00% of dividends declared and paid during the year ending October 31, 2014 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 Fund. The Fund designated 100.00% of dividends declared and paid during the year ending October 31, 2014 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.

15. Income Taxes (Restated)

The Company s wholly-owned subsidiary MVCFS is subject to federal and state income tax. 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. For the fiscal year ended October 31, 2012, the Company recorded a tax provision of $3,997. The provision for income taxes was comprised of the following:

	October 31, 2014		Fiscal Year ended October 31, 2013 (Restated)		October 31, 2012	
Current tax (benefit) expense:						
Federal	$		$		$	
State		1,755		3,600		3,997
Total current tax (benefit) expense		1,755		3,600		3,997
Deferred tax expense (benefit):						
Federal						
State						
Total deferred tax expense (benefit)						
Total tax (benefit) provision	$	1,755	$	3,600	$	3,997

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, 2014, 2013 and 2012:

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	Fiscal Year Ended October 31, 2014	October 31, 2013 (Restated)	October 31, 2012
Federal income tax benefit at statutory rate	$ (1,378,609)	$ (827,271)	$ (1,328,162)
State income taxes	(329,273)	(200,176)	(317,105)
Other	65,086	(1,001)	(7,414)
Net change to valuation allowance	1,644,551	1,032,048	1,656,678
	$ 1,755	$ 3,600	$ 3,997

The Company generated a net operating loss of approximately $4.4 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, 2014, 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

Due to the uncertainty surrounding the ultimate utilization of these net operating losses, the Company has recorded a 100% valuation allowance against its federal and state net deferred tax assets totaling approximately $8,134,045 and $2,039,714 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, 2014, October 31, 2013 and October 31, 2012 were as follows:

	October 31, 2014	October 31, 2013 (Restated)	October 31, 2012
Deferred tax assets:			
Deferred revenues	$ 26,751	$ 89,958	$ 176,889
Net operating loss	10,178,580	8,374,748	7,255,703
Others	(31,572)	64,502	64,567
Total deferred tax assets	$ 10,173,759	$ 8,529,208	$ 7,497,160

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Valuation allowance on Deferred revenues and Net operating loss	$	(10,173,759)	$	(8,529,208)	$	(7,497,160)
Net deferred tax assets	$		$		$	
Deferred tax liabilities:						
Deferred tax liabilities						
Total deferred tax liabilities						
Net deferred taxes	$		$		$	

16. Segment Data

The Company s reportable segments are its investing operations as a business development company, MVC Capital, which includes MVC Cayman, MVC Turf and MVCFS.

The following table presents book basis segment data for the fiscal year ended October 31, 2014:

		MVC		MVCFS		Consolidated
Interest and dividend income	$	15,311,128	$	33	$	15,311,161
Fee income				1,561,729		1,561,729
Fee income - asset management				1,909,975		1,909,975
Other income		1,033,560				1,033,560
Total operating income		16,344,688		3,471,737		19,816,425
Total operating expenses		10,773,627		7,611,626		18,385,253
Less: Waivers by Adviser		(150,000)				(150,000)
Total net operating expenses		10,623,627		7,611,626		18,235,253
Net operating gain (loss) before taxes		5,721,061		(4,139,889)		1,581,172
Tax expense				1,755		1,755
Net operating gain (loss)		5,721,061		(4,141,644)		1,579,417
Net realized gain on investments		16,519,778				16,519,778
Net unrealized (depreciation) appreciation on investments		(38,026,420)		85,158		(37,941,262)
Net decrease in net assets resulting from operations	$	(15,785,581)	$	(4,056,486)	$	(19,842,067)

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

17. Significant Subsidiaries

We have determined that for the fiscal year ended October 31, 2014, MVC Automotive, Vestal, Ohio Medical and Velocitius 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, 2014 and income statements for the period

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October 1, 2013 to September 30, 2014. The financial information below is based on unaudited financial statements and has been prepared and furnished by each portfolio company and not the Company.

Balance Sheet All numbers in thousands	**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**
Assets:				
Total current assets	$ 6,537	$ 19,930	$ 2,460	$ 71,479
Tota non-current assets	1,272	103,346	21,570	38,462
Total Assets	$ 7,809	$ 123,276	$ 24,030	$ 109,941
Liabilities and Sharholders Equity:				
Current Liabilities	$ 1,914	$ 9,725	$ 333	$ 75,333
Long-term liablities	671	50,428	12,970	24,703
Shareholders Equity	5,224	63,123	10,727	9,905
Total Liablities and Shareholders Equity	$ 7,809	$ 123,276	$ 24,030	$ 109,941

Income Statement All numbers in thousands	**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**
Net Sales & Revenue	$ 22,570	$ 48,513	$ 3,837	$ 238,470
Cost of Sales	14,504	26,102		216,819
Gross Margin	8,066	22,411	3,837	21,651
Operating Expenses	4,139	16,517	3,421	27,087
Operating Income	3,927	5,894	416	(5,436)
Income Tax (Benefit)	1,098	462	37	44
Interest Expense	94	5,270	476	1,762
Other Expenses (Income), Net		966	(232)	(145)
Net Income (Loss)	**$ 2,735**	**$ (804)**	**$ 135**	**$ (7,097)**

* 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.

The financial information presented below are summarized balance sheets as of September 30, 2013 and income statements for the period October 1, 2012 to September 30, 2013. The comparative financial information for MVC Automotive and Velocitius is not presented as historical financial information prepared in accordance with US GAAP is not readily available for these foreign companies. The financial information below is based on unaudited financial statements and has been prepared and furnished by each portfolio company and not the Company.

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Balance Sheet All numbers in thousands		Vestal As of September 30, 2013		Ohio Medical As of September 30, 2013
Assets:				
Total current assets	$	5,421	$	22,098
Tota non-current assets		1,260		107,902
Total Assets	$	6,681	$	130,000
Liabilities and Sharholders Equity:				
Current Liabilities	$	2,385	$	10,247
Long-term liablities		1,448		56,789
Shareholders Equity		2,848		62,964
Total Liablities and Shareholders Equity	$	6,681	$	130,000

Income Statement All numbers in thousands		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	$	20,921	$	51,245
Cost of Sales		13,949		27,832
Gross Margin		6,972		23,413
Operating Expenses		3,971		18,614
Operating Income		3,001		4,799
Income Tax (Benefit)		1,127		(327)
Interest Expense		111		5,092
Other Expenses (Income), Net				953
Net Income (Loss)	**$**	**1,763**	**$**	**(919)**

18. Subsequent Events

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

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. The total distribution amounted to $3,064,881.

On December 30, 2014, the Company entered into a 6 month $25.0 million bridge loan with Firstrust Bank. Borrowing under the bridge loan bears interest at 5%. On June 29, 2015, the bridge loan was extended to October 31, 2015 and the amount of the bridge loan increased to $30.0 million. The balance of the bridge loan at the time of this filing was approximately $12.8 million.

On December 30, 2014, the Company invested a total of approximately $39.8 million in the form of senior subordinated notes in RXInnovations, Inc. (RX) ($10.3 million), Agri-Carriers Group, Inc. (Agri-Carriers) ($11.8 million), Legal Solutions Holdings, Inc. (Legal Solutions) ($8.7 million) and The Results Companies, LLC (Results Companies) ($9.0 million).

On February 9, 2015, the New York Stock Exchange (NYSE) notified the Company that it is out of compliance with the NYSE s continued listing requirements under the timely filing criteria set forth in Section 802.01E of its Listed Company Manual. The Company had until January 14, 2015 and received an extension to July 30, 2015 to file its 2014 Annual Report on

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Form 10-K with the SEC. The Company then received an additional 6 month extension to January 30, 2016 to file its 2014 Annual Report on Form 10-K with the SEC.

On March 24, 2015 and July 30, 2015, the NYSE notified the Company that it is out of compliance with the NYSE s continued listing requirements under the timely filing criteria set forth in Section 802.01E of its Listed Company Manual related to the periods ended January 31,2015 and 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. The total distribution amounted to $3,064,881.

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

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 27, 2015, the Company invested approximately $1.1 million in MVC Automotive for additional common equity interest.

On May 29, 2015, the Company sold its 81,000 shares of common stock in Vestal receiving total proceeds of approximately $17.9 million which includes a $1.0 million dividend and assumes 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 3, 2015, the Company invested $250,000 in Centile for additional common equity interest.

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.

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

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

On June 29, 2015, Ernst & Young LLP (E&Y) informed the Company its determination not to stand for reappointment as the independent registered public accounting firm of the Fund for the fiscal year ending October 31, 2015. The determination was accepted by the Fund s Audit Committee at a meeting held the following day.

During the month ended June 30, 2015, Prepaid Legal repaid its $10.0 million loan in full including all accrued interest.

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On July 7, 2015, the Company invested $1.0 million into Biogenics in the form of a senior secured bridge loan and a warrant. The loan has an interest rate of 16% and matures on September 15, 2015.

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

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. The total distribution amounted to $3,064,881.

On July 31, 2015, the Company renewed Credit Facility II with a new maturity date of September 30, 2015. On September 30, 2015, the maturity date of Credit Facility II was extended to November 30, 2015.

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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 sheets of MVC Capital, Inc. (the Company), including the consolidated schedules of investments, as of October 31, 2014 and 2013, and the related consolidated statements of operations, cash flows and changes in net assets for each of the three years in the period ended October 31, 2014, and the consolidated selected per share data and ratios for each of the five 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 2013, and the consolidated results of its operations and its cash flows for each of the three years then ended and the selected per share data and ratios for each of the five years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the 2013 consolidated financial statements have been restated to correct errors relating to the valuation of investments in certain controlled or affiliated portfolio companies.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MVC Capital, Inc. s internal control over financial reporting as of October 31, 2014 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated October 14, 2015 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

New York, New York
October 14, 2015

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES UNDER REVIEW

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, 2014. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures as of October 31, 2014 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. 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 Rules 13a-15(f) of the Exchange Act. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Scope of Management s Report on Internal Control Over Financial Reporting. The Company s internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company s receipts and expenditures are being made only in accordance with authorizations of the Company s management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s financial statements.

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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.

Conclusion. Management, including the Company s CEO and CFO, assessed the effectiveness of the Company s internal control over financial reporting as of October 31, 2014. In making this assessment, management used the criteria established in the 1992 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, 2014.

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. The foregoing led to the restatement of the 2013 annual financial statements, and 2013 and 2014 interim financial statements.

To address the material weakness, in the second half of 2015 the Company has adopted a corrective action plan which will add new and/or enhance 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 companies and additional reviews and testing of valuation data of these controlled/affiliated portfolio companies. The Company has also enhanced its internal audit plan to incorporate risk assessments of controlled and certain affiliated portfolio companies. In addition, the Company has retained a third party consultant to perform external reviews of certain fair valuations.

Attestation Report of the Independent Registered Public Accounting Firm.

The Company s independent registered public accounting firm has audited and issued a report on the Company s internal control over financial reporting, which appears in Item 15 of this report.

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Changes in Internal Control Over Financial Reporting.

Other than matters discussed in this Item 9A, there have been no changes in our internal control over financial reporting since our last Quarterly Report filed on Form 10-Q for the period ended July 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of MVC Capital, Inc.

We have audited MVC Capital, Inc. s (the Company) internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). MVC Capital, Inc. 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 Controls and Procedures. Our responsibility is to express an opinion on the Company s internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 a 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. The following material weakness has been identified and included in management s assessment. The Company had a material weakness relating to the design and operating effectiveness of valuation related controls associated with investments in certain affiliated or controlled portfolio companies. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated balance sheets of the

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Company, including the consolidated schedules of investments, as of October 31, 2014 and 2013, and the related consolidated statements of operations, cash flows and changes in net assets for each of the three years in the period ended October 31, 2014, and the consolidated selected per share data and ratios for each of the five years in the period ended October 31, 2014. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of those consolidated financial statements, and this report does not affect our report dated October 14, 2015, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, MVC Capital, Inc. has not maintained effective internal control over financial reporting as of October 31, 2014, based on the COSO criteria.

/s/ Ernst & Young LLP

New York, New York
October 14, 2015

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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

Reference is made to the information with respect to directors and executive officers of the Registrant to be contained in the Company s proxy statement to be filed with the SEC, in connection with the Company s annual meeting of shareholders to be held in 2015 (the 2015 Proxy Statement), which information is incorporated herein by reference.

The Company has adopted a code of ethics that applies to the Company s chief executive officer and chief financial officer/chief accounting officer, a copy of which is posted on our website http://www.mvccapital.com.

Our CEO and CFO certify the accuracy of the financial statements contained in our periodic reports, and so certified in this Form 10-K through the filing of Section 302 certifications as exhibits to this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information with respect to executive compensation to be contained in the 2015 Proxy Statement, which information is incorporated herein by reference.

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

Reference is made to the information with respect to security ownership of certain beneficial owners and management to be contained in the 2015 Proxy Statement, which information is incorporated herein by reference.

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

Information in response to this Item is incorporated by reference to the relevant section of the 2015 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is made to the information with respect to principal accounting fees and services to be contained in the 2015 Proxy Statement, which information is incorporated herein by reference.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES

(a)(1)

(a)(2) The following financial statement schedules are filed here with:

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:

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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)*
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

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Exhibit Number	Description
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
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
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)*
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
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.*

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Exhibit Number	Description
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
10.27*	Fifth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company
10.28*	Sixth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company
10.29*	Credit Agreement between MVC Capital, Inc. and Firstrust Bank
10.30*	Amended and Restated Credit Agreement between MVC Capital, Inc. and Firstrust Bank
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 12/31/2014) 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)
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)
31*	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32*	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

*Filed herewith

(b) Exhibits

Exhibit No.	Exhibit
10.7	Form of Amendment to Custody Agreement between Registrant and U.S. Bank National Association
10.10	Form of Fee and Service Schedule Amendment to Transfer Agency Agreement with Registrant and Computershare Trust Company, N.A
10.15	Form of Third Amendment to Fund Administration Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC
10.18	Form of Third Amendment to Fund Accounting Servicing Agreement with Registrant and U.S. Bancorp Fund Services, LLC
10.26	Fourth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company
10.27	Fifth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company

10.28	Sixth Amended and Restated Credit Agreement between MVC Capital, Inc. and Branch Banking and Trust Company
10.29	Credit Agreement between MVC Capital, Inc. and Firstrust Bank
10.30	Amended and Restated Credit Agreement between MVC Capital, Inc. and Firstrust Bank
21.1	Financial Statements (as of 12/31/2014) 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)
21.2	Financial Statements (as of 12/31/2013 and excludes financial information of a subsidiary dealership and the parent company) of MVC Automotive Group GmbH, a current significant subsidiary (*unaudited* by MVC Capital, Inc. but based on audited financial statements prepared and provided by the portfolio company)
31	Certifications pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

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32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

(c) Financial Statement Schedules

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Schedule 12-14

MVC Capital, Inc. and Subsidiaries
Schedule of Investments in and Advances to Affiliates

Portfolio Company	Investment (1)	Amount of Interest or Dividends Credited to Income (5)	Other (2)	October 31, 2013 Fair Value (restated)	Gross Additions (3)	Gross Reductions (4)	October 31, 2014 Fair Value
Companies More than 25% owned							
Equus Total Return, Inc.	Common Stock				10,030,272	(252,055)	9,778,217
(Regulated Investment Company)							
Harmony Health & Beauty, Inc.	Common Stock						
(Healthcare - Retail)							
MVC Automotive Group	Common Stock			17,540,756	10,792,409	(6,785,165)	21,548,000
(Automotive Dealership)	Bridge Loan	8,176		1,635,244		(1,635,244)	
MVC Private Equity Fund LP	General Partnership Interest			288,150	215,774		503,924
(Private Equity Firm)	Limited Partnership Interest			11,384,168	8,585,240		19,969,408
Ohio Medical Corporation	Common Stock						
(Medical Device Manufacturer)	Preferred Stock			24,600,000		(800,000)	23,800,000
	Preferred Stock			23,732,299	4,031,135		27,763,434
RuMe Inc.	Common Stock				924,475		924,475
(Consumer Products)	Series C Preferred Stock				4,285,525		4,285,525
	Series B-1 Preferred Stock				1,090,000		1,090,000
SIA Tekers Invest	Common Stock			1,477,000		(252,000)	1,225,000
(Port Facilities)							
Turf Products, LLC	Loan	428,478		8,395,262		(4,530,990)	3,864,272
(Distributor - Landscaping & Irrigation Equipment)	LLC Interest			3,466,794	525,000		3,991,794
	Revolver			1,000,000		(1,000,000)	
	Guarantee					(66,860)	(66,860)
	Warrant						
Velocitius B.V.	Common Equity Interest			19,865,000		(8,398,000)	11,467,000
(Renewable Energy)							
Vestal Manufacturing Enterprises, Inc.	Loan	73,000		600,000			600,000
(Iron Foundries)	Common Stock			12,450,000	4,450,000		16,900,000
Total companies more than 25% owned		**$ 509,654**					**$ 147,644,189**
Companies More than 5% owned, but less than 25%							
Advantage Insurance Holdings LTD	Preferred Stock			7,500,000	221,000		7,721,000
(Insurance)							
Centile Holding B.V.	Common Stock			4,777,000	217,000		4,994,000
(Software)							

Custom Alloy Corporation	Loan	813,195		7,500,000		(7,500,000)	
(Manufacturer of Tubular Goods for the Energy Industry)	Preferred Stock Series A			88,000		(88,000)	
	Preferred Stock Series B			19,912,000		(19,912,000)	
JSC Tekers Holdings	Common Stock			4,500		(300)	4,200
(Automotive Dealerships)	Preferred Stock				11,810,188	(5,652,282)	6,157,906
	Loan	(685,333)		11,000,000		(11,000,000)	
Marine Exhibition Corporation	Loan	900,230		11,415,060		(11,415,060)	
(Theme Park)	Preferred Stock*	1,084,844		3,544,119		(3,544,119)	
Octagon Credit Investors, LLC	LLC Interest			6,918,549		(6,918,549)	
(Financial Services)							
RuMe Inc.	Common Stock			160,000		(160,000)	
(Consumer Products)	Loan	880,693			3,250,000	(3,250,000)	
	Series B-1 Preferred Stock			1,090,000		(1,090,000)	
Security Holdings, B.V.	Common Equity Interest			36,258,000	14,342,000		50,600,000
(Technology Services)	Loan	162,222			4,000,000	(4,000,000)	
SGDA Europe B.V.	Common Equity Interest			4,098,810	8,460,201	(2,562,347)	9,996,664
(Soil Remediation)							
U.S. Gas & Electric, Inc.	Loan	1,260,162		10,118,798		(2,618,798)	7,500,000
	Loan	182,091			3,041,550		3,041,550
(Energy Services)	Preferred Stock			92,667,607		(9,000,000)	83,667,607
	Preferred Stock						
Total companies more than 5% owned, but less than 25%		**$ 4,598,104**					**$ 173,682,927**

This schedule should be read in conjunction with the Company s consolidated statements as of and for the year ended October 31, 2014, including the consolidated schedule of investments.

(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, 2014.

(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.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Date	Signature	Title
Date:	10/14/15	/s/ Michael Tokarz (Michael Tokarz)	Chairman (Principal Executive Officer) and Director
Date:	10/14/15	/s/ Scott Schuenke (Scott Schuenke)	Principal Financial Officer
Date:	10/14/15	/s/ Emilio Dominianni (Emilio Dominianni)	Director
Date:	10/14/15	/s/ Gerald Hellerman (Gerald Hellerman)	Director
Date:	10/14/15	/s/ Phillip F. Goldstein (Phillip F. Goldstein)	Director
Date:	10/14/15	/s/ Warren Holtsberg (Warren Holtsberg)	Director
Date:	10/14/15	/s/ Robert C. Knapp (Robert C. Knapp)	Director
Date:	10/14/15	/s/ William E. Taylor (William E. Taylor)	Director