P.O. Box 4689
Greenwich, CT 06831
Toll Free: 888-223-9488
International: +1-203-413-2423
transcripts@civi.com

Conference Call
CMFinance
September 5, 2018

Michael Mauer: Before we get started, I'd just like to highlight to people that we recently, in the last half hour, posted to our website under Investor Relations, a schedule that we will walk through at the end of this call, that is titled "Discussion of US Well Services and Bird Electric as of June 30th" to add some clarity around the NII as well as the taxes and gains. And with that, I'll turn it back to the operator.

Operator: Welcome to the CM Finance Fourth Quarter Earnings Release Conference Call. Your speaker for today's call are Mike Mauer, Chris Jansen, and Rocco DelGuercio. Operator assistance is available anytime during this conference by pressing star (*) zero. A question and answer session will follow the presentation. I will now turn the call over to your speakers. Please begin.

Michael Mauer: Thank you, operator, and thank you all for dialing in today. Joining me are Chris Jansen, my co-Chief Investment Officer, and Rocco DelGuercio, our CFO. Before we begin, Rocco will give our customary disclaimer regarding information and forward-looking statements. Rocco.

Rocco DelGuercio: Thanks, Mike. I would like to remind everyone that today's call is being recorded and that this call is the property of CM Finance Inc. Any unauthorized broadcast of this call in any form is strictly prohibited. Audio replay of the call will be available by visiting our Investor Relations page on our website at www.cmfn-inc.com. I would also like to call your attention to the safe harbor disclosure and our press release regarding forward-looking information and remind everyone that today's call may include forward-looking statements and projections. We ask that you refer to our most recent 10-K filing form important factors that may cause actual results to differ materially from these projections. We will not update forward-looking statements unless required by law. To obtain copies of our latest FCC filings, please visit our Investor Relations page on our website.

At this time, I would like to turn the call back over to our Chairman and CEO, Michael Mauer.

Michael Mauer: Thanks, Rocco. Yesterday, we reported our financial results for the fiscal fourth quarter and year ended June 30th. We had an exceptionally strong quarter with net investment income of $0.62 per share, more than doubly covering our dividend. A large portion of this came from the reversal of previously unrealized gains. While market conditions continue to be challenging, we have found attractive opportunities to redeploy our capital. Both within the broader syndicated leveraged financial markets and in competitive situations within our core middle market focus, our team has identified lending opportunities in the primary and secondary markets.

Arranger and lender competition for deals continues to be a common theme. However, we have begun to see transactions stall and get revised in a lender-friendly way. Pricing, in particular, has moved favorably. Although, we have also seen tightening of structures and even the inclusion of covenants in deals, which launched as covenant-lite. As always, we try to be conservative and disciplined, focusing on better structures, secured lending, and identifying quality companies and management teams.

Since our last conference call in May, our origination has been a mix of directly sourced loans and syndicated transactions as well as short-dated secondary opportunities where we can observe the borrower's performance for a period of several years prior to making an investment. Our new investments in the quarter were all first lien and since quarter end, we have made several additional first lien investments. Our pipeline continues to contain a mix of directly sourced opportunities and secondary opportunities. We have recently made several secondary investments where our investment team focuses on loan tenor and structure, covenants, repayment provisions, and loan-to-value analysis.

Generally speaking, we have purchased shorter weighted average life assets where we are comfortable holding a position to maturity. We have avoided second lien structures lately, especially in primary transactions, as these deals remain long-dated and typically covenant-lite and often have extremely weak lender protections.

I'd now like to turn the call over to Chris to discuss our portfolio activity.

Chris Jansen: Thanks, Mike. We made five investments during the quarter to four new portfolio companies including two to the same new portfolio company. We also had three complete realizations and two significant partial realizations during the quarter.

As discussed on last quarter's call, we made an investment in an outstanding club deal, the first lien loan to Hostway Corporation. Hostway provides cloud, managed, and dedicated server hosting services to developers, startups, small and medium-sized businesses, and large enterprises. Our yield at cost is approximately 9.9%.

We purchased the first lien loan and first lien bonds of Exela Technologies. Exela is a publicly traded, global business process outsourcing firm. Our yield at cost in the aggregate is approximately 9.2%.

Deluxe Canada is a club deal for the Canadian subsidiary of Deluxe Entertainment. Deluxe Canada focuses on visual effects, production and media management, and other post production services for both Canadian and US processed films, produced films, and TV. Our yield at cost is approximately 8.5%.

We've also invested in the new first lien loan of RPX Corporation, which was placed in connection with the acquisition of the company by private equity sponsor, HGGC. RPX provides a subscription-based patent risk management solution to corporate customers. Our yield to cost is approximately 10.4%.

We received a significant paydown at par from CareerBuilder of approximately $6.6 million. As of June 30th, we maintained a position of approximately $11 million.

We also sold all of our Class A and Class B shares of US Well Services during the quarter. These shares were marked at approximately $4.5 million at March 31st and we sold these shares for proceeds of approximately $4.85 million. We continue to hold the term loan and revolver of US Well Services. Our IRR on the entire position is approximately 15.6% inclusive of the loss we booked during the restructuring, the unrealized term loan position, and tax leakage at the blocker corp.

We also had a partial realization of our position in PR Wireless. We continue to hold the small position in the delayed draw term loan and in warrants, but we have sold our entire funded term loan position, which was approximately $14.4 million. Our IRR to date on our entire investment, inclusive of realized gains and unrealized losses is 10.9%.

We fully realized our investment in Dayton Superior. Dayton's performance was significantly below what we expected when we made the investment and we exited the position at a loss. Our fully-realized IRR was -4.5%.

Finally, we also realized our position in Bird Electric. We made the investment in 2014, restructured the company in 2016, and witnessed a significant turnaround of operations in 2017 and 2018 after major hurricanes in the US and Puerto Rico. We had a positive IRR on this investment on a pretax basis and an IRR of -1.4% including tax leakage at the blocker.

Since quarter-end, we have been actively investing in the primary and secondary markets with a number of new investments and two realizations. Please bear with me as there is quite a bit to cover. We invested in the first lien loan of Fusion Connect. Fusion is a public company, which operates as a telecom and internet services provider. Our yield at cost is approximately 11.4%.

We also invested in the first lien loan of QualTek, which backed the acquisition of the company by Brightstar Capital. QualTek is a provider of turnkey solutions including engineering, construction, and program management to the telecom and power sectors. Our yield at cost is approximately 8.8%.

We purchased the first lien loan of Arcade Bioplan in the secondary market. Arcade is a leading provider of sampling solutions for the personal care and beauty industry. It is a short-dated loan maturing in 2021. Our yield at cost is 10.4%.

We also purchased a first lien term loan of 4L Technologies in August. 4L is a global leader in providing businesses with intelligent environmental solutions focused on the recovery, remanufacturing, and remarketing of technology assets. Like our investment in Arcade, this is a short-dated first lien term loan maturing in 2020. Our yield at cost is approximately 8%.

Intermedia was both a realization and a new investment after quarter-end. The company, which is controlled by Madison Dearborn, refinanced its capital structure into a new all first lien structure. Our second lien position was repaid with a realized IRR of 14.2%. We invested in the new first lien with a yield of cost of approximately 8.7%.

Our other realization was International Wire. Recall that we had sold a portion of our position last quarter. In light of our concerns about global tariffs and the effect this might have on raw materials, pricing, and end market demand, we elected to sell the remainder of our position. Our fully-realized IRR was 9.8%.

Our portfolio company count stands at 25 as of June 30th and has increased to 28 today with our new investments since quarter-end. Using the GICS standard we adopted last quarter, as of June 30th, our largest industry concentration was Professional Services at 14%, followed by Hotels, Restaurants, and Leisure at 11.4%, Energy Equipment and Services at 11%, Media at 10.9%, and Commercial Services and Supplies at 10.8%.

I'd now like to turn the call back to Rocco to discuss our financial results.

Rocco DelGuercio: Thanks, Chris. For the quarter, our net investment income was $8.5 million net of waivers or $0.62 per share. As of June 30th, the fair value of our portfolio was $293.6 million compared to $297.2 million at March 31. Our investment activity accounts for a $9 million decrease in our portfolio. We had $2.7 million of unrealized depreciation and $2.2 million of realized losses from investments in the quarter.

As of June 30th, the weighted average yield of our debt portfolio, including amortization, was 11.19% versus 11.12% at March 31. Our new investments had an average yield of 9.65% versus an 8.64% average yield on realized debt investments. We also had realization on our preferred investment in Bird Electric and common equity of US Well Services, which were held indirectly through blocker corporations.

Our debt portfolio was comprised of 95.8% floating rate and 4.2% fixed rate investments. Both one and three-month LIBOR are in excess of the applicable floors on all our loans. On average, our average portfolio company investment was $11.8 million, our largest portfolio company, PGi, was $24.9 million, and our second largest portfolio, Caelus, was $24.2 million.

As of June 30th, 52.1% of the portfolio was in first lien investments compared to 48.3% the last quarter, 43.3% of the portfolio was in second lien investments, 4.2% in unitranche loans, 0.2% in unsecured debt, and the remaining 0.2% in equity and warrant positions. Additional information regarding the composition of our portfolio is included in our Form 10-K, which was filed yesterday. We were 0.68 times levered as of June 30th, compared to 0.72 times levered as of March 31. With respect to our liquidity as of June 30th, we had $5.6 million in cash, $2.7 million in restricted cash, and $32.2 million in capacity under our revolving credit facility with UBS.

I'd also like to note that post our June 30th year-end, we closed on a public offering of 6.125% notes due 2023. Including the over-allotment, we have issued $34.5 million of notes for aggregate proceeds to the company of $33.2 million providing us with substantial additional liquidity.

With that, I'd like to turn the call back over to Mike.

Michael Mauer: Thank you, Rocco. As Chris noted, we made a number of new first lien investments during and after the quarter. Our focus has been on reinvesting capital conservatively including in short-dated loans and selectively in new origination. We have also been actively managing our exposure to the energy sector. So far this calendar year, we received a partial repayment from Liberty, sold our A and B shares in US Well. We anticipate repayment in our US Well term loan later this year, which was announced as part of Matlin Paterson Acquisition Corp's proposed merger with the company. From January 1st through June 30th, the fair value of our positions in oil and gas and energy equipment and services was reduced by approximately $850,000 including realized and unrealized depreciation of $1.8 million. All of our energy-related debt positions are first lien with the exception of Caelus, which is the second lien but has no borrowings under its first lien revolver.

Our marks this quarter increased by an aggregate of $1.1 million. Our largest changes in the fair value were Caelus, FPC Holdings, and Montreign. Caelus continues to benefit from the rising price of oil and its multiyear track record as an excellent operator. Oil prices have a double benefit, both increasing the value of the company's reserves and generating additional revenue. The loan has become a very short-dated asset, maturing in April of 2020. We increase the mark from 90 to 93 this quarter.

FPC Holdings, better known as FleetPride, was an investment in the March quarter. Our mark improved from 97 to par this quarter. Fleetpride's results continue to improve with growing revenue and profitability. We have been lenders for several years now and are impressed with the growth turnaround that management has successfully been executing.

Finally, our position in Montreign was marked down in the quarter. This loan funded the construction of the Resorts World Catskills Casino in upstate New York. The casino opened ahead of schedule in February of this year and completed construction a few months later. It is still very early, but revenue has been below the company's projections and our expectations. Our belief is that a difficult winter was a major contributor and that the summer season should bring additional traffic to the property. Over the next two years, we expect the opening of the golf course, entertainment village, and water park to drive additional gaming visits. We marked down the position from par to 98.

We fully earned our incentive fee in the June quarter, but waived approximately $500,000.00, all related to US Well. Our distribution for the quarter ended June 30th, 2018 was $0.25 per share was paid on July 5th. Our Board of Directors has declared our next quarterly dividend of $0.25 to be paid on October 5th to holders of record as of September 17th. While we significantly over-earned our dividend in the June quarter, we continue to believe the $0.25 dividend level is consistent with our ability to generate NII. We are committed to paying a sustainable dividend to our shareholders without reducing our investment quality or changing our focus from secured lending opportunities. Due to the costs associated with the issuance of our 6% and 8% notes this quarter, we do not expect to fully earn our incentive fee in the September quarter. Our leverage was 0.68 times as of March 31st. In light of our increased borrowing capacity from our new notes as well as an anticipation of the decrease in our asset coverage ration from 200% to 150% next year, we expect to gradually increase our leverage from our historical target of 0.75. The current target is 0.8 times, plus or minus 0.1.

Last quarter, our board authorized a share buyback program. In the quarter ended June 30th, we repurchased approximately 42,000 shares of stock at an average price of $9.10, representing a 27.5% average discount to our NAV. The increase in our NAV on account of the buybacks this quarter is $0.01. As a reminder, our total capacity for repurchases under this program is $5 million and we expect to continue to execute on the repurchases going forward.

With that, operator, please open the line for Q&A.

Operator: Ladies and gentlemen, at this time, we will conduct the question-and-answer session. If you would like to state a question, please press star (*) 1 on your phone now and will be placed into the queue in the order received. Please listen for your name to be announced and be prepared to ask your question when prompted. Once again, if you'd like to ask a question, please press star (*) 1 on your phone.

Michael Mauer: Operator? Operator?

Operator: Yes, sir?

Michael Mauer: If we can hold questions for a second because I just want to walk through one or two other things before we do that.

Operator: Sure.

Michael Mauer: So, everyone, just one more additional comment – while we don't expect to cover the dividend before the September quarter due to the issuance costs around the baby bond we would expect, given where we are today to cover the dividend for the December quarter, and excluding the effects of the baby bond in the September quarter, we would expect to cover September also, just to clarify that one point.

The second thing is if people have had a chance to pull up the schedule that I referenced at the beginning, I'd like to just take a couple minutes and walk through that because I've tried to simplify and I'm sure I've probably over-complicated the issues around US Well and Bird because there's a lot of accounting in tax and legal liability. The blockers were set up for both US Well and Bird because of RIC issues and to shield against legal liability where you would either have equity or you have non-debt exposure.

Bird Electric was not an equity position. Bird Electric is a minority-owned business and we were precluded from getting equity there so we took a preferred security and in lieu of things like rate, discount, make-whole, we got a conversion fee. So, that is ordinary income that was coming through on Bird. You'll see that on the schedule under the column that says "blocker ordinary income". We did not change the character of our income that would've been NII, if we had not put it in the blocker and that's why we continue to treat that as it would've been treated outside the blocker, for incentive fees and everything else.

US Well, we did change the character of that gain in the $4.8 million between the A and B proceeds by putting it in the blocker. As a result of changing the character, it became dividend and under our management contract, we could have taken a fee on it that we feel is a wrong thing and would've been out of the spirit even if the contract says it's out of the spirit of what we should be doing. You'll see a waiver in our income statement for $527,000 in the current quarter that is related to the capital gain in the blockers, so that we are within the letter of what we had agreed upon.

The first column, NII impact, is the total dividend that came over net of taxes. For US Well, that was $2.6 million and for Bird, it was $3.87 million. If you took the reversal of the unrealized gains, US Well just shy of $3 million and about $1.5 million for Bird, that's $4.4 and change in aggregate is your decrease. If you look at the aggregate realized in unrealized gains from 3/30 to 6/30, it's approximately $5 million, 90% of that is related to the reversals of the unrealized gains on these two positions. The NII, as we all know, was at $0.62. After incentive fees and things like that, it was about $0.36, give or take, and the $0.26 covering the dividend.

Down below, we tried to show you the total invested amount because both of these were restructured over their lives and what we tried to do is make sure that we laid out total invested amount. US Well at $17.7 million in a couple different tranches, proceeds received to date, which are equity and some debt, 13.4. We still have the debt, which is performing extremely well. This is one of these that we wish we could hold it longer but based upon public announcements, it looks like it's coming out in the fourth quarter, of $10.5 million. We have the tax on the blocker, pre- and post-IRRs, including the piece that we hold today so that we think about it as an overall investment, it was about 18% pretax, 15% after tax.

Bird Electric, we invested $14.7 million. Those of you who have been following us for a number of years know that a year or a year-and-a-half ago, this was one of our most troubled positions marked at about $7.5 million. We worked very hard to structure it and be able to recover as much as possible on this. We did it through the conversion fee and the preferred instrument. We were able to recover pretax, $15.6 million and post-tax just over $14 million for a pretax IRR of 1.89 and post-tax 1.41.

Down below, we wanted to just reconcile the proceeds of $12.83 million on Bird so that you saw the components of it. There was the original cost basis on that piece of 7.85 after restructuring. We had an acceleration fee typical as any, similar to any debt, pure first lien that's at an OID, you get paid back at par, that's the acceleration. We had our conversion fee, and we had accrued dividends in the proceeds, to give us a total of the $12.84 million.

With that, operator, I'd like to open to questions, please.

Operator: As a reminder, to ask a question, press star (*) 1 on your phones now. Our first question comes from Robert Dodd from Raymond James. Please state your question.

Robert Dodd: Hi, guys. A few questions and then I'll hop back in because I'm sure I'm going to have some more, but on US Well, what was the election? You were not, obviously, the only BDC that has a position in US Well and has a position in the – or had a position in the equity. All those others still have that equity at the end of the calendar second quarter. What was the decision that you did different from everybody else to realize that and transform it into obviously, dividend income in the quarter versus everybody else who seems to be sitting on that and waiting? So, it seems like that was an election by you guys rather than something structurally that the company did.

Michael Mauer: Yes. Listen, I can't speak to why BlackRock or others have decided to hold it. I can speak to why we decided to sell it, and that is, we restructured a piece of debt in the debt and equity. We felt that we were making a very good return on the overall investment as evidenced by the 15% net of everything. We had a non-interest earning piece of equity that had accreted and there was a good bid for it in the market. It was a chance to manage very junior energy risk, i.e. the most junior in the capital structure being equity, and we had a company who was talking about how they were going to realize, and Matlin Paterson is one of the avenues, and we decided that – I think very similar, we could have this exact same discussion around Virgin a couple years ago, and we decided to exit six months after we made the investment and Cyrus Capital being the largest holder held it until final sale. Our job, we don't believe, is to be equity investors and to maximize the equity return. It is to make great investments and so we want to do the right thing but we're not going to hold equity for equity's sake. That's our view. It may be very different than other people's. And there may be a higher return out there.

Robert Dodd: Got it. Listen, I've got the schedule in front of me, which is helpful, if complex. When I look at the tax expenses on US Well and Bird Electric, if I assume the tax is related to just the dividend income, I mean, certainly for US Well, that works out to about a 38% tax rate within the blocker and for Bird, depending on all the moving parts, something around 40%. Obviously, that seems a lot higher than the current corporate tax rates. Can you explain why the taxes are so high within those blockers relative to the size of the dividends?

Michael Mauer: Yes. Rocco, do you want to take that? I can if you want me to.

Rocco DelGuercio: Yes, no problem. The tax, actually, rate is 27.5 on both of them. The blocker has actually paid it. It's a blended rate of what it was, because our year-end is June, it's whatever the corporate rate is now, versus what it was at the end of the year before the Trump tax plan. So, the actual tax rate comes out to 27.5.

Robert Dodd: Okay, got it. One second. Then another housekeeping one, if I can. You mentioned, Mike, the expenses related to the new bonds and that's going to impact the next quarter. Is it your intent to just, I presume that's just the 230,000 offering expenses? Are you just going to expense them in the quarter, not amortize it over the life of the bonds outstanding?

Michael Mauer: No. I think we have been consistent on this on almost everything we do whether or not it's fee income or funding expenses. We're amortizing it over the life but there are some one-time costs and there's also the initial drag when we close this thing literally in the first week of the quarter and deploying capital. There's some one-timer exogenous with doing it but we are amortizing over the life so it's a more true cost of debt.

Robert Dodd: Okay, got it. One more, if I can. On changing the nature of income on, obviously as you mentioned, US Well. For the majority of other BDCs that I cover, the reality is if there's a gain on an LLC equity position or structured notes or whatever it is within a blocker, that's transparent to the BDC, it gets up-streamed as a capital gain and doesn't generally, for most other BDCs, get treated as a dividend at all. Whether it gets upstream changes whether it's a taxable event for the BDC, et cetera, et cetera for investment companies taxable income purposes. But, just to clarify, is it your position that any equity position in future that you have in a blocker, if there is a realization there that's going to be dividend income to the top line rather than a realized gain?

Michael Mauer: We will follow the GAAP whether or not it comes up as dividend or whatever but it is our position that as long as we are in a net realized unrealized loss under this period of our contract, if we change the character of equity investment by putting it in the blocker and we have a gain, we are not going to be taking incentive fees on that until we have refilled that bucket, unless it was ordinary net income-type in the blocker and we put it in there for protection purposes.

Robert Dodd: Okay, got it. Thank you. I'll hop back in the queue. I'll probably get some more in a minute. Thanks.

Michael Mauer: Thank you.

Operator: Our next question comes from Christopher Nolan from Ladenburg Thalmann. Please state your question.

Christopher Nolan: Mike, just a clarification. I know you changed the character of the income from US Well, but you did not do that for Bird Electric. Is that correct?

Michael Mauer: That's correct.

Christopher Nolan: Okay. Also, I could not find that schedule.

Michael Mauer: It should be on the website under Investor Relations in Presentations.

Christopher Nolan: Yes, I looked. Okay.

Michael Mauer: It should be there. I went in and checked it myself before we started the call. It was there. I'm sorry you're having trouble.

Christopher Nolan: Okay. If I caught your comments right, after –an operating EPS number seems to be $0.36, is that correct? Is that all the non-recurring stuff?

Michael Mauer: No, I'm going to say we have not calculated a number that way. So, I'm not sure how you're defining operating EPS.

Christopher Nolan: If I exclude, let's say, the non-recurring dividend income, the offsetting tax expense, and then as well as the management fee waiver, I haven't run the numbers myself, I'm just trying to read from the notes from your comments.

Michael Mauer: I think if you thought about this as if you excluded all that, you also have to then do some offsets to that because these were not repaid on June 30th. They would've been reinvested in interest earning, et cetera. If you turn around and say net net where I think about $0.25, $0.26 net of everything. EPS would've been like $0.32 attributable to US Well and Bird.

Christopher Nolan: Okay. Then on the repurchases. I know you have a $5 million authorization. Is really the slowdown just the lack of liquidity in the stock? If that's the case, why don't you think about doing a tender?

Michael Mauer: Well, it's actually a couple of things. One would be lack of liquidity but the other bigger one is, if you remember, we've been in our -K blackout period so we're unable to adjust the levels at which we want to buyback during the blackout and it's the extended blackout that just ran out. So, we will be looking to continue buying back stock over the next quarter and we will have a shorter blackout for the next three quarters than we have the last 90 days.

Christopher Nolan: Okay. All other things being equal, then we should see a step up in repurchases is that correct, I guess.

Michael Mauer: We'll see. It depends on where it trades and everything else. I don't want to give anything leading or misleading there.

Christopher Nolan: If I can ask it in a different way, then I'll hop back in the queue. Given that your leverage target ratio's about 0.8, that gives you a little room to go up. Are you inclined to use that base up for your increased leverage for repurchases or for balance sheet investments?

Michael Mauer: I'd say all of the above depending on the situation.

Christopher Nolan: Okay. Thanks for taking my questions.

Michael Mauer: Okay.

Operator: Our next question comes from Chris Kotowski from Oppenheimer & Company. Please state your question.

Chris Kotowski: Yeah, good afternoon.

Michael Mauer: Hey, Chris. How are you?

Chris Kotowski: Good. I just wanted to go back to the 27.5% tax rate. I mean, if the transaction closed in the June quarter, you'd think that's a new tax law applied. Is that an accounting? Is the 27%...?

Rocco DelGuercio: Yes. It's Rocco, yes. I thought the same thing as you and then when we went back to do the tax returns, I had the orders look at it. They said, "No, you can't really do that. It's a blended rate." It's actually right in the reg, too. They actually sent it to me.

Chris Kotowski: That's representative of your cash taxes?

Rocco DelGuercio: I'm sorry, say that again? Because we're a June year-end and at the beginning of our year-end, the rate was higher than when it happened. That's why you have to use the blended.

Michael Mauer: If we were at 12/31/18, you would have had the lower rate for the full year.

Rocco DelGuercio: Yes.

Chris Kotowski: Is that your cash taxes or just the accounting taxes?

Rocco DelGuercio: I'm not sure. I'm sorry, Chris, you're fading out on me. I'm not sure I understand the question.

Chris Kotowski: Yes, sorry. That's not just an accounting thing. That's the actual cash taxes you owe?

Rocco DelGuercio: That's the cash tax that we have to pay, if that's what you're asking, yes.

Michael Mauer: Cash and book are the same here.

Rocco DelGuercio: Yes, yes. I'm sorry. Cash and book, yes.

Chris Kotowski: Huh, okay. All right, that's it for me. Thank you. [Laughter]

Michael Mauer: Thank you. We wish you were right on the tax one. [Laughter]

Operator: Once again, ladies and gentlemen, if you would like to ask a question, please press star (*) 1 now. [Pause] We have a follow-up question from Robert Dodd. Please go ahead, sir.

Robert Dodd: Hi. Just [Laughter] following-up on the question on tax. I get you, the RIC rules are a little different, et cetera. When is your tax return due? Is your tax year and your fiscal year the same?

Rocco DelGuercio: No. Here's the thing. You have sub-chapter M that's based on your fiscal year-end, which is June and then you have your excise tax, if that's what you're asking, is due on your year-end which is 12/31. My tax return…

Michael Mauer: It's a blocker tax. The blocker.

Rocco DelGuercio: I'm sorry.

Michael Mauer: The blocker tax.

Rocco DelGuercio: Blocker tax will follow what the 6/30 is a 6/30 year-end. So, it would be due, file an extension, 8 ½ month after.

Robert Dodd: Okay, all right. It's just an oddity, obviously. Okay. Obviously, you gave me some kind of color on US Well. I mean, US Well, you obviously gave us some color essentially last quarter and we've been able to see what's going on. There was no discussion that I can recall last quarter about Bird. Can you give us a little bit of color on why that seemed to happen so quickly? [Laughter] I wasn't expecting it to occur or anything, realization-wise, to occur for Bird. How much, if any, were you in the driving seat for that?

Chris Jansen: Yes. Robert, it's Chris. How are you?

Robert Dodd: Hey, how are you doing?

Chris Jansen: Good. We had no control, to answer your question. We had no control over Bird because that was a refinancing and that was generated by the inordinate level of profits they were making off of increased business. The company had been working on it for a number of months but we were totally unsure of the timing. Quite frankly, I had anticipated, personally, this quarter or now versus last quarter. So, it was a pleasant surprise and something we didn't really expect. We really didn't know the timing at the end of the day.

Michael Mauer: You saw where we moved the market, March 31, to $9 million from the $7.5 million, feeling better about it, but we did not know this was coming.

Chris Jansen: Yes. We just didn't know how much excess cash the company was generating, how they were collecting their receivables.

Robert Dodd: Okay, I understand. Last more of a comment than a question, I will say. On a quarter like this where there's noise and complexity, I would request, I think probably your shareholders would appreciate it as well, if the call was earlier in the day rather than letting more than half the trading day go past without the kind of color that you've disclosed on the call but that's just a comment. Thank you, guys.

Michael Mauer: Thank you. I appreciate that.

Operator: Once again, if there are any further questions, please press star (*) 1 on your phone now. At this time, we have no further questions.

Michael Mauer: Thank you, everyone. We appreciate all your time.

Operator: This concludes today's conference call. Thank you for attending.

- End of Recording –