

BUSINESS DEVELOPMENT COMPANIES

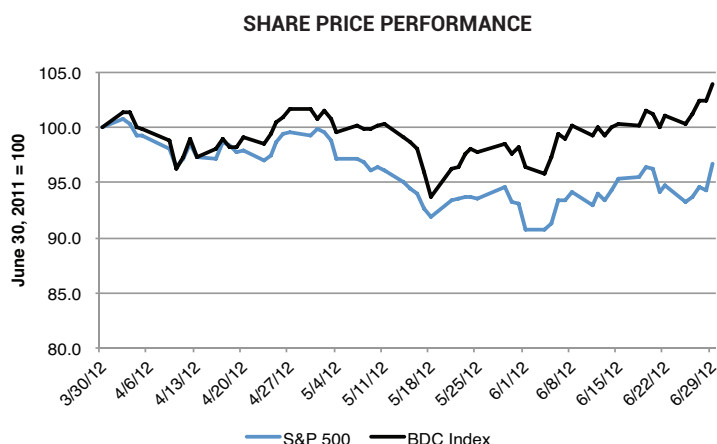
QUARTERLY INDUSTRY OVERVIEW

Stock Market Performance & Valuation

Following several quarters of underperformance, the MCM BDC Index outpaced the S&P 500 during the second quarter of 2012, posting a 3.9% increase during the period compared to a 3.3% decrease on the market index.

Including dividends, total shareholder returns on the index companies were 5.6% for the quarter, compared to 6.5% for the trailing 12-month period.

Excluding American Capital (which has yet to reinstate its dividend), dividend yields for the BDCs range from 3.7% to 14.2%. Twelve of the 24 companies in the index traded at a premium to reported NAV per share.



	Ticker	NAV per Share	LTM Dividends per Share	Price for 6/30/2012	Price to NAV	Dividend Yield
Diversified BDCs						
American Capital Ltd	ACAS	\$16.62	\$0.00	\$10.06	60.5%	0.0%
Ares Capital Corp	ARCC	\$15.51	\$1.45	\$15.96	102.9%	9.1%
Apollo Investment Corp	AINV	\$8.30	\$0.96	\$7.67	92.4%	12.5%
Prospect Capital Corp	PSEC	\$10.82	\$1.22	\$11.39	105.3%	10.7%
Fifth Street Finance Corp	FSC	\$9.85	\$1.11	\$9.98	101.3%	11.1%
Solar Capital Ltd.	SLRC	\$22.51	\$2.40	\$22.26	98.9%	10.8%
BlackRock Kelso Capital Corp	BKCC	\$9.61	\$1.04	\$9.76	101.6%	10.7%
PennantPark Investment Corp	PNNT	\$10.16	\$1.11	\$10.35	101.9%	10.7%
Main Street Capital Corp	MAIN	\$16.89	\$1.64	\$24.20	143.3%	6.8%
MCG Capital Corp	MCGC	\$5.26	\$0.65	\$4.58	87.1%	14.2%
Golub Capital BDC Inc	GBDC	\$14.58	\$1.28	\$15.09	103.5%	8.5%
Triangle Capital Corp	TCAP	\$15.21	\$1.88	\$22.78	149.8%	8.3%
MVC Capital Inc	MVC	\$16.99	\$0.48	\$12.95	76.2%	3.7%
Gladstone Investment Corp	GAIN	\$9.10	\$0.60	\$7.39	81.2%	8.1%
THL Credit Inc	TCRD	\$13.17	\$1.18	\$13.47	102.3%	8.8%
Gladstone Capital Corp	GLAD	\$8.91	\$0.84	\$7.89	88.6%	10.6%
KCAP Financial Inc	KCAP	\$7.66	\$0.71	\$7.26	94.8%	9.8%
Fidus Investment Corp	FDUS	\$15.02	\$1.34	\$15.17	101.0%	8.8%
Solar Senior Capital Ltd	SUNS	\$18.54	\$1.10	\$16.90	91.2%	6.5%
Full Circle Capital Corp	FULL	\$8.94	\$0.92	\$7.65	85.6%	12.0%
Sector-Focused BDCs						
Hercules Technology Growth Capital Inc	HTGC	\$9.54	\$0.91	\$11.34	118.9%	8.0%
TICC Capital Corp	TICC	\$9.47	\$1.04	\$9.69	102.3%	10.7%
NGP Capital Resources Co	NGPC	\$9.29	\$0.61	\$7.08	76.2%	8.6%
Horizon Technology Finance Corp	HRZN	\$16.73	\$1.75	\$16.49	98.6%	10.6%

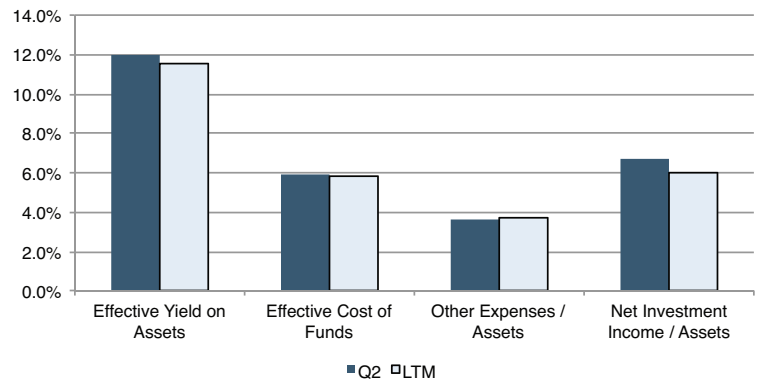
Financial Performance: 2012 Q2

Second quarter net investment income for the group was 6.5% of total assets, compared to 6.0% for the trailing 12-month period. The improvement was primarily attributable to a modestly higher effective yield on assets during the quarter (11.9%, compared to 11.4% for the trailing 12-month period).

The chart at right depicts the components of net operating income for the second quarter and the trailing 12-month period.

The group reported a net capital loss (sum of realized gains/losses and change in unrealized appreciation/depreciation) of approximately \$81.2 million during the quarter and \$87.2 million during the prior twelve months. For the last 12 months, the companies posted a median return on equity of 7.3%.

COMPONENTS OF NET INVESTMENT INCOME



Financial Position: 2012 Q2

As a percentage of amortized cost, the fair value of portfolio investments increased to 95.3%, compared to 92.7% one year prior. The increase was primarily attributable to realization of embedded losses. Net investment activity (portfolio purchases net of dispositions) intensified in the second quarter (\$610 million for the quarter, compared to \$1.63 billion for the prior twelve months).

On an aggregate basis, the equity/assets ratio, increased modestly to 66.6%, from 65.7% one year earlier. Over that period, the companies in the group raised approximately \$1.0 billion through new equity issuance, compared to approximately \$428 million from net borrowings.

Valuation Services for BDCs & Other Investment Funds

Business development companies are an important and growing source of funding for middle market companies. Along with private equity and other investment funds, BDCs provide billions of dollars of investment capital to private companies in every segment of the economy.

For over thirty years, Mercer Capital has met the valuation needs of the same middle market companies to which BDCs and other funds provide capital. We offer the following services for BDCs and other investment funds:

- Ongoing fair value measurement and review for portfolio investments
- Fair value measurement process consulting
- Regulatory review and litigation support
- Purchase price allocation for portfolio companies
- Goodwill impairment testing for portfolio companies
- Equity compensation fair value measurement for portfolio companies
- Buy-sell agreement consulting and valuation dispute resolution
- Fairness and solvency opinions

Mercer Capital's senior valuation professionals bring broad and deep experience to the range of valuation needs faced by BDCs and other investment funds. For more information about Mercer Capital, visit www.mercercapital.com. For questions regarding the information found in this piece, contact:

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