

# H A R V E S T

C A P I T A L C R E D I T

## HARVEST CAPITAL CREDIT CORPORATION ANNOUNCES MARCH 31, 2015 FINANCIAL RESULTS AND DECLARES DISTRIBUTIONS FOR APRIL, MAY AND JUNE

**NEW YORK, May 7, 2015** — Harvest Capital Credit Corporation (“Harvest Capital” or the “Company”) (NASDAQ: HCAP) announced that its Board of Directors declared distributions of \$0.1125 per share for the months of April, May and June. The April distribution is payable on May 28, 2015 to shareholders of record on May 21, 2015. The May distribution is payable on June 25, 2015 to shareholders of record on June 18, 2015. The June distribution is payable on July 30, 2015 to shareholders of record on July 23, 2015. The Company’s distributions may include a return of capital to shareholders to the extent that the Company’s net investment income and net capital gains are insufficient to support the distributions. Distributions that are treated for tax purposes as a return of capital will reduce each shareholder’s basis in his, her or its shares. Returns of shareholder capital also have the effect of reducing the Company’s assets.

### FINANCIAL HIGHLIGHTS

	Q1-15		Q1-14	
	Amount	Per share (1)	Amount	Per share (1)
<b>Core net investment income (2)</b>	<b>\$1,869,306</b>	<b>\$0.30</b>	<b>\$2,101,528</b>	<b>\$0.34</b>
<b>Net investment income</b>	<b>\$2,011,868</b>	<b>\$0.32</b>	<b>\$2,066,040</b>	<b>\$0.34</b>
Net unrealized (depreciation) appreciation	(\$1,744,157)	(\$0.27)	\$177,442	\$0.03
Net realized gains on investments	\$15,819	— (3)	—	—
<b>Net income</b>	<b>\$283,530</b>	<b>\$0.05</b>	<b>\$2,243,482</b>	<b>\$0.36</b>
Weighted average shares outstanding (basic and diluted)	6,229,041		6,156,116	

(1) All per share amounts are basic and diluted unless indicated otherwise.

(2) Core Net Investment Income and Core Net Investment Income per share are non-GAAP financial measures that are calculated by excluding capital gains incentive fees that affect Net Investment Income for GAAP purposes for the periods presented, and excluding any income taxes related to realized capital gains and losses. The capital gains incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized appreciation) to the extent such realized capital gains exceed realized capital losses and unrealized depreciation for such year. The Company records an expense accrual in the financial statements relating to the capital gains incentive fee payable by the Company to its investment adviser when the realized capital gains on its investments exceed all realized capital losses and unrealized depreciation on its investments. The Company also records an expense accrual in the financial statements relating to the capital gains incentive fee payable by the Company to its investment adviser when, among other things, the unrealized appreciation on its investments exceeds all realized capital losses and unrealized depreciation on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. Any decrease in unrealized appreciation in

subsequent periods will result in the reversal of some or all of such previously recorded expense accrual. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains (and not unrealized appreciation) for the period. The Core Net Investment Income and Core Net Investment Income per share amounts in the table are calculated by excluding any capital gains incentive fees accrued for the periods presented, and excluding any income taxes related to realized capital gains and losses. Reconciliations of Core Net Investment Income and Core Net Investment Income per share the most directly comparable GAAP financial measure are set forth in Schedule 1 hereto.

(3) Amount rounds to less than \$0.01 per share.

## PORTFOLIO ACTIVITY

	As of	
	March 31, 2015	December 31, 2014
Portfolio investments at fair value	\$125,406,411	\$115,834,428
Total assets	\$131,851,691	\$119,870,004
Net assets	\$89,315,812	\$90,872,315
Shares outstanding	6,244,309	6,222,673
Net assets per share	\$14.30	\$14.60
	<b>Q1-15</b>	<b>Q1-14</b>
Portfolio activity during the period:		
New commitments/investments	\$13,851,705	\$11,358,830
Exits of commitments/investments	(996,153)	—
Net activity	\$12,855,552	\$11,358,830
	As of	
	March 31, 2015	December 31, 2014
Number of portfolio company investments	29	29
Number of debt investments	27	27
Weighted average yield of debt investments at fair value (1)(2)	14.8%	15.1%

- (1) Computed as (a) annual stated amount of interest or yield earned plus the net annual amortization of original issue discount and other deferred fees earned on accruing debt investments, divided by (b) total debt investments at fair value.
- (2) CRS Reprocessing, LLC and Solex Fine Foods, LLC were excluded from this calculation because they were on non-accrual status at March 31, 2015 and December 31, 2014. Shinnecock CLO 2006-1, Ltd. and equity components of the investment portfolio are also excluded from this calculation.

## FIRST QUARTER OF 2015 OPERATING RESULTS

For the quarter ended March 31, 2015, the Company reported a 87.4% decrease in net income, an 11.1% decrease in core net investment income and a 2.6% decrease in net investment income compared to the quarter ended March 31, 2014. Net income for the quarter ended March 31, 2015 was \$0.3 million, or \$0.05

per share, compared to \$2.2 million, or \$0.36 per share, for the quarter ended March 31, 2014. Core net investment income was \$1.9 million, or \$0.30 per share, for the quarter ended March 31, 2015, compared to \$2.1 million, or \$0.34 per share, for the quarter ended March 31, 2014. Net investment income was \$2.0 million, or \$0.32 per share, for the quarter ended March 31, 2015, compared to \$2.1 million, or \$0.34 per share, for the quarter ended March 31, 2014. The decrease in net income was primarily attributable to a \$1.9 million increase in net unrealized depreciation on investments for the quarter ended March 31, 2015, as compared to the quarter ended March 31, 2014. Core net investment income decreased in the quarter ended March 31, 2015 primarily due to the waiver of \$0.3 million in incentive fees by the Company's investment adviser in the quarter ended March 31, 2014 and higher interest expense associated with the unsecured notes issued in the quarter ended March 31, 2015.

As of March 31, 2015, portfolio investments and total assets were \$125.4 million and \$131.9 million, respectively, compared to \$115.8 million and \$119.9 million at March 31, 2014. Net assets per share were \$14.30 at March 31, 2015, compared to \$14.60 at December 31, 2014. The decrease in net assets per share is primarily attributable to \$(1.7) million of depreciation in the portfolio during the quarter ended March 31, 2015.

During the first quarter of 2015, the Company made four investments, totaling \$13.9 million. Two of the investments were in new portfolio companies and two were additional investments in existing portfolio companies. Additionally, the Company exited two "placeholder" syndicated debt investments totaling \$1.0 million. The investment activity for the quarter ended March 31, 2015 was as follows:

On January 30, 2015, the Company made a \$3.0 million junior secured term loan investment in GK Holdings, Inc. (Global Knowledge). The investment, which was purchased at 98.00% of par, carries an interest rate of LIBOR + 9.50% and a LIBOR floor of 1.00%.

On March 10, 2015, the Company acquired a \$1.1 million revolver and \$3.4 million senior secured term loan in Infinite Aegis Group, LLC from another lender. The \$4.5 million purchase increased the Company's investment in Infinite Aegis Group, LLC to \$7.9 million. The Company's investment is now comprised of a \$1.1 million senior secured revolver that carries an interest rate of LIBOR + 12.00%, a \$3.4 million senior secured term loan (first out) that carries an interest rate of LIBOR + 12.00%, plus 3.00% PIK, and its pre-existing \$4.5 million senior secured term loan (last out) that carries an interest rate of LIBOR + 14.65%, plus 3.00% PIK, plus a 0.35% quarterly fee.

On March 20, 2015, the Company made an additional \$2.0 million senior secured term loan investment in WBL SPE II, LLC. The investment now totals \$5.2 million and carries a fixed interest rate of 14.50%.

On March 31, 2015, the Company made a \$4.4 million senior secured term loan investment in Regional Engine Leasing, LLC. The investment carries an interest rate that is the greater of 11.00% or LIBOR +4.50%.

On March 31, 2015, the Company sold its \$0.5 million "placeholder" senior secured term-loan investment in Dell International LLC at a price of 100.50% of par. The Company generated a gross internal rate of return ("IRR") of 4.8% on this investment. IRR is calculated based on all cash flows to or from the Company for or from the investment measured by the amount of the cash flow and the day it was invested or received.

On March 31, 2015, the Company sold its \$0.5 million "placeholder" senior secured term-loan investment in FCA US LLC (fka Chrysler Group LLC) at a price of 99.875% of par. The Company generated a gross IRR of 3.7% on this investment.

“While we fell short of our objective to earn the dividend from core net investment income, I am mostly pleased with our financial results for the first quarter ended March 31, 2015,” stated Richard P. Buckanavage, President and CEO. “Quarterly deployment, which was above our internal budget, was largely closed toward the end of the quarter so its impact on first quarter earnings was minimal,” added Mr. Buckanavage. “Furthermore, our core net investment income for the quarter was also negatively impacted by higher interest costs associated with our bond offering completed in January, which totaled \$0.02 per share, and a lower weighted average portfolio yield associated with an asset mix shift to uni-tranche loans,” observed Mr. Buckanavage. “That said, we did have \$0.17 per share of spillover income from 2014, \$0.04 per share of which we used in the first quarter to support our dividend along with core net investment income of \$0.30 per share,” concluded Mr. Buckanavage.

## **CREDIT QUALITY**

The Company employs various risk management and monitoring tools to categorize and assess its investments. No less frequently than quarterly, the Company applies an investment risk rating system which grades the credit risk of all debt investments on a scale of 1 to 5. Under this system, an investment with a grade of 1 involves the least amount of risk and indicates performance from the portfolio company that exceeds underwritten expectations. Investments graded 2 involve a level of risk that is similar to the risk at the time of origination or acquisition. The portfolio company is generally performing as expected and the risk factors associated with our ability to ultimately recoup our investment are neutral to favorable. All new investments are initially assessed a grade of 2. Investments graded 3 indicate that the portfolio company is performing below expectations and requires closer monitoring. Investments graded 4 indicate performance substantially below expectations where some loss of return but no loss of principal is expected and payments are generally not more than 90 days past due. An investment grade of 5 indicates that the risk to our ability to recoup our investment has substantially increased since origination or acquisition, the portfolio company likely has materially declining performance, and some loss of return and principal is expected. For debt investments with an investment grade of 5, most or all of the debt covenants are out of compliance and payments are substantially delinquent.

As of March 31, 2015, the weighted average risk rating of the debt investments in our portfolio improved to 1.87 from 1.97 in the previous quarter. Also, as of March 31, 2015, eight of the Company’s twenty seven debt investments were rated 1. Fifteen investments were rated 2, two investments were rated 3, one was rated 4, and one was rated 5. CRS Reprocessing, LLC and Solex Fine Foods, LLC were the only loans on non-accrual status at March 31, 2015.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2015, we had \$2.4 million of unrestricted cash and \$13.1 million drawn on our \$55.0 million senior secured revolving credit facility. The credit facility is secured by all of the Company’s assets and has a revolving period that expires on October 29, 2015, and is followed by a three year amortization period. Advances under the facility bear interest at a rate of LIBOR plus 4.50%. The credit facility also has an accordion feature that allows the size of the facility to increase up to \$85.0 million. The financing activity for the quarter ended March 31, 2015 was as follows:

On January 14, 2015, the Company had its common stock transferred within the NASDAQ listing tiers, from the NASDAQ Capital Market to the NASDAQ Global Market. No change was made to the trading symbol for the Company's common stock, which is "HCAP."

On January 27, 2015, the Company closed the public offering of \$25.0 million in aggregate principal amount of its unsecured notes. The unsecured notes will mature on January 16, 2020 and bear interest at a rate of 7.00%.

On February 4, 2015, the Company closed on an additional \$2.5 million in aggregate principal amount of unsecured notes to cover the over-allotment option exercised by the underwriters.

On February 13, 2015, the Company declared monthly distributions of \$0.1125 per share payable on each of February 27, 2015, March 27, 2015, and April 30, 2015.

## **CONFERENCE CALL**

The Company will host a conference call on Thursday, May 7, 2015 at 11:00 a.m. Eastern Time to discuss its first quarter results. All interested parties are invited to participate in the conference call by dialing (888) 566-6060 (domestic) or (973) 200-3100 (international). Participants should enter the Conference ID 30610901 when prompted.

## **ABOUT HARVEST CAPITAL CREDIT CORPORATION**

Harvest Capital Credit Corporation (NASDAQ: HCAP) provides customized financing solutions to privately held small and mid-sized companies in the U.S., generally targeting companies with annual revenues of less than \$100 million and annual EBITDA of less than \$15 million. The Company's investment objective is to generate both current income and capital appreciation primarily by making direct investments in the form of subordinated debt, senior debt and, to a lesser extent, minority equity investments. Harvest Capital Credit Corporation is externally managed and has elected to be treated as a business development company under the Investment Company Act of 1940.

## **Forward Looking Statements**

Statements other than statements of historical facts included in this press release may constitute forward-looking statements and are not guarantees of future performance or results and involve a number of assumptions, risks and uncertainties, which change over time. Actual results may differ materially from those anticipated in any forward-looking statements as a result of a number of factors, including those described from time to time in filings by the Company with the Securities and Exchange Commission. The Company undertakes no duty to update any forward-looking statement made herein. All forward-looking statements speak only as of the date of this press release.

**Harvest Capital Credit Corporation**  
Statements of Assets and Liabilities (unaudited)

	March 31, 2015	December 31, 2014
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$124,351,914 at 3/31/2015 and \$113,035,774 at 12/31/14)	\$ 124,406,411	\$ 114,486,428
Affiliated investments, at fair value (cost of \$2,085,843 at 3/31/2015 and \$2,085,843 at 12/31/14)	1,000,000	1,348,000
Total investments, at fair value (cost of \$126,437,757 at 3/31/2015 and \$115,121,617 at 12/31/14)	<u>125,406,411</u>	<u>115,834,428</u>
Cash	2,431,659	2,171,771
Interest receivable	667,845	550,849
Accounts receivable - other	1,219,101	75,046
Deferred offering costs	1,128,959	119,640
Deferred financing costs	946,805	1,012,862
Other assets	50,911	105,408
Total assets	<u>\$ 131,851,691</u>	<u>\$ 119,870,004</u>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 13,100,000	\$ 26,075,140
Unsecured notes	27,500,000	—
Accrued interest payable	391,943	77,363
Accounts payable and accrued expenses	1,509,937	1,806,545
Other liabilities	33,999	1,038,641
Total liabilities	<u>42,535,879</u>	<u>28,997,689</u>
Commitments and contingencies		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,244,309 issued and outstanding at 3/31/2015 and 6,222,673 issued and outstanding at 12/31/14	6,244	6,223
Capital in excess of common stock	89,686,442	89,424,499
Accumulated realized gains on investments	681,632	665,813
Net unrealized (depreciation) appreciation on investments	(1,031,346)	712,811
Undistributed (distributions in excess of) net investment income	(27,160)	62,969
Total net assets	<u>89,315,812</u>	<u>90,872,315</u>
Total liabilities and net assets	<u>\$ 131,851,691</u>	<u>\$ 119,870,004</u>
Common stock issued and outstanding	6,244,309	6,222,673
Net asset value per common share	\$ 14.30	\$ 14.60

**Harvest Capital Credit Corporation**  
Statements of Operations (unaudited)

Three Months Ended

March 31,

	2015	2014
<b>Investment Income:</b>		
Interest:		
Cash - non-affiliated/non-control investments	\$ 3,430,036	\$ 2,381,505
Cash - affiliated investments	—	56,066
PIK - non-affiliated/non-control investments	306,126	370,317
PIK - affiliated investments	—	27,084
Amortization of fees, discounts and premiums, net	361,544	199,146
Total interest income	4,097,706	3,034,118
Other income	14,583	2,937
<b>Total investment income</b>	<b>4,112,289</b>	<b>3,037,055</b>
<b>Expenses:</b>		
Interest expense - revolving line of credit	123,605	—
Interest expense - unused line of credit	84,585	103,125
Interest expense - deferred financing costs	66,057	61,229
Interest expense - unsecured notes	342,223	—
Interest expense - deferred offering costs	29,513	—
Total interest expense	645,983	164,354
Professional Fees	181,582	163,751
General and administrative	188,759	153,814
Base management fees	609,332	384,857
Incentive management fees	324,765	356,315
Administrative services expense	150,000	68,751
<b>Total expenses</b>	<b>2,100,421</b>	<b>1,291,842</b>
<b>Less waivers:</b>		
Incentive fees waived	—	(320,827)
<b>Total net expenses</b>	<b>2,100,421</b>	<b>971,015</b>
<b>Net investment income</b>	<b>2,011,868</b>	<b>2,066,040</b>
Net realized gains on investments	15,819	—
Net change in unrealized (depreciation) appreciation on investments	(1,744,157)	177,442
<b>Total unrealized and realized gains (losses) on investments</b>	<b>(1,728,338)</b>	<b>177,442</b>
<b>Net increase in net assets resulting from operations</b>	<b>\$ 283,530</b>	<b>\$ 2,243,482</b>
Net investment income per share (basic and diluted)	\$0.32	\$0.34
Net increase in net assets resulting from operations per share (basic and diluted)	\$0.05	\$0.36
Weighted average shares outstanding (basic & diluted)	6,229,041	6,156,116
Dividends declared per common share (basic & diluted)	\$0.34	\$0.34

## SCHEDULE 1

### Reconciliations of Net Investment Income to Core Net Investment Income

	Three months ended March 31,			
	2015		2014	
	Amount	Per share (1)	Amount	Per share (1)
Net investment income	\$2,011,868	\$0.32	\$2,066,040	\$0.34
Plus: capital gains incentive fees	(\$142,562)	(\$0.02)	\$35,488	\$0.01
Core net investment income	\$1,869,306	\$0.30	\$2,101,528	\$0.34

(1) All per share amounts are basic and diluted unless indicated otherwise.

The purpose of Core Net Investment Income is to present Net Investment Income without the effect of incentive fees related to items not included in Net Investment Income, and without the effect of any income taxes related to realized capital gains and losses. Incentive fees are reflected above the Net Investment Income line on the income statement and thus affect Net Investment Income for GAAP purposes. However, realized gains or losses and unrealized appreciation or depreciation are reflected below the Net Investment Income line item on the income statement. Accordingly, capital gains incentive fees are reflected above the Net Investment Income line item in the income statement even though the related realized gains or losses and unrealized appreciation or depreciation are reflected below the Net Investment Income line item on the income statement. Any income taxes related to realized capital gains and losses are also reflected above the Net Investment Income line item in the income statement even though the related realized gains or losses and unrealized appreciation or depreciation are reflected below the Net Investment Income line item on the income statement. Core Net Investment Income adds the capital gains incentive fee and any income taxes related to realized capital gains and losses back to Net Investment Income so the capital gains incentive fee, any income taxes related to realized capital gains and losses and the related realized gains or losses and unrealized appreciation or depreciation are all excluded from Net Investment Income.

The capital gains incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized appreciation) to the extent such realized capital gains exceed realized capital losses and unrealized depreciation for such year. The Company records an expense accrual in the financial statements relating to the capital gains incentive fee payable by the Company to its investment adviser when the realized capital gains on its investments exceed all realized capital losses and unrealized depreciation on its investments. The Company also records an expense accrual in the financial statements relating to the capital gains incentive fee payable by the Company to its investment adviser when, among other things, the unrealized appreciation on its investments exceeds all realized capital losses and unrealized depreciation on its investments given the fact that a capital gains incentive fee would be owed to the investment adviser if the Company were to liquidate its investment portfolio at such time. Any decrease in unrealized appreciation in subsequent periods will result in the reversal of some or all of such previously recorded expense accrual. The actual incentive fee payable to the Company's investment adviser related to capital gains will be determined and payable in arrears at the end of each fiscal year and will include only realized capital gains (and not unrealized appreciation) for the period. The Company recorded net realized gains and unrealized depreciation of \$(1,728,338) in the quarter ended March 31,



2015, compared to net unrealized appreciation of \$177,442 in the quarter ended March 31, 2014. Net unrealized depreciation since our initial public offering is \$3,504,262. For the three months ended March 31, 2015 and March 31, 2014, incentive fees of \$0 and \$35,488, respectively, related to the net unrealized appreciation during the applicable periods.

**Investor & Media Relations Contacts**

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