

# 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 JUNE 30, 2018 FINANCIAL RESULTS AND DECLARES REGULAR MONTHLY DISTRIBUTIONS FOR JULY, AUGUST AND SEPTEMBER

**NEW YORK, August 9, 2018** — Harvest Capital Credit Corporation (the “Company”) (NASDAQ: HCAP) announced that its Board of Directors declared distributions of \$0.095 per share for the months of July, August and September. The July distribution is payable on August 30, 2018 to shareholders of record on August 23, 2018. The August distribution is payable on September 27, 2018 to shareholders of record on September 20, 2018. The September distribution is payable on October 25, 2018 to shareholders of record on October 18, 2018. 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

	Q2-18		Q2-17		YTD-18		YTD-17	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net investment income</b>	\$1,605,307	\$0.25	\$2,514,706	\$0.39	\$2,820,595	\$0.44	\$4,752,363	\$0.75
<b>Core net investment income</b> (1)	\$1,605,307	\$0.25	\$2,514,706	\$0.39	\$2,820,595	\$0.44	\$4,752,363	\$0.75
Net realized gains (losses) on investments	\$156,347	\$0.02	\$267,019	\$0.04	(\$729,295)	(\$0.11)	\$271,115	\$0.04
Net change in unrealized appreciation (depreciation) on investments	\$(422,420)	\$(0.07)	\$(4,641,564)	\$(0.72)	\$1,317,929	\$0.21	(\$4,549,764)	(\$0.71)
<b>Net (loss) income</b>	\$815,756	\$0.13	(\$1,859,839)	(\$0.29)	\$2,885,751	\$0.45	\$473,714	\$0.07
Weighted average shares outstanding (basic and diluted)	6,390,521		6,407,362		6,413,869		6,378,953	

- (1) Core net investment income and core net investment income per share are non-GAAP financial measures. Reconciliations of core net investment income and core net investment income per share to the most directly comparable GAAP financial measure and other information regarding these non-GAAP financial measures are set forth in Schedule 1 hereto.

## PORTFOLIO ACTIVITY

	June 30, 2018	December 31, 2017
Portfolio investments at fair value	\$ 120,592,617	\$ 115,600,678
Total assets	\$ 133,613,393	\$ 128,152,840
Net assets	\$ 80,078,048	\$ 81,781,429
Shares outstanding	6,395,192	6,457,588
Net asset value per share	\$ 12.52	\$ 12.66

	Q2-18	Q2-17	YTD - 18	YTD -17
Portfolio activity during the period:				
New debt investments	\$ 4,662,500	\$ 15,449,797	\$ 12,662,500	\$ 30,527,222
New equity investments	284,767	1,600,000	434,767	2,643,640
Exits of debt investments	(26,740)	(6,474,698)	(6,779,865)	(10,697,645)
Exits of equity investments	—	(84,379)	(4,480)	(84,379)
Principal repayments	(2,434,393)	(7,561,268)	(3,206,355)	(14,066,378)
Net activity	\$ 2,486,134	\$ 2,929,452	\$ 3,106,567	\$ 8,322,460

	June 30, 2018	December 31, 2017
Number of portfolio company investments	29	31
Number of debt investments	23	28
Weighted average yield of debt investments (1):		
Cash	11.9%	11.3%
PIK	1.3%	1.4%
Fee amortization	1.3%	2.6%
Total	14.5%	15.3%

- (1) The dollar-weighted average annualized effective yield is computed using the effective interest rates for our debt investments and other income producing investments, including cash and PIK interest as well as the accretion of deferred fees. The individual investment yields are then weighted by the respective fair values of the investments (as of the date presented) in calculating the weighted average effective yield of the portfolio. The dollar-weighted average annualized yield on the Company's investments for a given period will generally be higher than what investors in our common stock would realize in a return over the same period because the dollar-weighted average annualized yield does not reflect the Company's expenses or any sales load that may be paid by investors. Infinite Care, LLC was excluded from the calculation as of June 30, 2018 and December 31, 2017 because it was on non-accrual status on that date. The weighted average effective yield of our debt and other income-producing investments, as of June 30, 2018 and December 31, 2017, was approximately 14.5% and 15.3%, respectively. The weighted average effective yield on the entire portfolio as of June 30, 2018 and December 31, 2017 was 12.8% and 13.7%, respectively.

## SECOND QUARTER AND YEAR TO DATE 2018 OPERATING RESULTS

For the quarter ended June 30, 2018, the Company reported net income of \$0.8 million, an increase of \$2.7 million from \$(1.9) million of net loss in the quarter ended June 30, 2017. Per share earnings (loss) were \$0.13 and \$(0.29) per share for the three months ended June 30, 2018 and 2017, respectively.

For the quarter ended June 30, 2018, the Company reported a \$0.9 million decrease in net investment income and core net investment income, compared to the quarter ended June 30, 2017. Net investment income and core net investment income were \$1.6 million, or \$0.25 per share, for the quarter ended June 30, 2018, compared to \$2.5 million, or \$0.39 per share, for the quarter ended June 30, 2017.

The \$2.7 million improvement in net income for the quarter ended June 30, 2018, compared to the quarter ended June 30, 2017, was primarily attributable to a \$3.6 million positive change in net unrealized depreciation (which is net of \$0.5 million of deferred taxes), decrease in interest expense of \$0.2 million and a decrease in professional fees of \$0.1 million, partially offset by a \$1.0 million decrease in investment income, \$0.2 million increase in management and administrative fees and a \$0.1 million decrease in net realized gains, for the quarter ended June 30, 2018, as compared to the quarter ended June 30, 2017.

Net investment income and core net investment income decreased in the quarter ended June 30, 2018, as compared to the quarter ended June 30, 2017, primarily as a result of lower investment income offset by lower operating expenses. Investment income was lower as a result of a smaller investment portfolio and slightly lower weighted average effective yield for the quarter ended June 30, 2018, as compared to the quarter ended June 30, 2017.

As of June 30, 2018, our total portfolio investments at fair value and total assets were \$120.6 million and \$133.6 million, respectively, compared to \$115.6 million and \$128.2 million at December 31, 2017. Net asset value per share was \$12.52 at June 30, 2018, compared to \$12.66 at December 31, 2017.

During the second quarter of 2018, the Company made investments in three companies totaling \$4.9 million. One of the investments was in a new portfolio company and two were additional investments in existing portfolio companies. The Company also had investment sales, payoffs and commitment expirations totaling \$2.5 million during the three months ended June 30, 2018. The investment activity for the quarter ended June 30, 2018 was as follows:

### NEW AND INCREMENTAL INVESTMENTS

During the second quarter of 2018, the Company increased its debt investment in Infinite Care, LLC by \$0.7 million through two over-advances on its revolver commitment. The revolver carries an interest rate of LIBOR plus 12.0%. Infinite Care was on non-accrual status, however, as of June 30, 2018

On June 29, 2018, the Company made a \$4.0 million senior secured debt investment and a \$0.2 million equity investment in National Program Management & Project Controls, LLC. The debt investment consists of a \$3.6 million term loan and a \$0.4 million revolver. The loans carry an interest rate of 1 month LIBOR plus 10.0% with a 1.95% LIBOR floor.

During the second quarter of 2018, the Company increased its equity investment in King Engineering Associates, Inc., with a \$0.1 million pro-rata increase through two add-on fundings to purchase Class A common stock.

## INVESTMENT SALES AND PAYOFFS

On May 23, 2018, the Company received a full repayment, at par, on its senior secured debt investment in Bridgewater Engine Ownership III, LLC. The original par value of the debt investment was \$1.4 million. The Company generated an internal rate of return (“IRR”) of 11.6% on its investment. IRR is the rate of return that makes the net present value of all cash flows into or from the investment equal to zero, and is calculated based on the amount of each cash flow received or invested by the Company and the day it was received or invested.

"Our second quarter results continue to reflect our reduced capital deployment as well as stable, but below our historical, credit quality," said Joseph A. Jolson, Chairman and CEO. "We are increasingly optimistic that both these issues could improve over the next few quarters. We currently have three mandated deals totaling \$17.1 million that could close in the next few months, though we do expect an increase in payoffs. We have also implemented specific resolution plans on each of our 3, 4 and 5 rated credits and hope to show improved credit metrics in the next six months," concluded Mr. Jolson.

## 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 uses a five-level numeric scale. The following is a description of the conditions associated with each investment rating:

- Investment Rating 1 is used for investments that are performing above expectations, and whose risks remain favorable compared to the expected risk at the time of the original investment.
- Investment Rating 2 is used for investments that are performing within expectations and whose risks remain neutral compared to the expected risk at the time of the original investment. All new loans are initially rated 2.
- Investment Rating 3 is used for investments that are performing below expectations and that require closer monitoring, but where no loss of return or principal is expected. Portfolio companies with a rating of 3 may be out of compliance with financial covenants.
- Investment Rating 4 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are often in workout. Investments with a rating of 4 are those for which there is an increased possibility of some loss of return but no loss of principal is expected.
- Investment Rating 5 is used for investments that are performing substantially below expectations and whose risks have increased substantially since the original investment. These investments are almost always in workout. Investments with a rating of 5 are those for which some loss of return and principal is expected.

As of June 30, 2018, the weighted average risk rating of the debt investments in the Company's portfolio remained stable at 2.24 from the previous quarter. Also, as of June 30, 2018, eight of the Company's twenty-three debt investments were rated 1, ten investments were rated 2, three investments were rated 3, one investment was rated 4, and one investment was rated 5. As of June 30, 2018, one investment was on non-accrual status.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2018, the Company had \$11.8 million of cash and restricted cash and \$11.3 million of undrawn capacity on its \$55.0 million senior secured revolving credit facility. The credit facility is secured by all of the Company's assets and has an accordion feature that allows the size of the facility to increase up to \$85.0 million.

Additionally, the Company held three syndicated loans totaling \$8.3 million at fair value as of June 30, 2018. These investments could be sold and the proceeds re-invested in our core lower-middle market strategy, as attractive opportunities arise. Subsequent to June 30, 2018, we received a full repayment on one of our syndicated loans in Sitel Worldwide Corporation totaling \$1.8 million.

## **SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2018**

On July 31, 2018, the Company received a full repayment at par value plus a 1.0% prepayment fee on its junior secured term loan in Sitel Worldwide Corporation. The Company generated an IRR of 11.7% on its investment.

On August 1, 2018, the Company declared monthly distributions of \$0.095 per share payable on each August 30, 2018, September 27, 2018 and October 25, 2018.

On August 2, 2018, the Company received a full repayment at par value for its senior secured term loan in AMS Flight Leasing and its senior secured term loan in IAG Engine Center, LLC. The Company generated an IRR of 15.0% on its investment in AMS Flight Leasing and an IRR of 15.7% on its investment in IAG Engine Center, LLC. The Company also received its final distribution on its revenue linked security investment in IAG Engine Center, LLC. The Company generated an IRR of 48.9% on its investment and had entered into an agreement with Flight Lease XX, Inc. regarding potential future payout of proceeds, from the sale of an asset, to the extent sales proceeds exceed \$0.6 million, where the Company would receive 50% of any excess over \$0.6 million with a \$0.3 million cap.

On August 7, 2018, the Company made a \$2.5 million junior secured debt investment in Water-Land Manufacturing & Supply, LLC. The term loan carries an interest rate of 3 month LIBOR + 10.5% with a 2.25% LIBOR floor.

## **CONFERENCE CALL**

The Company will host a conference call on Thursday, August 9, 2018 at 11:00 a.m. Eastern Time to discuss its second 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 4884932 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. For more information about Harvest Capital Credit Corporation, visit [www.harvestcapitalcredit.com](http://www.harvestcapitalcredit.com). However, the contents of such website are not and should not be deemed to be incorporated by reference herein.

### **Forward-Looking Statements**

This press release contains forward-looking statements subject to the inherent uncertainties in predicting future results and conditions. Any statements that are not of historical fact (including statements containing the words "believes", "plans", "anticipates", "expects", "estimates", and similar expressions) should also be considered to be forward-looking statements. Certain factors could cause actual results and conditions to differ materially from those projected in these forward-looking statements. These factors are identified from time to time in our filings with the Securities and Exchange Commission. We undertake no obligation to update such statements to reflect subsequent events, except as may be required by law.

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

	June 30, 2018	December 31, 2017
<b>ASSETS:</b>		
Non-affiliated/non-control investments, at fair value (cost of \$80,144,861 at 6/30/18 and \$80,790,705 at 12/31/17)	\$ 82,761,470	\$ 82,902,537
Affiliated investments, at fair value (cost of \$29,228,055 at 6/30/18 and \$26,365,364 at 12/31/17)	30,330,874	25,983,871
Control investments, at fair value (cost of \$13,059,688 at 6/30/18 and \$11,984,621 at 12/31/17)	7,500,273	6,714,270
Total investments, at fair value (cost of \$122,669,839 at 6/30/18 and \$119,140,690 at 12/31/17)	<u>120,592,617</u>	<u>115,600,678</u>
Cash	8,375,062	4,233,597
Restricted cash	3,374,174	7,230,840
Interest receivable	440,552	287,408
Accounts receivable – other	182,657	37,688
Deferred offering costs	—	146,446
Deferred financing costs	430,136	508,284
Other assets	218,195	107,899
<b>Total assets</b>	<u>\$ 133,613,393</u>	<u>\$ 128,152,840</u>
<b>LIABILITIES:</b>		
Revolving line of credit	\$ 23,000,000	\$ 16,721,853
Unsecured notes (net of deferred offering costs of \$916,106 at 6/30/18 and \$1,004,448 at 12/31/17)	27,833,894	27,745,552
Accrued interest payable	135,956	139,148
Accounts payable - base management fees	605,237	582,912
Accounts payable - incentive management fees	187,293	—
Accounts payable - administrative services	366,666	397,463
Accounts payable - accrued expenses	877,885	782,726
Deferred tax liability	523,478	—
Other liabilities	4,936	1,757
<b>Total liabilities</b>	<u>53,535,345</u>	<u>46,371,411</u>
Commitments and contingencies (Note 8)		
<b>NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 6,537,157 issued and 6,395,192 outstanding at 6/30/18 and 6,519,978 issued and 6,457,588 outstanding at 12/31/17	6,537	6,520
Capital in excess of common stock	93,071,543	93,043,208
Treasury shares at cost, 141,965 and 62,390 shares at 6/30/18 and 12/31/17, respectively	(1,573,457)	(724,039)
Accumulated realized losses on investments	(9,653,256)	(8,923,961)
Net unrealized depreciation on investments	(2,745,562)	(3,540,012)
Undistributed net investment income	972,243	1,919,713
Total net assets	<u>80,078,048</u>	<u>81,781,429</u>
<b>Total liabilities and net assets</b>	<u>\$ 133,613,393</u>	<u>\$ 128,152,840</u>
Common stock outstanding	6,395,192	6,457,588
Net asset value per common share	\$ 12.52	\$ 12.66

**Harvest Capital Credit Corporation**  
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Investment Income:</b>				
Interest:				
Cash - non-affiliated/non-control investments	\$ 2,390,700	\$ 3,065,834	\$ 4,715,816	\$ 5,884,704
Cash - affiliated investments	811,059	789,892	1,517,630	1,506,232
Cash - control investments	47,546	72,993	130,934	165,950
PIK - non-affiliated/non-control investments	141,785	254,277	337,827	577,071
PIK - affiliated investments	182,426	186,288	350,303	354,325
Amortization of fees, discounts and premiums				
Non-affiliated/non-control investments	440,680	639,318	631,713	1,086,313
Affiliated investments	18,245	45,276	34,086	132,532
Control investments	—	5,943	—	9,468
Total interest income	4,032,441	5,059,821	7,718,309	9,716,595
Other income	22,557	23,568	77,473	36,532
<b>Total investment income</b>	<b>4,054,998</b>	<b>5,083,389</b>	<b>7,795,782</b>	<b>9,753,127</b>
<b>Expenses:</b>				
Interest expense – revolving line of credit	150,335	328,818	289,174	528,837
Interest expense - unused line of credit	82,481	30,891	164,136	96,734
Interest expense - deferred financing costs	57,590	52,872	112,711	127,720
Interest expense - unsecured notes	440,235	481,251	880,470	962,502
Interest expense - deferred offering costs	45,856	52,740	90,842	104,445
Total interest expense	776,497	946,572	1,537,333	1,820,238
Professional fees	209,382	331,532	1,241,669	552,786
General and administrative	283,062	294,819	573,348	540,545
Base management fees	605,237	695,760	1,185,880	1,375,944
Incentive management fees	187,293	—	187,293	58,005
Administrative services expense	366,666	300,000	666,666	600,000
<b>Total expenses, before reimbursement</b>	<b>2,428,137</b>	<b>2,568,683</b>	<b>5,392,189</b>	<b>4,947,518</b>
Less: Professional fees reimbursed by HCAP Advisors, LLC	(11,279)	—	(449,835)	—
<b>Total expenses, after reimbursement</b>	<b>2,416,858</b>	<b>2,568,683</b>	<b>4,942,354</b>	<b>4,947,518</b>
<b>Net Investment Income, before taxes</b>	<b>1,638,140</b>	<b>2,514,706</b>	<b>2,853,428</b>	<b>4,805,609</b>
Excise tax	—	—	—	53,246
Current income tax expense	32,833	—	32,833	—
<b>Net Investment Income, after taxes</b>	<b>1,605,307</b>	<b>2,514,706</b>	<b>2,820,595</b>	<b>4,752,363</b>
Net realized gains (losses):				
Non-Affiliated / Non-Control investments	—	267,019	—	271,115
Affiliated investments	—	—	(885,642)	—
Control investments	156,347	—	156,347	—
Net realized gains (losses)	156,347	267,019	(729,295)	271,115
Net change in unrealized depreciation on investments:				
Non-Affiliated / Non-Control investments	68,338	(3,783,706)	122,681	(3,416,348)
Affiliated investments	(297,157)	(901,599)	1,484,312	(1,201,714)

Control investments	(193,601)	43,741	(289,064)	68,298
Net change in unrealized appreciation (depreciation) on investments	(422,420)	(4,641,564)	1,317,929	(4,549,764)
<b>Total net unrealized and realized gains (losses) on investments</b>	<b>(266,073)</b>	<b>(4,374,545)</b>	<b>588,634</b>	<b>(4,278,649)</b>
<b>Provision for taxes on unrealized gains on investments</b>	<b>(523,478)</b>	<b>—</b>	<b>(523,478)</b>	<b>—</b>
<b>Net (decrease) increase in net assets resulting from operations</b>	<b>\$ 815,756</b>	<b>\$ (1,859,839)</b>	<b>\$ 2,885,751</b>	<b>\$ 473,714</b>
Net investment income per share	\$0.25	\$0.39	\$0.44	\$0.75
Net (decrease) increase in net assets resulting from operations per share	\$0.13	(\$0.29)	\$0.45	\$0.07
Weighted average shares outstanding (basic and diluted)	6,390,521	6,407,362	6,413,869	6,378,953
Dividends paid per common share	\$0.29	\$0.34	\$0.59	\$0.68

## SCHEDULE 1

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

	Three months ended June 30,		2017		Six months ended June 30,		2017	
	2018		2018		2018		2018	
	Amount	Per share (1)	Amount	Per share (1)	Amount	Per share (1)	Amount	Per share (1)
Net investment income	\$1,605,307	\$0.25	\$2,514,706	\$0.39	\$2,820,595	\$0.44	\$4,752,363	\$0.75
	—	—	—	—	—	—	—	—
Core net investment income	\$1,605,307	\$0.25	\$2,514,706	\$0.39	\$2,820,595	\$0.44	\$4,752,363	\$0.75

(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 certain non-recurring charges, without the effect of incentive fees related to items not included in net investment income, and without the effect of any excise taxes related to realized capital gains and losses.

#### Investor & Media Relations Contacts

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