

BUSINESS DEVELOPMENT COMPANY

QUARTERLY INDUSTRY OVERVIEW

Stock Market Performance & Valuation

Following a strong second quarter, Mercer Capital's BDC Index continued to keep pace with the S&P 500 during the third quarter of 2012, registering a 6.9% increase during the period while the market index advanced 5.8%.

The weighted average total shareholder return on the index companies (including dividends) was 9.2% for the quarter, and 37.0% for the trailing 12-month period.

Current yields for dividend-paying BDCs range from 3.8% to 16.4%.

While the median price-to-NAV ratio is close to 100%, the dispersion in individual observations is wide, with almost half of the index companies trading at either less than 90% or greater than 110% of reported NAV per share.

	No. of Companies	Median Dividend Yield
Less than 80%	5	3.8%
80% to 90%	2	11.1%
90% to 100%	6	9.9%
100% to 110%	9	10.4%
110% to 120%	4	8.4%
Greater than 120%	2	6.9%

ABOUT MERCER CAPITAL

Mercer Capital's valuation professionals can help meet the valuation needs faced by BDCs and other investment funds. For more information, visit www.mercercapital.com.

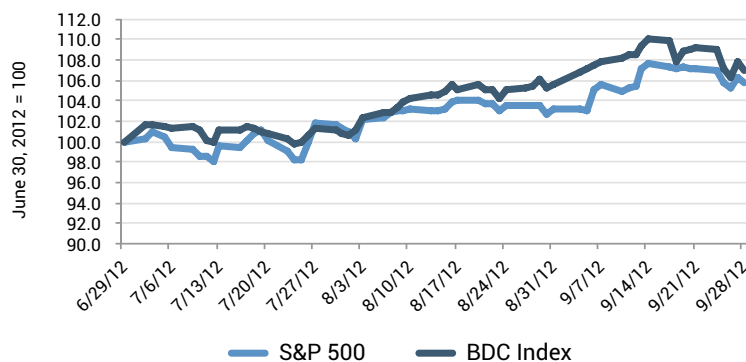
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SHARE PRICE PERFORMANCE



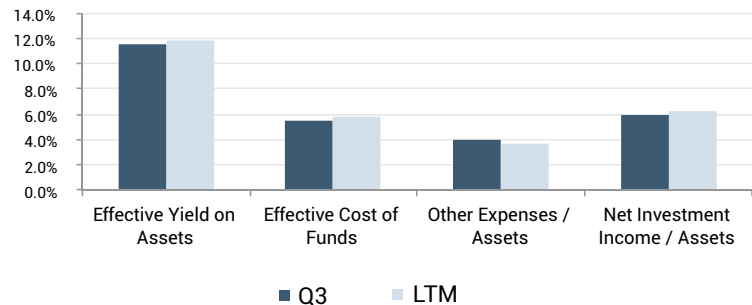
		NAV per Share	LTM Div. per Share	Share Price for 9/30/12	Price to NAV	Dividend Yield
Ares Capital Corp	ARCC	\$15.74	\$1.53	\$17.14	108.9%	8.9%
American Capital Ltd	ACAS	\$17.39	\$0.00	\$11.35	65.3%	0.0%
Prospect Capital Corp	PSEC	\$10.88	\$1.22	\$11.52	105.9%	10.6%
Apollo Investment Corp	AINV	\$8.46	\$0.80	\$7.88	93.1%	10.2%
Fifth Street Finance Corp	FSC	\$9.85	\$1.21	\$10.98	111.5%	11.1%
Solar Capital Ltd	SLRC	\$22.70	\$2.40	\$22.92	101.0%	10.5%
BlackRock Kelso Capital Corp	BKCC	\$9.55	\$1.04	\$9.72	101.8%	10.7%
PennantPark Investment Corp	PNNT	\$10.16	\$1.11	\$10.63	104.6%	10.4%
Hercules Tech. Growth Capital Inc	HTGC	\$9.42	\$0.93	\$11.01	116.9%	8.4%
Main Street Capital Corp	MAIN	\$17.49	\$1.80	\$29.51	168.7%	6.1%
TICC Capital Corp	TICC	\$9.85	\$1.08	\$10.40	105.6%	10.4%
Golub Capital BDC Inc	GBDC	\$14.58	\$1.28	\$15.90	109.1%	8.1%
Triangle Capital Corp	TCAP	\$15.33	\$1.96	\$25.66	167.4%	7.6%
MCG Capital Corp	MCGC	\$5.20	\$0.62	\$4.61	88.7%	13.4%
MVC Capital Inc	MVC	\$16.42	\$0.48	\$12.80	78.0%	3.8%
THL Credit Inc	TCRD	\$13.21	\$1.24	\$14.03	106.2%	8.8%
Gladstone Investment Corp	GAIN	\$8.93	\$0.69	\$7.82	87.6%	8.8%
Medley Capital Corp	MCC	\$12.60	\$1.05	\$14.07	111.7%	7.5%
Fidus Investment Corp	FDUS	\$15.27	\$0.86	\$16.70	109.4%	5.1%
Gladstone Capital Corp	GLAD	\$8.91	\$0.84	\$8.75	98.2%	9.6%
KCAP Financial Inc	KCAP	\$7.82	\$0.77	\$9.26	118.4%	8.3%
NGP Capital Resources Co	NGPC	\$9.70	\$0.59	\$7.46	76.9%	7.9%
GSV Capital Corp	GSVC	\$13.45	\$0.00	\$8.63	64.2%	0.0%
Solar Senior Capital Ltd	SUNS	\$18.60	\$1.33	\$17.91	96.3%	7.4%
Horizon Technology Finance Corp	HRZN	\$16.41	\$1.80	\$16.16	98.5%	11.1%
PennantPark Floating Rate Capital	PFLT	\$13.94	\$0.94	\$12.67	90.9%	7.4%
Saratoga Investment Corp	SAR	\$27.20	\$3.00	\$18.29	67.2%	16.4%
Full Circle Capital Corp	FULL	\$8.51	\$0.94	\$8.11	95.3%	11.6%

Financial Performance: 2012 Q3

Net investment income for the group during the third quarter was 5.9% of total assets (on an annualized basis), compared to 6.3% for the trailing 12-month period. The chart to the right depicts the components of net investment income for the third quarter and the trailing 12-month period.

Earnings for the third quarter were boosted by a net capital gain (sum of net realized gains and net change in unrealized appreciation) of approximately \$175 million, compared to a net capital loss of \$81 million during the second quarter. For the last twelve month period, the group reported an aggregate net capital gain of \$1.1 billion.

COMPONENTS OF NET INVESTMENT INCOME



Financial Position: 2012 Q3

As a percentage of amortized cost, the fair value of portfolio investments increased to 97.4% at September 30 from 95.3% at June 30. The increase was attributable to both realization of embedded losses and unrealized capital gains. Net investment activity (portfolio purchases net of dispositions) accelerated, increasing to \$1.5 billion in the third quarter from \$610 million in the second quarter.

On an aggregate basis, the equity/assets ratio increased modestly to 67.4% at September 30 from 66.6% at June 30. BDCs took advantage of the relatively favorable equity capital markets environment during the third quarter. Eight issuers, led by Ares (\$425 million) and Prospect (\$375 million) issued almost \$1.2 billion in new equity during the third quarter, compared to approximately \$275 million raised by three issuers in the second quarter. Subsequent to the quarter end, Monroe Capital (MRCC) completed an initial public offering in October, raising approximately \$75 million.

The group relied less on debt financing during the quarter, with net borrowings of \$265 million during the third quarter, compared to \$304 million in the second quarter.

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

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.

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