



Hearing on
“Improving Communities and Business Access to Capital and Economic Development”
Senate Banking Committee
Subcommittee on Securities, Insurance and Investment
May 19, 2016

Testimony by Michael J Arougheti
Co-Chairman of the Board of Directors,
Ares Capital Corporation
On behalf of the Small Business Investor Alliance
www.SBIA.org



Chairman Crapo, Ranking Member Warner, and Members of the Subcommittee on Securities, Insurance and Investment, my name is Michael Arougheti and I am the Co-Chairman of the Board of Directors of Ares Capital Corporation, an SEC-registered business development company, or BDC, and one of the largest non-bank providers of capital to small- and medium-sized American companies; the backbone of the U.S. economy. I appreciate the opportunity to testify today on behalf of the Small Business Investor Alliance (SBIA), a trade association which represents a majority of the nation's BDCs. SBIA's BDC members provide vital capital to small and medium-sized businesses nationwide, resulting in job creation and economic growth. Since the SBIA was established in 1958, our mission has been to ensure a healthy and vibrant market for small and mid-size businesses.

Background on Ares Capital Corporation

Ares Capital Corporation is publicly-traded on The NASDAQ National Market and is currently the largest publicly-traded BDC by both market capitalization and assets. Since our initial public offering in 2004, we have invested more than \$20 billion in over 650 transactions involving hundreds of small and medium sized American companies. In the process, we have created tens of thousands of new jobs and provided capital to growing businesses that were unable to access capital through commercial banks or other traditional financing sources.

The BDC Sector is Growing and BDCs are a Positive Force in Providing Capital to Small and Mid-Size Businesses

Congress created BDCs in 1980 in a period similar to what we saw following the "Great Recession". Specifically, Congress created BDCs in 1980 to enhance capital access to small- and medium-sized businesses. Uniquely, the BDC model gives ordinary investors the opportunity to finance small and medium size companies – effectively "Main Street funding Main Street". BDCs make direct investments in smaller, developing American businesses, providing access to capital for companies that may not be able to access capital from traditional sources such as banks. Despite an outdated regulatory regime which has been in place since the early 1980s, the number of BDCs has grown significantly. This growth accelerated following the economic downturn after the 2008-2009 economic recession, where BDCs addressed the needs of small and medium-sized businesses that were starved for capital. Currently, there are over 80 BDCs in the United States and BDC loan balances have more than tripled since 2008.

BDCs Increasingly Filling Void Left by Banks in Middle Market Lending

While the scope of BDC's investments may vary, all BDCs share a common investment objective of improving capital access to small and medium-sized companies. Today, the middle market sector of the economy is responsible for one-third of private sector GDP¹ and BDCs have

¹ Source: National Center for the Middle Market: <http://www.middlemarketcenter.org/infographics/1q-2016-middle-market-indicator-infographic>

grown as commercial banks have withdrawn from lending to this sector. As commercial banks and other traditional financing sources continue to retrench from the business of providing loans to small and medium size companies, BDCs now find themselves at the forefront of the effort to address the unmet capital needs of these companies. The dramatic decline in bank financing for middle market loans has been a long term trend. Middle market borrowers have historically depended on smaller, regional banks for financing, and the number of these banks has been shrinking since the 1990s. In order to continue to provide sufficient access to capital for small- and medium-sized companies, modernization of the BDC regulation is essential. Indeed, modernization will permit BDCs to meaningfully grow and serve these businesses. In an appendix to our written testimony, we have provided some helpful charts to demonstrate the changes in the capital markets landscape and the retrenchment of traditional banks from lending to these businesses.

SBIA Member Investments Across the United States

SBIA's BDC members have invested in numerous small and mid-size companies throughout the United States. According to AdvantageData, as of March 31, 2016, BDC aggregate loan commitments in the United States equaled over \$82 billion², and the top sectors include: \$24 billion in the services sector, \$17 billion in manufacturing, \$13 billion in finance, insurance & real estate, \$6 billion in mining, and \$6 billion in transport, communication and electric/gas.³

To provide an example of the type of investment made by BDCs, Ares Capital Corporation invested in OTG Management, Inc., a founder-owned operator of full service sit-down and quick service restaurants, bars, lounges, gourmet markets, and news and gift shops based in airports in the U.S. and Canada. OTG was awarded a contract to build out and operate the food and beverage concessions at JetBlue's new Terminal 5 at New York's JFK International Airport and needed to raise capital to complete the construction plan. However, OTG was a small company with limited operating history at the time and consequently, was unable to obtain financing from traditional senior debt providers or private equity firms. Ares stepped in to fill this void and provided OTG with much-needed capital as well as management expertise and support to help OTG continue to grow its business.

Ares has also helped fund the growth of minority owned and operated businesses, including ADF Restaurants, which is the second largest Pizza Hut franchisee in the country with over 250 locations in the Northeast.

Similarly, Main Street Capital Corporation (NYSE:MAIN), an SBIA member BDC based in Houston, Texas, has funded two of the fastest growing technology companies (IDX and CBT Nuggets) in Eugene, Oregon; the largest privately-owned jewelry store chain in the Rocky

² Source: AdvantageData, *Business Development Company (BDC) Commitment to the United States Middle Market, Q1 2016*

³ *Id.*



Mountains (Jensen Jewelers), headquartered in Twin Falls, Idaho; and the leading fixed base operator (FBO) (Indianapolis Aviation Partners) at the Indianapolis airport.

BDCs have numerous strategies, including investing in early-stage companies. For example, Hercules Capital, Inc. (NYSE: HTGC), an SBIA member BDC based in Palo Alto, California (with secondary offices in Boston, Massachusetts) focused on early-stage/venture businesses, has funded four early-stage businesses in Virginia, including Intelliject (Richmond), a specialty pharmaceutical company making auto-injecting technology for vaccines; and four telecommunications companies, including Mobile Posse (McLean) which has a mobile advertising solution, Rivulet Communications (Herndon) which focuses on IP network delivery, and Spring Mobile Solutions (Reston) which provides wireless solutions for corporate customers in Latin America.

BDCs are Highly Regulated and Provide Transparency to Investors

BDCs are heavily regulated by the SEC and appropriately, the activities of BDCs are fully transparent to regulators, investors and portfolio companies. Specifically, publicly-traded BDCs are subject to the disclosure requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934 and are also subject to additional regulations imposed by the Investment Company Act of 1940. These disclosure and other regulatory requirements are extensive and include, among other things, a requirement that BDCs publish a quarterly summary of each investment held by a BDC and the fair value of such investment. This is a significantly greater degree of transparency than that found in other financial services models.

The Need for Regulatory Modernization and Implementation through H.R. 3868, the Small Business Credit Availability Act

While BDCs are appropriately subject to extensive oversight and disclosure requirements, the Great Recession revealed certain inefficiencies in the BDC regulatory regime. To that end, the industry has been working with the SEC and Congress to develop legislation that would enable BDCs to expand their scope and do more to fulfill the BDC industry's policy mandate. These efforts have raised the question of how BDCs can fulfill their Congressional mandate of being an active provider of capital to small and medium sized companies, while remaining appropriately regulated and transparent? The answer – begin the process of modernizing the regulatory framework with a handful of modest, common sense changes. Clearly, the world is a much different place than it was in 1980 when Congress created BDCs.

While we certainly believe in the importance of appropriate regulation, many of the challenges faced by BDCs in increasing the amount of capital that they can raise and deploy are a consequence of where BDCs sit in the regulatory framework. BDCs are more akin to operating companies such as banks and other commercial lenders, yet are regulated as mutual funds.

Recognizing these challenges, the House Financial Services Committee recently passed HR 3868, the *Small Business Credit Availability Act*, with a strong bipartisan vote of 53-4. This bill was specifically designed to modernize the BDC sector precisely to enhance the ability of BDCs to provide capital to growing middle market companies as banks retreat from this sector, while simultaneously ensuring significant investor protections specifically requested by the SEC. **It is also important to note that BDCs are not seeking any government or taxpayer support or subsidy.**

1. Modest Increase in the Asset Coverage Ratio, with Investor Protections

Currently, most BDCs maintain an average leverage ratio of 0.5x-0.75x, reflecting a desire and a practical need to maintain adequate “cushion” in the unprecedented, unlikely event of a sudden and steep drop in asset values. This practice is driven in part by the requirement that BDCs “mark-to market” the value of their portfolio companies, which can erode the fair market value of a BDC’s holdings due to negative changes in the broader loan market, irrespective of the actual financial performance of such portfolio companies. The maintenance of this cushion has the unintended effect of reducing the ability of BDCs to raise and invest capital, thereby frustrating the original intent of Congress to provide capital to small and mid-sized businesses. More room under the asset coverage test will allow an additional cushion for shareholders and will provide BDCs with the ability to deploy more capital in the ordinary course of business and through market cycles. It would also, somewhat paradoxically, allow BDCs to **mitigate risk** by enabling them to invest in lower-yielding, senior assets that don’t currently fit their economic model of requiring distributions to shareholders of at least 90% of their net income. In fact, the current asset coverage test actually forces BDCs to invest in riskier, higher-yielding securities in order to meet its RIC distribution requirements. H.R. 3868, in addressing this issue, permits a modest increase in leverage from 1:1 to 2:1, much less than the typical 10:1 ratio found in traditional banking institutions and on par with the 2:1 ratio under the current SBIC Debenture program, but without government guarantees or implied taxpayer subsidy. The legislation also includes significant investor safeguards for accessing additional leverage, including a shareholder vote or independent board of directors vote with a 12 month “cooling off” period. In turn, these protections will ensure that a BDC’s shareholders will be able to decide whether they want to continue to hold shares of a BDC that plans to access additional leverage.

2. Offering Reforms Will Streamline Burdensome Paperwork & Reduce SEC Staff Time

BDCs often have a very narrow window in which to access capital markets. Yet BDCs are the only seasoned issuers required to still comply with certain provisions of the Securities Act which makes raising capital cumbersome and inefficient. For example, BDCs are not permitted to “incorporate by reference”, thereby requiring them to file more paperwork than other issuers, which provides no benefit to investors. H.R. 3868 will provide relief through a variety of offering reforms which will reduce unnecessary paperwork, allow for increased research coverage and oversight of the sector for investors, and allow BDCs to raise capital for effectively.



3. Other Provisions

The legislation also includes other provisions. These include: (1) allowing for the issuance of multiple classes of institutional preferred stock while maintaining one class of retail shares with all of the traditional shareholder protections which, in turn, would create additional flexibility for BDCs to raise additional capital in the face of difficult economic conditions while still addressing the SEC's concerns that preferred stock continue to be treated as debt for purposes of the asset coverage test, (2) permitting BDCs to own registered investment advisers, which BDCs already regularly receive permission from the SEC to own; and (3) allowing for additional investments in financial corporations such as small business equipment leasing companies. With respect to this last point, let me be clear that the modest amendments included in the bill would NOT increase a BDC's ability to invest in securities of private equity funds, hedge funds, collateralized loan obligations or other private funds.

In closing, we believe that the time is right to modernize regulations governing BDCs and pass legislation, which would allow BDC's to increase capital flows to America's small and medium size companies, spur economic growth and create jobs. It is clear that banks have left this space and will not return.

Small and medium sized businesses are the engine of our economy. Unfortunately, many traditional sources of capital are no longer available to help support their growth. This bill in my judgement represents a strong and necessary effort to modernize the BDC sector, so it can maintain and grow its participation in a growing small and middle market without reducing any investor protections.

I am happy to answer questions about the bill or any other matters, and on behalf of the SBIA and the BDC industry, I want to again thank the Committee for its commitment to increasing capital for growing businesses and especially its interest in the contribution of BDCs to the overall economy and job growth. We are hopeful that there will be a bi-partisan focus on this important initiative, and look forward to working with the sub-committee and the Senate in moving this bill forward.

Biography of Michael J Arougheti

Mr. Arougheti is a Co-Founder of Ares and a Director and the President of Ares Management GP LLC, Ares' general partner. He is a Partner in the Ares Credit Group and a member of the Management Committee. He also serves as Co-Chairman and Executive Vice President of Ares



Capital Corporation and as a director of Ares Commercial Real Estate Corporation (NASDAQ:ACRE).

Prior to joining Ares in 2004, Mr. Arougheti was employed by Royal Bank of Canada from 2001 to 2004, where he was a Managing Partner of the Principal Finance Group of RBC Capital Partners and a member of the firm's Mezzanine Investment Committee. Mr. Arougheti oversaw an investment team that originated, managed and monitored a diverse portfolio of middle-market leveraged loans, senior and junior subordinated debt, preferred equity and common stock and warrants on behalf of RBC and other third-party institutional investors.

Mr. Arougheti joined Royal Bank of Canada in October 2001 from Indosuez Capital, where he was a Principal and an Investment Committee member, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. Prior to joining Indosuez in 1994, Mr. Arougheti worked at Kidder, Peabody & Co., where he was a member of the firm's Mergers and Acquisitions Group.

Mr. Arougheti also serves on the boards of directors of Investor Group Services, and Operation HOPE, a not-for-profit organization focused on expanding economic opportunity in underserved communities through economic education and empowerment.

Mr. Arougheti received a B.A. in Ethics, Politics and Economics, cum laude, from Yale University.

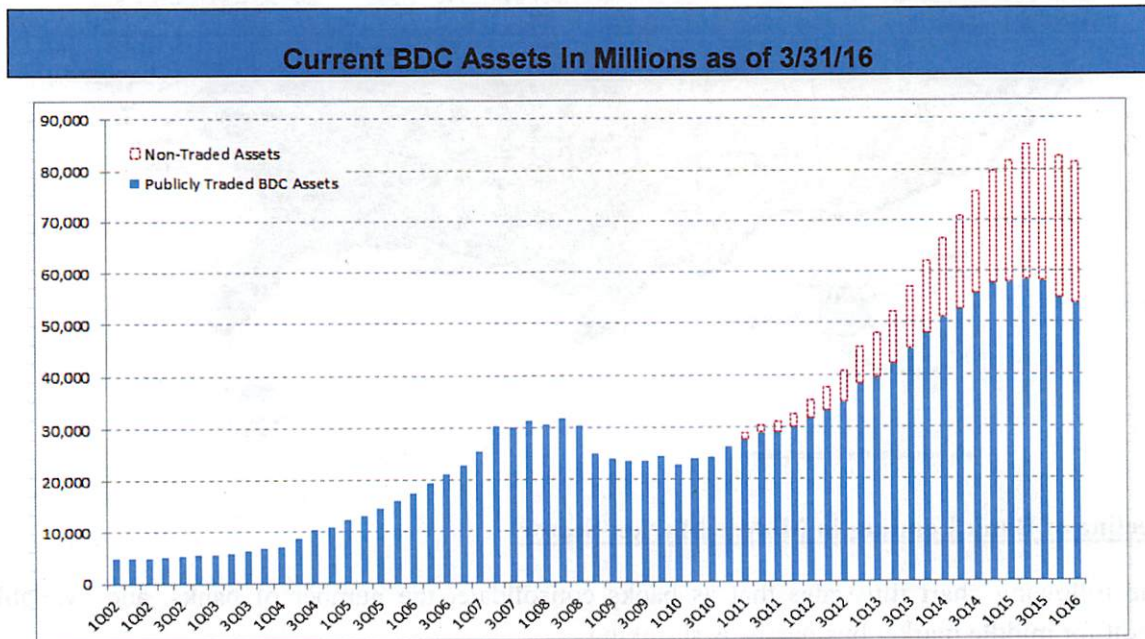
Appendix to Testimony by Michael Arougheti, Ares Capital Corporation on
“Improving Communities and Business Access to Capital and Economic Development”

Appendix:

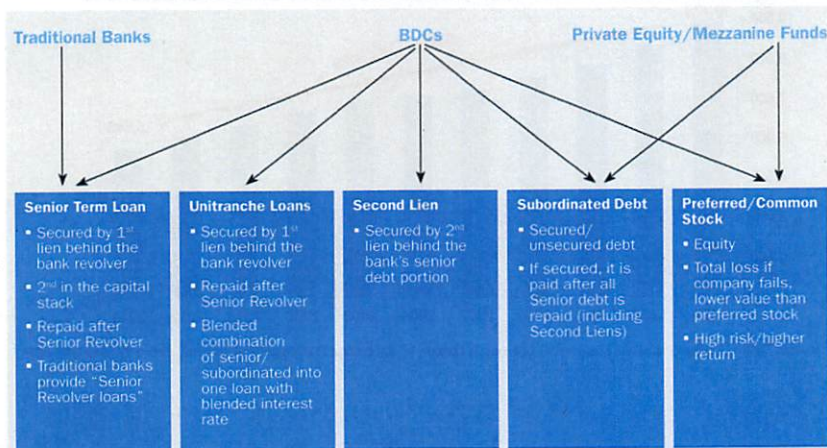
As an appendix to testimony provided by Michael Arougheti, Co-Chairman of the Board of Directors, President and Executive Vice President of Ares Capital Corporation, we provide the following data on the BDC industry, the retreat of banks in the middle market lending space, and a listing of current investments in the states of the members of the Subcommittee.

Information on Current BDC Industry Conditions:

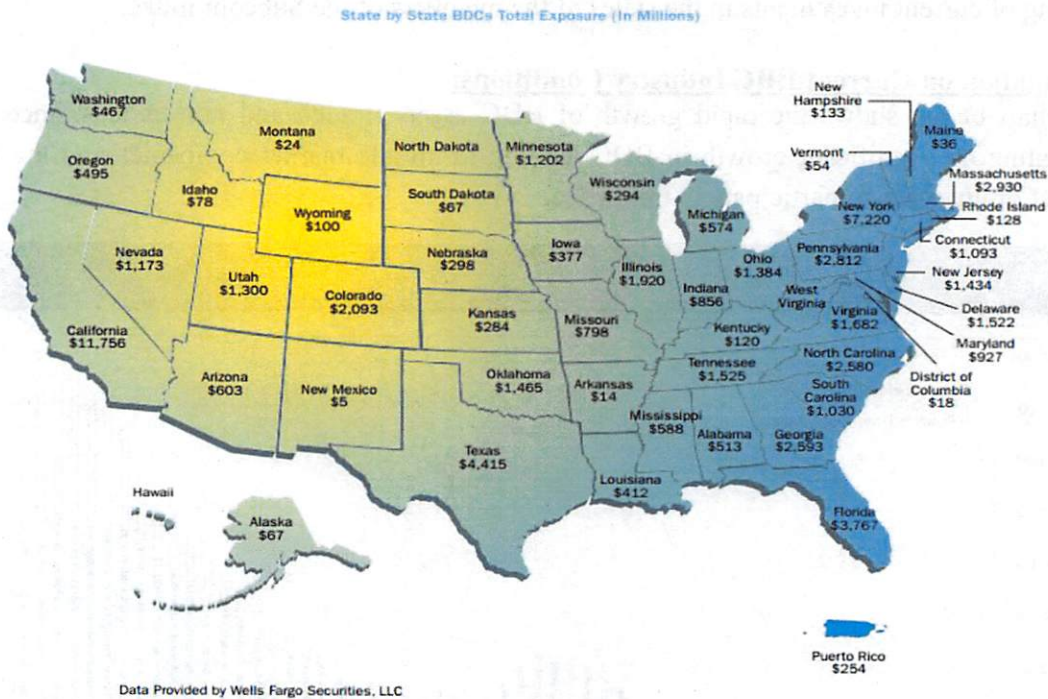
The chart below shows the rapid growth of BDC assets (traded and non-traded) since 2002, illustrating the significant growth in BDC lending to middle market companies and the strong interest of investors to participate in this space.



The chart below shows the types of lending engaged in by BDCs.

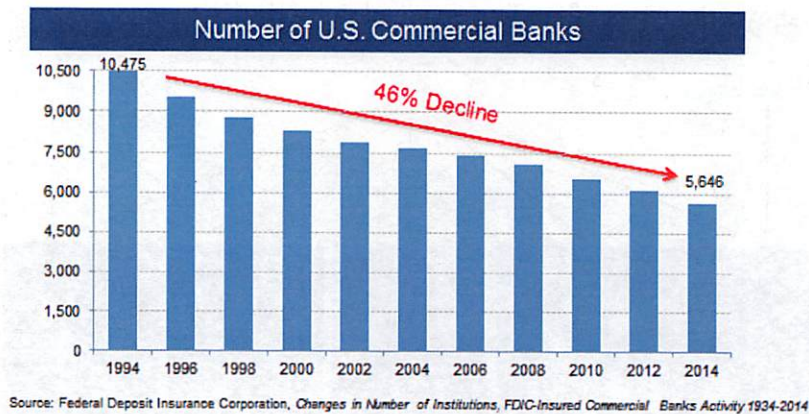


BDCs have provided significant investment to small and medium-size businesses across the United States, in almost every state, as illustrated in the map below.



Decline of Bank Lending in Middle Market Sector

The following chart illustrates that as banks consolidate, the number of banks, and available credit for middle market businesses is shrinking.

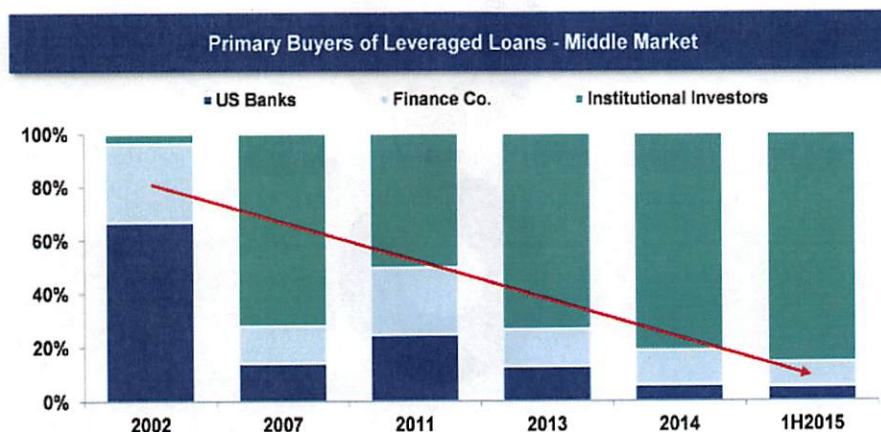


Domestic banks have continued to play a less significant role in this space since 1997 as opposed to non-banks, as illustrated in the following chart from 1997-2012, showing the heavy role non-bank lenders, including BDCs, play in the middle market.

Middle Market																
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Domestic Bank	36.8%	40.0%	46.6%	53.6%	59.9%	52.2%	28.0%	13.0%	13.0%	15.8%	7.4%	14.8%	26.0%	16.0%	19.8%	12.2%
Finance Co.	7.6%	8.8%	11.8%	16.2%	17.7%	24.8%	39.5%	13.5%	11.0%	17.1%	13.0%	38.9%	34.8%	20.9%	22.6%	20.8%
Foreign Bank	25.1%	23.9%	18.1%	14.9%	16.0%	16.5%	6.5%	5.7%	6.9%	5.5%	6.8%	15.7%	6.3%	12.5%	9.6%	10.3%
Institutional Investors	25.7%	22.2%	19.9%	12.7%	3.8%	3.0%	25.6%	67.4%	64.7%	57.6%	67.2%	29.4%	30.3%	48.6%	45.5%	56.8%
Securities Firm	4.9%	5.0%	3.6%	2.6%	2.5%	3.5%	0.4%	0.3%	4.3%	4.1%	5.7%	1.2%	2.6%	2.0%	2.5%	0.0%

Source: S&P Capital IQ, Q4 2012 High-end Middle Market Lending Review.

This trend has only accelerated since 2012, with the share of non-bank lenders engaged in middle market lending increasing. Banks are increasingly ceding the market to non-banks such as BDCs.¹

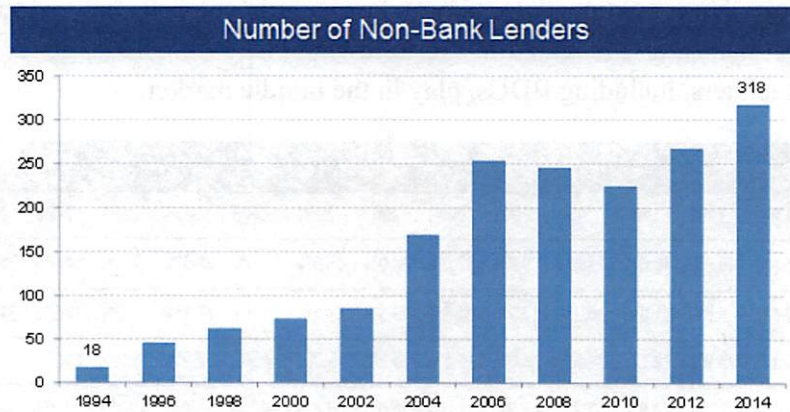


Data as of June 30, 2015. Source: S&P LCD Quarterly. US Banks includes securities firms. Excludes non-US banks.

The number of non-bank lenders, including BDCs and other types of specialty finance companies has doubled since 2009, with Raymond James research indicating that this trend is expected to persist. In 2014, the average amount invested by these 318 lenders was \$771.7 million, and the median \$198.2 million.²

¹Source: Bain Capital Credit, *Looking Forward*, July 2015: <http://www.baincapitalcredit.com/insights/looking-forward>

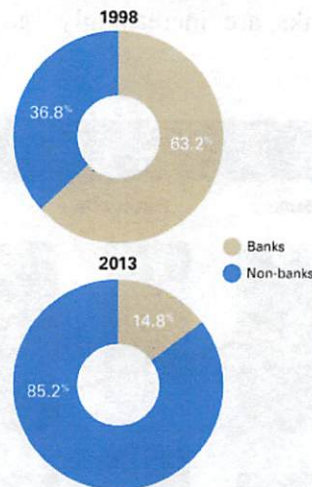
²Source: Raymond James, citing S&P Capital IQ Leveraged Commentary and Data



Source: S&P Capital IQ Leveraged Commentary and Data; Note: Includes investor groups that either participated in 3 or more loans or made \$10 million of commitments

The chart below demonstrates the significant shift from bank lending to non-bank lenders. In 1998, banks made up 63.2% of the lenders in this space, reduced to only 14.8% in 2013.³

Shift in Leveraged Loan Investors Since 1998



Examples of BDC Financings in Subcommittee Member States:

The following companies are examples of those companies invested in by SBIA member BDCs in the states of Subcommittee members:

Alabama:



³ Source: Brown Brothers Harriman/Preqin, "Private Debt in 2015, Thinking Outside the Bank": <https://www.bbh.com/bob/4096/226a51c6d04c412b68b6f9fa9426f3b5/private-debt-in-2015-thinking-outside-the-bank-pdf-data.pdf>

Mspark, Inc. (Helena, Alabama) is a privately held, national provider of shared mail services. Each month the company delivers more than 30 million advertising packages to residential mailboxes in 27 states on behalf of 3,000 small and large business clients. Mspark reaches more than 22 million households with 98% penetration, using its micro-marketing strategies built upon segmentation, a means of targeting the right audience with the right value message. Using direct mail as the core promotional vehicle, mspark programs focus on driving results and optimizing ROI.

- **BDC Investment:** PennantPark Investment Corporation (SBIA Member, NASDAQ: PNNT)



MOMENTUM

T E L E C O M

Momentum Telecom, Inc. (Birmingham, Alabama) is a leading business communications provider, offering personalized cloud PBX solutions to direct subscribers and more than 300 partners nationwide. As the industry's most reliable provider, Momentum delivers superior voice quality backed by a geo-redundant network with 100% uptime. Momentum provides an array of services for both small and large businesses, including hosted VoIP, SIP trunking and unified communications services.

- **BDC Investment:** Medley Capital Corporation (SBIA Member, NYSE: MDLY)



Randall Reilly

Randall-Reilly Publishing Company, LLC (Tuscaloosa, Alabama) was founded in 1934, and evolved from the publisher of Who's Who to a marketing services company. Randall-Reilly offers data, media, and marketing services in order to help businesses target appropriate markets, connect with new customers through effective mediums, and engage prospects with tailored, relevant content. In addition to its general marketing expertise, Randall-Reilly has extensive experience with the Trucking, Construction/Equipment, Agricultural, and Printing markets.

- **BDC Investment:** PennantPark Investment Corporation (SBIA Member, NASDAQ: PNNT)

Idaho:



Marketron

WBS Group, LLC (Hailey, Idaho) owns Marketron, the media industry's leading provider of business software solutions and services. Specializing in revenue management and audience engagement solutions, Marketron enables media companies to drive new growth opportunities by managing accounts and normalizing data in one, secure program. With more than 7,000 media organizations served, Marketron solutions are the most widely used in the world.

- **BDC Investment:** BlackRock Capital Investment Group (NASDAQ: BKCC) – **\$47 MILLION**



Jensen Jewelers of Idaho, LLC (Twin Falls, Idaho) is a jewelry store chain, founded by Don and Mary Jensen in 1956. Jensen has grown from its first location in Twin Falls to fourteen stores across Idaho, Montana, Nevada, and Wyoming. Despite this growth, the company is still headquartered just down the street from where it began, and proudly employs over 100 people.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MAIN) – **\$8 MILLION**



Guerdon Enterprises, LLC (Boise, Idaho) is a leading producer of large-scale modular construction projects, encompassing modular commercial buildings, single and multi-family housing, schools, hotels, remote work camps, military barracks, and tribal housing throughout the United States. With its primary factory and corporate office located in Boise, Guerdon is able to serve 10 western states.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MAIN) – **\$13.4 MILLION**

Ohio:



Irth Solutions, Inc. (Columbus, Ohio) provides cloud-based, field service management software that helps organizations increase productivity of their field workforce. Irth Solutions helps companies by collecting and providing access to data in the field, automating and improving workflow processes, and increasing visibility and decision making abilities to improve performance. Irth Solutions is focused on field workforce programs that manage critical assets in the oil and gas, telecommunications, utilities, and renewable energy industries.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MSCA) – **\$4 MILLION**



⁴ All portfolio company data is compiled from public SEC records.

Roscoe Medical, Inc. (Strongsville, Ohio) designs, manufactures, and distributes an extensive line of high quality products for the home care environment. Roscoe offers wheelchairs, oxygen supply products, aerosol therapy devices, pain management products, bath safety devices, and much more. In 2013, Roscoe was included in the Inc. 5000 list of fastest-growing private companies in America.

- **BDC Investment:** Saratoga Investment Corporation (SBIA Member, NYSE: SAR) – **\$4.3 MILLION**



The Step2 Company, LLC (Streetsboro, Ohio) is the largest American manufacturer of preschool and toddler toys and the world's largest rotational molder of plastics. Step2 offers an array of children's products, ranging from playhouses to push and pull wagons. Step2 employs over 800 full-time employees, and operates two manufacturing plants in northern Ohio.

- **BDC Investment:** Ares Capital Corporation (NASDAQ: ARCC) – **\$42 MILLION**



Somerset Gas Transmission Company, LLC (Columbus, Ohio) is a privately held company which owns and operates a 266 mile natural gas pipeline originating in Cygnet, Ohio and ending east of Cleveland, Ohio. The company was formed in 1997 and is currently pursuing multiple opportunities to expand its pipeline and gathering assets to other parts of the country.

- **BDC Investment:** Rand Capital Corporation (NASDAQ: RAND) – **\$786**

THOUSAND

Rhode Island:

CAI Software, LLC (Smithfield, Rhode Island) is a national leader in the delivery of quality Windows-



based, Enterprise Resource Planning (ERP) software products and services across a broad spectrum of commercial and industrial markets, including: Building Materials and Millwork Manufacturing and

Distribution, Seafood Processing and Distribution, Wholesale Food Processing and Distribution, Jewelry Manufacturing and Distribution, Consumer Goods Importing and Distribution, and the Precious Metals Refining and Manufacturing Industry. CAI's solutions are based on a scalable and extensible design that easily supports ever-changing industry regulations, data processing, and other business-specific requirements.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MSCA) – **\$6 MILLION**

New York:

Cleveland BioLabs Cleveland BioLabs, Inc. (Buffalo, NY) is an innovative biopharmaceutical company that develops first-in-class pharmaceuticals designed to address diseases with significant unmet medical need. Cleveland's drugs span multiple stages of

development, including treatments for various forms of cancer and the protection of healthy tissues from radiation, chemotherapy, or ischemic conditions.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$1.9 MILLION**



MEZMERIZ^{inc.}
screen.

Mezmeriz, Inc. (Ithaca, NY) develops projection technologies such as its unique MEMS module, which can be embedded into smartphones and mobile electronics to enable gesture UI, 3D depth photography, and interactive projection. This module projects large, high quality, daylight visible, vivid, color video that is always in focus and allows any nearby surface, wall, or table to become a large, interactive smartphone

- **BDC Investment:** RAND Capital Corporation (SBIA Member, NASDAQ: RAND) – **\$200 THOUSAND**



Niacet Corporation (Niagara Falls, NY) is a leading global producer of propionates and acetates, chemicals used in the Food and Pharmaceutical Industries. The company has nearly 90 years of history in Niagara Falls, and owes its name to the combination of Niagara and acetylene. Among its many offerings, Niacet develops products for food preservation, antibiotic formulation, dialysis treatment, and energy production.

- **BDC Investment:** Apollo Investment Corporation (NASDAQ: AINV) – **\$12.5 MILLION**



DineInFresh, Inc. (New York City, NY) operates as Plated, a tech startup that provides pre-portioned ingredients for healthy, wholesome meals directly to a user's home. Plated combines an online platform with local food fulfillment centers to forge connections between farmers and the community by sourcing local meats, seafood, and vegetables in its shipments.

- **BDC Investment:** Ares Capital Corporation (NASDAQ: ARCC) – **\$7.5 MILLION**

Virginia:



Sotera Defense Solutions, Inc. (Herndon, VA) is a mid-tier national security technology company that delivers innovative systems, solutions, and services in support of the critical missions of the Intelligence Community, Department of Defense, Department of Homeland Security, and federal law enforcement agencies charged with ensuring the safety and security of our nation. Sotera focuses on delivering essential

counterterrorism, cyber security and operations, intelligence, data analytics, and C4ISR solutions to its customers throughout the national security community.

- **BDC Investment:** PennantPark Investment Corporation (SBIA Member, NASDAQ: PNNT) – **\$17 MILLION**



Mobile Posse, Inc. (McLean, VA) helps small business leaders communicate with large audiences in an engaging and motivating manner that spurs innovation, increases operating efficiency, and drives revenue. InXpo accomplishes this by combining next-generation digital broadcasting platforms with its experience in audience engagement, learning strategies, data integration, creative consulting, event management, and even video capturing services.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$1 MILLION**

Deltek Know more. Do more.™ **Deltek, Inc.** (Herndon, VA) delivers leading enterprise software and information systems for project-based businesses. Deltek's software includes cloud-based solutions for market research and analysis; financial, resource, and human capital management; government compliance; and social collaboration efforts.

- **BDC Investment:** TCP Capital Corporation (SBIA Member, NASDAQ: TCPC) – **\$15.1 MILLION**



Kaléo, Inc. (Richmond, VA) develops, markets, and sells branded pharmaceutical products and injectors to address health issues ranging from allergic reactions to opioid overdoses. To maintain user-friendly and effective products, the company employs Human Factor Engineering, a process of collaborating with patients to incorporate their needs into the product. Kaléo's innovations stem from its robust Intellectual Property portfolio, which includes 70 issued patents and 75 pending patents.

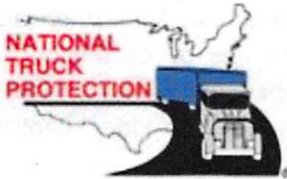
- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$1.3 MILLION**

New Jersey:

EducationDynamics® **Education Dynamics, LLC** (Hoboken New Jersey) is a prospecting service that provides marketing services and student acquisition solutions to institutions of higher education. EducationDynamics connects students with schools by helping admissions become more targeted and efficient. The company utilizes various marketing channels such as SEO traffic, display advertising, and social media in order to find high-

quality prospects who are most likely to enroll and complete their degrees. EducationDynamics even contacts, vets, and submits potential students on behalf of school admissions offices.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$20.6 MILLION**



National Truck Protection Company, Inc. (Cranford, New Jersey) is the leading independent provider of warranty and service contracts to the North American trucking industry. NTP provides private label warranties to major Original Equipment Manufacturers (OEMs) as well as extended service contracts to the used truck sector. The company began in the early 1980's as a diesel repair center and has grown into an extended warranty provider, offering

a suite of plans for truck protection.

- **BDC Investment:** Saratoga Investment Corporation (SBIA Member, NYSE: SAR) – **\$9.5 MILLION**



American Sensor Technologies, Inc. (Mount Olive, New Jersey) manufactures pressure sensors and related products for use in water pressure, oil and gas, UHV and cryogenic, alternative energy mechanisms, and fluid power systems. AST offers semi-custom and custom pressure sensor designs which work within the design of embedded sensors as a part of an integral control system. The company was incorporated in New Jersey in 1997, and works closely with Macro Sensors in Pennsauken, a company AST acquired in 2005.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MAIN) – **\$10.1 MILLION**

Massachusetts:



American Superconductor Corporation (Devens, MA) generates ideas, technologies, and solutions that meet the world's demand for smarter, cleaner energy. Through its Windtec Solutions, AMSC provides wind turbine electronic controls and systems, designs, and engineering services that reduce the cost of wind energy. Through its Gridtec Solutions, AMSC provides the engineering planning services and advanced grid systems that optimize network reliability, efficiency, and performance. The company's solutions are now powering gigawatts of renewable energy globally and enhancing the performance and reliability of power networks in more than a dozen countries.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$8.2 MILLION**



Joule Unlimited Technologies, Inc. (Bedford, MA) is pioneering a CO₂-to-fuel production platform, which converts carbon dioxide, sunlight, non-potable water, and proprietary catalysts into ethanol, hydrocarbon fuels, or other chemicals. Joule combines advances in catalyst engineering with solar capture and process engineering to achieve levels of efficiency and scale that biomass operations cannot. The system works by pumping waste CO₂

through a *SolarConverter* panel, where organisms in the catalyst consume the CO₂, photosynthesize, and continually produce and excrete the desired product. Joule maintains a robust Intellectual Property portfolio of over 150 registered and pending patents that will allow the company to produce fuel for the future.

- **BDC Investment:** Ares Capital Corporation (NASDAQ: ARCC) – **\$10 MILLION**



Gazelle, Inc. (Boston, MA) is an online marketplace for selling and purchasing used smartphones, tablets, laptops and accessories. Gazelle facilitates the recycling and reuse of electronics by its simple and quick process of exchanging electronics into cash or gift cards. Since its founding in 2006, Gazelle has received over 2 million trade-ins and paid out over \$200 million.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$14 MILLION**

Indiana:



Boss Industries, LLC (La Porte, Indiana) is a leading manufacturer of rotary screw PTO compressor systems for utility and municipality markets. Boss operates a 50,000 square foot facility in La Porte that has production and design capabilities to serve its customers in multiple industries, including gas and electric utilities, municipal water and street departments, tire service and mechanic trucks, telecommunications, firefighting (Compressed air foam- CAF), fence contractors, rental, drilling and mining and military applications. Among its many offerings, Boss produces underdeck systems, hydraulic driven systems, tool lifts, airends for OEMs, and more.

- **BDC Investment:** TCP Capital Corporation (SBIA Member, NASDAQ: TCPC)



ARBOC Specialty Vehicles, LLC (Middlbury, Indiana) is a specialty vehicle company that manufactures low-floor buses with special angled and accessible entrances in order to assist disabled passengers. ARBOC offers three, fully ADA compliant models: the Spirit of Freedom, the Spirit of Liberty, and the Spirit of Mobility.

- **BDC Investment:** Medley Capital Corporation (SBIA Member, NYSE: MDLY)



SonaCare Medical, LLC (Indianapolis, Indiana) is a pioneer of minimally invasive high intensity focused ultrasound (HIFU) technologies. SonaCare focuses on developing technologies for urological indications that offer precise and

innovative procedures that can control cancer and significantly improve a patient's quality of life. The company has treated over 2,000 prostate cancer patients, and the results are documented in several peer-reviewed publications spanning 13 years of successful clinical outcomes.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC)

Pennsylvania:



The Neat Company (Philadelphia, PA) utilizes scanning technology to digitize and organize data, particularly from receipts, business cards, and invoices. Neat's cloud-based program captures information from scanned documents and makes the data searchable for easy navigation and analysis. Since 2002, Neat has helped eliminate data entry and allow businesses to find important information faster and easier than ever.

- **BDC Investment:** Hercules Technology Growth Capital, Inc. (SBIA Member, NASDAQ: HTGC) – **\$19.5 MILLION**



Enerwise Global Technologies, Inc. (Kennett Square, PA) manages energy infrastructure and demand responses, as well as provides renewable energy services and technologies. Enerwise enables commercial and industrial customers to reduce energy consumption and costs, improve energy infrastructure reliability, and make informed decisions regarding energy purchases and programs. Founded in 1980, the company currently manages and administers over 1600 megawatts of demand response and renewable energy.

- **BDC Investment:** TCP Capital Corporation (SBIA Member, NASDAQ: TCPC) – **\$17.2 MILLION**



GENEX Services, Inc. (Wayne, PA) helps firms manage and control the medical, wage-loss, and productivity costs associated with claims in the workers' compensation, disability, automobile, and health care systems. The company is the nation's leading provider of integrated managed care services, and focuses on three critical areas: Workers' Compensation and Disability Management, Medical Cost Containment, and Social Security Representation.

- **BDC Investment:** Medley Capital Corporation (SBIA Member, NYSE: MDLY)

Tennessee:



Tin Roof Acquisition Company (Nashville, TN) owns and operates a music venue, bar, and restaurant located near Nashville's famed Music Row. Since 2002, Tin Roof has been known as "A Live Music Joint," and its stages have hosted the famous, the should have been famous, and everyone in between. Tin roof celebrates local musicians and aims to promote Nashville's best new artists and songwriters.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MSCA) - **\$16 MILLION**



Censis Technologies, Inc. (Franklin, TN) provides a flexible portfolio of surgical instrument tracking options using a web-based, user-friendly platform. Censis tracks surgical instrument inventory, notifies users of the dates and types of sterilization techniques used, and even alerts OR technicians if tools are unclean, incompatible, or missing. The Censis suite of scalable solutions allows customers to choose an appropriate mix of services, facilitating an increase in patient safety, OR productivity, tray accuracy, and successful surgeries.

- **BDC Investment:** Saratoga Investment Corporation (SBIA Member, NYSE: SAR) - **\$12.7 MILLION**



City Gear, LLC (Memphis, TN) is a retailer and preferred Nike supplier focused on urban apparel and performance footwear. The company's distribution facility in Memphis serves its 91 stores in the Southeast and Midwest, operating under the City Gear, Deveroos, and Marty's brand names. These stores primarily sell to

males between the ages of 14 and 30, and are located in closed-air shopping malls near urban communities.

- **BDC Investment:** Capitala Finance Corporation (SBIA Member, NASDAQ: CPTA) - **\$16.7 MILLION**

Illinois:



Aircell Business Aviation Services, LLC. (Itasca, IL) operates as Gogo Aviation, and is a leading global aero-communications service provider, offering in-flight internet, entertainment, text messaging, voice and other communications-related services to the commercial and business aviation markets. Gogo has more than 2,100 commercial aircraft equipped with its services and partnerships with 10 major airlines. Gogo employs over 800 and is a factory option at every major business aircraft manufacturer.

- **BDC Investment:** PennantPark Investment Corporation (SBIA Member, NASDAQ: PNNT) – **\$23.4 MILLION**



InXpo, Inc. (Chicago, IL) helps small business leaders communicate with large audiences in an engaging and motivating manner that spurs innovation, increases operating efficiency, and drives revenue. InXpo accomplishes this by combining next-generation digital broadcasting platforms with services that assist businesses with audience engagement, learning strategies, data integration, creative consulting, event management, and even video capturing services.

Kansas:



Collective Brands, Inc. (Topeka, KS) is the parent company for a powerful portfolio of well-known and popular national brands, including Payless ShoeSource, Champion athletic wear, and Airwalk footwear. Payless ShoeSource is the largest specialty family footwear retailer in the Western Hemisphere, offering a trend-right and comprehensive range of everyday and special occasion shoes and accessory items at affordable prices. Payless was founded in 1956, and continues its original self-select business model, combined with leading customer service to provide a fun and engaging shopping experience for its customers. Today, Payless is a privately-held company that employs more than 25,000 associates worldwide.

- **BDC Investment:** Medley Capital Corporation (SBIA Member, NYSE: MDLY)



KBK Industries, LLC (Rush Center, Kansas) is a leading oil recovery and storage specialist, deploying the industry's premier technology for separating oil and water. Customers throughout North America, including exploration companies, independent drillers, and SWD companies, rely on KBK to help them safely and economically store, separate, and recover oil and water. To accomplish this, KBK develops and produces high-efficiency Skim Tanks, Desander Tanks, Free Water Knockouts, Gunbarrels, and Storage Tanks. Further, KBK supports customers with all levels of the process, including engineering, delivery, system startup, training, and maintenance.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MAIN) – **\$12.8 MILLION**

South Carolina:



VitAG Holdings, LLC (Beech Island, SC) is pioneering the next generation of biosolids recycling. VitAG is a specialty fertilizer company, which engages in the conversion of municipal biosolids into inorganic fertilizers. Its recycling technology brings together the wastewater and fertilizer industries to transform biosolids into slow release,

organically-enhanced inorganic granular fertilizers. Based in Beech Island, the Company sells its fertilizers through distributors in the United States and internationally.

- **BDC Investment:** TCP Capital Corporation (SBIA Member, NASDAQ: TCPC) – **\$7.7 MILLION**



Compact Power Equipment, Inc. (Fort Mill, SC) manages and markets commercial and light construction equipment. The company is comprised of two major components: Equipment Rental and Equipment Services. The rental component provides tools, trucks, and trailers with high

quality towable rental equipment such as mini-skids, excavators, skid steers, trenchers, and chipper shredders. Complementing this, the service component offers knowledgeable, certified local technicians who provide cost reducing maintenance services for facilities, commercial equipment, and light construction equipment nationwide.

- **BDC Investment:** Main Street Capital Corporation (SBIA Member, NYSE: MAIN) – **\$7 MILLION**



AGY Holding Corporation (Aiken, SC) is a world leader in composite fiber materials used in a range of markets including Electronics, Thermoplastics, Industrial, Aerospace, Recreational/Consumer, and Defense. AGY produces high performance materials in the form of glass fiber yarns and reinforcements,

enhancing six properties: strength, impact resistance, stiffness, temperature resistance, fatigue resistance, and radar transparency. These products are strong enough for use in ballistic armor on army trucks or navy ship hulls, yet light enough for private aircraft.

- **BDC Investment:** TCP Capital Corporation (SBIA Member, NASDAQ: TCPC) – **\$13.9 MILLION**

Nebraska:



Pen-Link, Ltd. (Lincoln, NE) provides Law Enforcement and Intelligence agencies with state-of-the-art software and systems for the collection, storage, and analysis of telephonic- and IP-based communications. Pen-Link's

software and systems – Pen-Link 8, LINCOLN, and Xnet – are widely recognized as industry standards, with thousands of licensed Law Enforcement and Intelligence users in federal, state, and local agencies worldwide. Pen-Link systems are widely favored because they not only excel at intelligence gathering and live collection, but they also provide a powerful suite of reporting and analytical tools; the type of functionality that is essential in drilling down through today's extensive data sets to reveal relationships that might otherwise go undetected.

- **BDC Investment:** Saratoga Investment Corporation (SBIA Member, NYSE: SAR) – **\$10.5 MILLION**

Roto Holdings, LLC (Lincoln, NE) owns and operates some of the largest rotational molding companies in the United States, including Snyder Industries, Inc. Snyder's custom rotomolding makes a wide variety of plastic articles for a broad group of industries and applications. Snyder produces Industrial Tanks, plastic and steel Intermediate Bulk Containers (ICBs), Material Handling Bins, Insulated Containers, Dry Powder Bins, Agricultural Tanks, Septic Tanks and Cisterns, Water Tanks, Refuse and Recycling Bins, Medical Waste Containers, Petroleum Products, and more.



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- **BDC Investment:** PennantPark Investment Corporation (SBIA Member, NASDAQ: PNNT) – **\$13 MILLION**