

Medley Capital Corp  
Form 10-Q  
August 09, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

Form 10-Q

(Mark  
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the Quarterly Period Ended June 30, 2018  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from        to

Commission file number: 1-35040

MEDLEY CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	27-4576073 (I.R.S. Employer Identification No.)
---	---

280 Park Avenue, 6th Floor East, New York, NY 10017 (Address of Principal Executive Offices)	10017 (Zip Code)
---	---------------------

(212) 759-0777

(Registrant's Telephone Number, Including Area Code)

---

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Edgar Filing: Medley Capital Corp - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)  
Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

The Registrant had 54,474,211 shares of common stock, \$0.001 par value, outstanding as of August 9, 2018.

---

MEDLEY CAPITAL CORPORATION

TABLE OF CONTENTS

Part I. Financial Information

Item I. Financial Statements

Consolidated Statements of Assets and Liabilities as of June 30, 2018 (unaudited) and September 30, 2017 F-1

Consolidated Statements of Operations for the three and nine months ended June 30, 2018 and 2017 (unaudited) F-2

Consolidated Statements of Changes in Net Assets for the nine months ended June 30, 2018 and 2017 (unaudited) F-3

Consolidated Statements of Cash Flows for the nine months ended June 30, 2018 and 2017 (unaudited) F-4

Consolidated Schedules of Investments as of June 30, 2018 (unaudited) and September 30, 2017 F-5

Notes to Consolidated Financial Statements (unaudited) F-21

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 1

Item 3. Quantitative and Qualitative Disclosures About Market Risk 16

Item 4. Controls and Procedures 17

Part II. Other Information

Item 1. Legal Proceedings 18

Item 1A. Risk Factors 18

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 19

Item 3. Defaults Upon Senior Securities 19

Item 4. Mine Safety Disclosures 19

Item 5. Other Information 19

Item 6. Exhibits 19

SIGNATURES



## Medley Capital Corporation

## Consolidated Statements of Assets and Liabilities

	June 30, 2018 (unaudited)	September 30, 2017
<b>ASSETS</b>		
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of \$421,438,532 and \$625,108,198, respectively)	\$ 358,756,655	\$ 575,495,698
Affiliated investments (amortized cost of \$98,688,136 and \$91,026,729, respectively)	98,014,511	90,071,365
Controlled investments (amortized cost of \$231,809,571 and \$197,918,352, respectively)	178,097,139	171,423,836
Total investments at fair value	634,868,305	836,990,899
Cash and cash equivalents	144,002,046	108,571,958
Interest receivable	4,700,646	9,371,048
Other assets	4,075,286	3,321,822
Fees receivable	618,543	765,756
Deferred offering costs	354,754	307,015
Receivable for dispositions and investments sold	149,792	231,895
Total assets	\$ 788,769,372	\$ 959,560,393
<b>LIABILITIES</b>		
Revolving credit facility payable (net of debt issuance costs of \$1,150,886 and \$1,777,181, respectively)	\$ 349,114	\$ 66,222,819
Term loan payable (net of debt issuance costs of \$0 and \$1,045,895, respectively)	—	100,954,105
Notes payable (net of debt issuance costs of \$8,817,564 and \$4,122,533, respectively)	276,330,437	172,751,776
SBA debentures payable (net of debt issuance costs of \$2,422,162 and \$2,845,694, respectively)	147,577,838	147,154,306
Management and incentive fees payable (see Note 6)	3,532,513	4,312,004
Interest and fees payable	7,012,065	3,759,891
Accounts payable and accrued expenses	2,087,463	1,863,546
Administrator expenses payable (see Note 6)	949,696	859,794
Deferred tax liability	437,584	911,936
Deferred revenue	179,449	259,552
Due to affiliate	151,616	81,347
Total liabilities	\$ 438,607,775	\$ 499,131,076
Guarantees and Commitments (see Note 8)		
<b>NET ASSETS</b>		
Common stock, par value \$0.001 per share, 100,000,000 common shares authorized, 54,474,211 and 54,474,211 common shares issued and outstanding, respectively	\$ 54,474	\$ 54,474
Capital in excess of par value	705,046,098	705,046,098
Accumulated undistributed net investment income	(1,687,603 )	9,528,367
Accumulated net realized gain/(loss) from investments	(236,183,437 )	(176,662,889 )
Net unrealized appreciation/(depreciation) on investments, net of deferred taxes	(117,067,935 )	(77,536,733 )
Total net assets	350,161,597	460,429,317
Total liabilities and net assets	\$ 788,769,372	\$ 959,560,393

NET ASSET VALUE PER SHARE	\$6.43	\$8.45
---------------------------	--------	--------

See accompanying notes to consolidated financial statements.

F-1

---

## Medley Capital Corporation

## Consolidated Statements of Operations

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INVESTMENT INCOME:</b>				
Interest from investments				
Non-controlled/non-affiliated investments:				
Cash	\$7,736,213	\$16,029,549	\$31,793,233	\$51,064,282
Payment-in-kind	687,187	2,505,760	3,200,815	8,191,703
Affiliated investments:				
Cash	537,261	461,758	1,605,335	1,492,454
Payment-in-kind	828,886	102,534	2,447,953	303,763
Controlled investments:				
Cash	456,232	620,659	1,312,531	1,317,345
Payment-in-kind	896,059	1,009,148	2,429,712	4,052,050
Total interest income	11,141,838	20,729,408	42,789,579	66,421,597
Dividend income, net of provisional taxes (\$0 and \$0, respectively)	1,925,000	1,050,000	5,541,360	2,744,953
Interest from cash and cash equivalents	65,440	45,705	123,003	109,484
Fee income (see Note 9)	812,656	1,870,441	3,156,924	4,832,573
Total investment income	13,944,934	23,695,554	51,610,866	74,108,607
<b>EXPENSES:</b>				
Base management fees (see Note 6)	3,532,513	4,449,688	11,376,236	13,460,589
Incentive fees (see Note 6)	—	—	—	895,675
Interest and financing expenses	6,754,085	7,320,995	20,983,301	24,238,454
Administrator expenses (see Note 6)	949,696	1,075,365	2,773,616	2,988,505
General and administrative	474,043	423,750	1,903,082	1,903,799
Professional fees	679,322	616,368	1,820,854	1,930,172
Directors fees	520,530	151,736	919,025	471,529
Insurance	130,345	99,199	393,633	298,109
Expenses before management and incentive fee waivers	13,040,534	14,137,101	40,169,747	46,186,832
Management fee waiver (see Note 6)	—	(10,669)	(380,000)	(47,941)
Incentive fee waiver (see Note 6)	—	—	—	(43,663)
Total expenses net of management and incentive fee waivers	13,040,534	14,126,432	39,789,747	46,095,228
Net investment income before excise taxes	904,400	9,569,122	11,821,119	28,013,379
Excise tax expense	—	—	(157,922)	(267,183)
<b>NET INVESTMENT INCOME</b>	<b>904,400</b>	<b>9,569,122</b>	<b>11,663,197</b>	<b>27,746,196</b>
<b>REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:</b>				
Net realized gain/(loss) from investments				
Non-controlled/non-affiliated investments	(34,999,937)	(33,924,107)	(58,352,065)	(40,212,590)
Affiliated investments	—	—	—	—
Controlled investments	—	(21,158,471)	—	(21,158,471)

Edgar Filing: Medley Capital Corp - Form 10-Q

Net realized gain/(loss) from investments	(34,999,937 )	(55,082,578 )	(58,352,065 )	(61,371,061 )
Net unrealized appreciation/(depreciation) on investments				
Non-controlled/non-affiliated investments	15,078,448	21,686,516	(13,069,377 )	10,666,979
Affiliated investments	927,342	1,063,346	281,739	3,047,338
Controlled investments	(8,759,199 )	24,979,569	(27,217,916 )	16,660,406
Net unrealized appreciation/(depreciation) on investments	7,246,591	47,729,431	(40,005,554 )	30,374,723
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	193,849	782,608	474,352	782,608
Loss on extinguishment of debt	(10,848 )	—	(1,168,484 )	(456,364 )
Net gain/(loss) on investments	(27,570,345 )	(6,570,539 )	(99,051,751 )	(30,670,094 )
<b>NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$(26,665,945)</b>	<b>\$2,998,583</b>	<b>\$(87,388,554)</b>	<b>\$(2,923,898)</b>
<b>WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE</b>	<b>\$(0.49 )</b>	<b>\$0.06</b>	<b>\$(1.60 )</b>	<b>\$(0.05 )</b>
<b>WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE</b>	<b>\$0.02</b>	<b>\$0.18</b>	<b>\$0.21</b>	<b>\$0.51</b>
<b>WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)</b>	<b>54,474,211</b>	<b>54,474,211</b>	<b>54,474,211</b>	<b>54,474,211</b>
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$0.10</b>	<b>\$0.16</b>	<b>\$0.42</b>	<b>\$0.60</b>
See accompanying notes to consolidated financial statements.				

F-2



## Medley Capital Corporation

## Consolidated Statements of Changes in Net Assets

	For the nine months ended June 30	
	2018	2017
	(unaudited)	(unaudited)
<b>OPERATIONS:</b>		
Net investment income	\$ 11,663,197	\$ 27,746,196
Net realized gain/(loss) from investments	(58,352,065 )	(61,371,061 )
Net unrealized appreciation/(depreciation) on investments	(40,005,554 )	30,374,723
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	474,352	782,608
Loss on extinguishment of debt	(1,168,484 )	(456,364 )
Net increase/(decrease) in net assets from operations	(87,388,554 )	(2,923,898 )
<b>SHAREHOLDER DISTRIBUTIONS:</b>		
Distributions from net investment income	(22,879,166 )	(32,684,527 )
Net decrease in net assets from shareholder distributions	(22,879,166 )	(32,684,527 )
<b>COMMON SHARE TRANSACTIONS:</b>		
Offering costs	—	(12,778 )
Net increase/(decrease) in net assets from common share transactions	—	(12,778 )
Total increase/(decrease) in net assets	(110,267,720 )	(35,621,203 )
Net assets at beginning of period	460,429,317	516,919,142
Net assets at end of period including accumulated undistributed net investment income of \$(1,687,603) and \$5,873,430, respectively	\$ 350,161,597	\$ 481,297,939
Net asset value per common share	\$6.43	\$8.84
Common shares outstanding at end of period	54,474,211	54,474,211

See accompanying notes to consolidated financial statements.

## Medley Capital Corporation

## Consolidated Statements of Cash Flows

	For the nine months ended June 30	
	2018	2017
	(unaudited)	(unaudited)
Cash flows from operating activities		
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	\$(87,388,554 )	\$(2,923,898 )
ADJUSTMENTS TO RECONCILE NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Investment increases due to payment-in-kind interest	(7,922,687 )	(12,932,037 )
Net amortization of premium/(discount) on investments	(733,280 )	(1,023,751 )
Amortization of debt issuance costs	2,729,768	3,875,212
Net realized (gain)/loss from investments	58,352,065	61,371,061
Net deferred income taxes	(474,352 )	(782,608 )
Net unrealized (appreciation)/depreciation on investments	40,005,554	(30,374,723 )
Proceeds from sale and settlements of investments	245,222,710	193,828,802
Purchases, originations and participations	(132,801,768 )	(177,252,501 )
Loss on extinguishment of debt	1,168,484	456,364
(Increase)/decrease in operating assets:		
Interest receivable	4,670,402	2,352,738
Other assets	(753,464 )	(210,045 )
Fees receivable	147,213	760,729
Receivable for dispositions and investments sold	82,103	(3,516,017 )
Increase/(decrease) in operating liabilities:		
Management and incentive fees payable, net	(779,491 )	(119,601 )
Interest and fees payable	3,252,174	1,480,521
Accounts payable and accrued expenses	223,917	(807,964 )
Administrator expenses payable	89,902	85,129
Deferred revenue	(80,103 )	(151,024 )
Due to affiliate	70,269	13,199
Payable for investments purchased, originated and participated	—	1,995,000
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	125,080,862	36,124,586
Cash flows from financing activities		
Borrowings on debt	140,775,690	145,863,443
Paydowns on debt	(201,000,000 )	(134,500,000 )
Debt issuance costs paid	(6,499,559 )	(1,025,662 )
Payments of cash dividends	(22,879,166 )	(32,684,527 )
Offering costs paid	(47,739 )	(76,801 )
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(89,650,774 )	(22,423,547 )
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35,430,088	13,701,039
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	108,571,958	104,485,263
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$144,002,046	\$118,186,302

Supplemental Information:

Edgar Filing: Medley Capital Corp - Form 10-Q

Interest paid during the period	\$ 14,945,110	\$ 18,825,098
Supplemental non-cash information:		
Payment-in-kind interest income	\$ 8,078,480	\$ 12,547,516
Net amortization of premium/(discount) on investments	\$ 733,280	\$ 1,023,751
Amortization of debt issuance costs	\$ (2,729,768 )	\$ (3,875,212 )
Non-cash purchase of investments	\$ 5,069,848	\$ 112,104,733
Non-cash sale of investments	\$ 5,069,848	\$ 112,104,733

See accompanying notes to consolidated financial statements.

F-4

---

## Medley Capital Corporation

## Consolidated Schedule of Investments

June 30, 2018  
(unaudited)

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/16/2023	\$17,368,750	\$17,368,750	\$17,519,858	5.0 %
				17,368,750	17,368,750	17,519,858	
Accupac, Inc. <sup>(7)</sup>	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor) <sup>(13)(18)</sup>	9/14/2023	9,813,512	9,813,512	9,813,512	2.8 %
				9,813,512	9,813,512	9,813,512	
Alpine SG, LLC <sup>(7)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	13,432,500	13,432,500	13,382,800	3.8 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	6,630,037	6,630,037	6,605,506	1.9 %
		Revolving Credit Facility (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	11/16/2022	—	—	—	0.0 %
				20,062,537	20,062,537	19,988,306	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR +	9/25/2023	6,500,000	6,500,000	6,565,000	1.9 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>		6,500,000	6,500,000	6,565,000		
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/30/2019	13,984,299	13,984,299	13,982,901	4.0	%
				13,984,299	13,984,299	13,982,901		
Barry's Bootcamp Holdings, LLC <sup>(7)</sup>	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/14/2022	7,628,570	7,628,570	7,585,087	2.2	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/14/2022	—	—	—	0.0	%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	7/14/2022	880,000	880,000	880,000	0.3	%
				8,508,570	8,508,570	8,465,087		
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0	%
				—	416,250	—		
Black Angus Steakhouses, LLC <sup>(7)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/24/2020	7,546,875	7,546,875	7,393,272	2.1	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/24/2020	—	—	—	0.0	%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	4/24/2020	—	—	—	0.0	%
				7,546,875	7,546,875	7,393,272		

F-5

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Brook & Whittle Holdings Corp. <sup>(7)</sup>	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	10/17/2023	1,323,622	1,323,622	1,323,622	0.1 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)(19)</sup>	10/17/2023	—	—	—	0.0 %
				1,323,622	1,323,622	1,323,622	
Central States Dermatology Services, LLC <sup>(7)</sup>	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	4/20/2022	1,079,060	1,079,060	1,079,060	0.3 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(18)</sup>	4/20/2022	208,304	208,304	208,304	0.1 %
				1,287,364	1,287,364	1,287,364	
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (Prime + 5.50% PIK) <sup>(10)(15)</sup>	4/1/2019	1,340,252	1,237,400	1,340,252	0.1 %
		Senior Secured First Lien Term Loan C (Prime + 8.50% PIK) <sup>(10)(15)</sup>	4/1/2019	10,009,460	10,009,460	10,009,460	0.0 %
		Preferred Facility (Prime + 7.00% PIK) <sup>(10)(15)</sup>	4/1/2019	5,883,641	—	—	0.0 %
		Equity - 232 Common Units		—	—	—	0.0 %
				17,233,517	17,233,517	17,233,517	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	7/26/2025	4,010,025	4,010,025	4,010,025	0.1 %
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2019	12,990,000	12,990,000	12,990,000	0.0 %
		Equity - 350 Common Units		—	700,000	273,800	0.1 %
				12,990,000	13,690,000	13,263,800	
CT Technologies Intermediate Holdings, Inc. <sup>(12)</sup>	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	12/1/2022	7,500,000	7,500,000	7,500,000	0.1 %
				7,500,000	7,500,000	7,500,000	

Edgar Filing: Medley Capital Corp - Form 10-Q

DHISCO Electronic Distribution, Inc.	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 8.50% PIK, 1.50% LIBOR Floor) <sup>(14)</sup>	11/10/2019	4,324,603	4,324,603	4,324,603	%
		Senior Secured First Lien Term Loan B (LIBOR + 11.00% PIK, 1.50% LIBOR Floor) <sup>(10)(14)</sup>	11/10/2019	16,209,853	16,209,853	16,209,853	%
		Senior Secured First Lien Term Loan C (LIBOR + 12.25% PIK, 1.50% LIBOR Floor) <sup>(10)(14)</sup>	11/10/2019	14,162,248	14,162,248	14,162,248	0.0 %
		Senior Secured First Lien Term Loan D (LIBOR + 13.25% PIK, 1.50% LIBOR Floor) <sup>(10)(14)</sup>	11/10/2019	13,378,408	13,378,408	13,378,408	0.0 %
		Equity - 1,230,769 Class A Units			—	1,230,769	1,230,769
				48,074,366	48,074,366	3,363,496	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash) <sup>(16)</sup>	10/1/2018	2,643,665	2,643,665	2,643,665	%
		Preferred Equity (8.00% PIK)			3,790,308	3,790,308	3,790,308
				6,433,973	6,433,973	6,433,973	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (13.50% PIK + LIBOR) <sup>(10)(16)</sup>	5/6/2019	20,136,182	20,136,182	20,136,182	%
					20,136,182	20,136,182	20,136,182



Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Engineered Machinery Holdings, Inc.	Capital Equipment	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/18/2025	1,671,064	1,655,712	1,649,173	10.3 %
				1,671,064	1,655,712	1,649,173	
FKI Security Group, LLC <sup>(12)</sup>	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	3/30/2020	11,375,000	11,375,000	11,375,000	10.0 %
				11,375,000	11,375,000	11,375,000	
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK) Equity - 150 Common Units		6,535,320	6,535,320	33,080	0.0 %
				—	—	33,080	0.0 %
				6,535,320	6,535,320	668,406	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor) <sup>(14)</sup>	9/26/2019	11,300,000	11,300,000	11,300,000	10.0 %
				11,300,000	11,300,000	11,300,000	
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	2/7/2023	9,601,399	9,601,399	9,697,362	8.2 %
				9,601,399	9,601,399	9,697,362	
Global Accessories Group, LLC <sup>(12)</sup>	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.0 %
				—	151,337	151,339	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash) <sup>(8)</sup>	10/15/2019	20,000,000	20,000,000	20,154,000	10.0 %
				20,000,000	20,000,000	20,154,000	
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	6/21/2023	3,000,000	2,960,728	2,878,400	8.0 %
				3,000,000	2,960,728	2,878,400	
Impact Sales, LLC <sup>(7)</sup>	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/27/2023	3,465,984	3,465,984	3,465,984	4.0 %
		Senior Secured First Lien Delayed Draw Term Loan	6/27/2023	—	—	—	0.0 %

Edgar Filing: Medley Capital Corp - Form 10-Q

(LIBOR + 6.25% Cash, 1.00%  
LIBOR Floor)<sup>(14)(18)</sup>

				3,465,984	3,465,984	3,465,984	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	8/18/2022	14,250,000	14,250,000	14,250,000	0.00 %
				14,250,000	14,250,000	14,250,000	0.00 %
Jackson Hewitt Tax Service Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	4/20/2023	7,000,000	7,000,000	7,000,000	0.00 %
				7,000,000	7,000,000	7,000,000	0.00 %
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	2/15/2022	19,951,324	19,951,324	19,951,324	0.00 %
				19,951,324	19,951,324	19,951,324	0.00 %
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK) <sup>(16)</sup>	2/19/2019	5,898,958	5,898,958	5,898,958	0.00 %
		Warrants - 0.81% of Outstanding Equity <sup>(20)</sup>	2/19/2024	—	955,680	—	0.00 %
				5,898,958	6,854,638	5,898,958	0.00 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Manna Pro Products, LLC <sup>(7)</sup>	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	12/8/2023	5,467,367	5,467,367	5,420,285	2.85 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(18)</sup>	12/8/2023	670,366	670,366	60,912	0.2 %
				6,137,661	6,137,661	601,200	
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor) <sup>(10)(14)</sup>	12/31/2018	21,419,992	21,419,992	15,401,865	3.65 %
Path Medical, LLC <sup>(7)</sup>	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	10/11/2021	8,151,537	8,151,537	7,910,312	3.22 %
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	10/11/2021	2,808,520	2,808,520	2,025,567	5.6 %
		Warrants - 1.56% of Outstanding Equity	1/9/2027	—	499,751	—	0.0 %
				10,960,057	10,960,057	2,836,869	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(10)(16)</sup>	7/8/2020	2,103,712	2,103,712	2,051,856	5.6 %
		Equity - 479,283 Common Units		—	129,406	—	0.0 %
		Warrants - 2.8% of Outstanding Equity	7/8/2020	—	52,757	—	0.0 %
				2,103,712	2,285,875	2,051,856	
Redwood Services Group, LLC <sup>(7)</sup>	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/6/2023	6,037,500	6,037,500	3,500	0.0 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/6/2023	—	—	—	0.0 %
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	6/6/2023	—	—	—	0.0 %
				6,037,500	6,037,500	3,500	

Edgar Filing: Medley Capital Corp - Form 10-Q

RMS Holding Company, LLC <sup>(7)</sup>	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/16/2022	12,406,230	12,406,230	12,406,230	0.0	%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	11/16/2022	1,073,200	1,073,200	1,073,200	0.0	%
				13,479,430				
SavATree, LLC <sup>(7)</sup>	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/2/2022	1,863,558	1,863,558	1,863,558	0.0	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) <sup>(14)(18)</sup>	6/2/2022	43,333	43,333	43,333	0.0	%
				1,906,891				
Sendero Drilling Company, LLC	Energy: Oil & Gas	Warrants - 5.52% of Outstanding Equity	3/18/2019	—	793,523	29,150	0.1	%
				—	793,523	29,153		
Seotowncenter, Inc.	Services: Business	Equity - 3,249.697 Common Units		—	500,000	32,885	0.2	%
				—	500,000	32,885		

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
SFP Holding, Inc. <sup>(7)</sup>	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/1/2022	6,191,161	6,191,161	6,191,118	1.8 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	9/1/2022	1,108,333	1,108,333	1,108,303	0.3 %
		Equity - 1.42% Company Interest		—	600,000	600,000	0.2 %
				7,299,474	7,899,474	7,899,444	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/31/2020	7,330,093	7,330,093	7,331,763	0.3 %
				7,330,093	7,330,093	7,331,763	
SMART Financial Operations, LLC <sup>(7)</sup>	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/22/2021	2,775,000	2,775,000	2,775,803	0.3 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	11/22/2021	2,025,000	2,025,000	2,026,406	0.6 %
		Equity - 700,000 Class A Preferred Units		—	700,000	812,000	0.2 %
				4,800,000	5,000,000	6,142,511	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	2/17/2022	7,406,250	7,406,250	7,480,313	0.3 %
				7,406,250	7,406,250	7,480,313	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor) <sup>(13)</sup>	8/19/2019	3,787,750	3,787,750	3,780,554	0.4 %
		Equity - 263,814.43 Class A Units		—	263,814	282,280	0.1 %
				3,787,750	5,051,564	6,062,835	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	8/18/2025	4,000,000	4,000,000	4,329,776	0.1 %
						4,000,000	4,329,776
			12/2/2021	3,567,835	3,567,835	548,430	0.2 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Trans-Fast Remittance LLC <sup>(7)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)(17)</sup>	12/2/2021	1,875,000	1,875,000	867,105	%	
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)(17)</sup>				5,442,857	442,857	15,557
Vail Holdco Corp	Wholesale	Equity - 10,371 Shares of Series A Preferred Stock (12.50% PIK) <sup>(8)</sup>		10,371,000	15,299	17,788	%	
		Equity - 7,700 Shares of Junior Convertible Preferred Stock		7,700,000	700,000	0	%	
		Warrants - 0.4875% of Outstanding Equity		—	425,787	25,763	0.1	%
				18,071,000	71,000	43,550		
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/28/2023	808,000	731,284	28,573	0.2	%
		Equity - 5,441 Class A Units		—	302,464	0	0.1	%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	61,667	0.1	%
				808,000	1,395,415	92,704		
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest <sup>(9)</sup>		—	518,283	698,024	0.2	%
				—	518,283	698,024		

F-9

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Delayed Draw (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	2/12/2024	3,591,000	3,591,000	3,591,000	1.0 %
				3,591,000	3,591,000	3,591,000	
Subtotal Non-Controlled/Non-Affiliated Investments				\$441,403,888	\$421,438,532	\$358,756,655	
Affiliated Investments:							
1888 Industrial Services, LLC <sup>(7)(23)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2021	\$8,984,232	\$8,984,232	\$8,984,232	2.6 %
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2021	21,209,827	18,613,529	19,224,587	5.5 %
		Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	9/30/2021	3,054,639	3,054,639	3,054,639	0.9 %
		Equity - 21,562.16 Class A Units		—	—	—	0.0 %
				33,248,698	30,652,400	31,263,458	
Access Media Holdings, LLC <sup>(7)</sup>	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK) <sup>(10)</sup>	7/22/2020	8,844,573	8,446,385	5,876,334	1.7 %
		Preferred Equity Series A		1,600,000	1,600,000	—	0.0 %
		Preferred Equity Series AA		800,000	800,000	—	0.0 %
		Preferred Equity Series AAA		792,000	792,000	(88,000)	0.0 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Equity - 16 Common Units		—	—	—	0.0 %
				12,036,573	11,638,385	5,788,334	
Brantley Transportation LLC <sup>(12)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK) <sup>(10)</sup>	8/2/2017	12,431,717	9,000,000	6,159,916	1.8 %
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	8/2/2017	503,105	503,105	503,105	0.1 %
		Equity - 7.5 Common Units		—	—	—	0.0 %
				12,934,822	9,503,105	6,663,021	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		31,468,755	31,468,755	31,468,755	9.0 %
		Preferred Equity - A-1 Preferred (3.00% PIK)		4,072,311	4,072,311	4,072,311	1.2 %
		Equity - 57,300 Class B Units		—	57,300	7,462,752	2.1 %
				35,541,066	35,598,366	43,003,818	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,166,292	1,166,292	1,166,292	0.3 %
		Equity - 129,588 Class B Units		—	129,588	129,588	0.0 %
				1,166,292	1,295,880	1,295,880	
US Multifamily, LLC <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.9 %
		Equity - 33,300 Preferred Units		—	3,330,000	3,330,000	1.0 %
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				\$ 101,597,451	\$ 98,688,136	\$ 98,014,511	



Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>	
Controlled Investments: <sup>(5)</sup>								
Capstone Nutrition <sup>(12)</sup>	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/25/2020	\$29,055,605	\$20,803,397	\$12,156,865	3.5	%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/25/2020	12,572,336	9,153,997	5,260,265	1.5	%
		Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) <sup>(14)</sup>	9/25/2020	2,157,066	2,157,066	2,157,066	0.6	%
		Equity - 4,664.6 Class B Units and 9,424.4 Class C Units		—	12	—	0.0	%
		Equity - 2,932.3 Common Units		—	400,003	—	0.0	%
				43,785,007	32,514,475	19,574,196		
MCC Senior Loan Strategy JV I LLC <sup>(11)</sup>	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	78,575,000	78,230,993	22.3	%
				—	78,575,000	78,230,993		
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	11/9/2020	4,005,990	4,005,990	4,005,990	1.1	%
			11/9/2020	11,501,977	11,501,977	11,501,977	3.3	%

Edgar Filing: Medley Capital Corp - Form 10-Q

		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>							
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	11/9/2020	7,217,129	7,217,129	7,217,129	2.1	%	
		Equity - 787.4 Class A Units		—	9,550,922	1,910,184	0.5	%	
				22,725,096	32,276,018	24,635,280			
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK) <sup>(10)(16)</sup>	5/5/2019	28,461,493	22,880,599	13,692,825	3.9	%	
		Senior Secured First Lien Term Loan (8.00% PIK)	5/5/2019	4,130,473	4,130,473	4,130,473	1.2	%	
		Unsecured Debt (8.00% PIK) <sup>(10)</sup>	7/24/2025	28,329,048	22,727,575	—	0.0	%	
		Equity - 5,055.56 Common Units		—	872,698	—	0.0	%	
				60,921,014	50,611,345	17,823,298			
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 0.00% Cash) <sup>(15)</sup>	12/31/2019	401,346	401,346	401,346	0.1	%	
		Unsecured Debt (10.00% Cash) <sup>(21)</sup>		360,000	360,000	360,000	0.1	%	
		Unsecured Debt (1.00% Cash) <sup>(22)</sup>		646,996	646,996	646,996	0.2	%	
		Equity - 35 Class B Units		—	2,670,154	2,670,154	0.8	%	
				1,408,342	4,078,496	4,078,496			
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash,	5/2/2022	14,966,563	14,966,563	14,966,563	4.3	%	

Edgar Filing: Medley Capital Corp - Form 10-Q

2.00% LIBOR Floor) <sup>(14)</sup>					
Preferred Equity (12.00% PIK)	5,850,795	5,850,795	5,850,795	1.7	%
Equity - 397,466 Common Units	—	12,936,879	12,937,518	3.7	%
	20,817,358	33,754,237	33,754,876		
Subtotal Controlled Investments	\$ 149,656,817	\$ 231,809,571	\$ 178,097,139		
Total Investments, June 30, 2018	\$ 692,658,156	\$ 751,936,239	\$ 634,868,305	181.3	%

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.

(2) Par amount includes accumulated PIK interest and is net of repayments.

Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$13,776,648, \$124,643,547, and \$110,866,899, respectively. The tax cost basis of investments is \$745,735,204 as of June 30, 2018.

(4) Percentage is based on net assets of \$350,161,597 as of June 30, 2018.

Controlled Investments are defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as

(5) investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.

- (6) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (7) The investment has an unfunded commitment as of June 30, 2018 (see Note 8), and includes an analysis of the value of any unfunded commitments.
- (8) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities represent a fair value of \$30,071,787 and 8.6% of net assets as of June 30, 2018, and are considered restricted securities.
- (9) Represents 1.3% partnership interest in Watermill-QMC Partners, LP, and Watermill-EMI Partners, LP.
- (10) The investment was on non-accrual status as of June 30, 2018.
- (11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of June 30, 2018, 13.9% of the Company's portfolio investments were non-qualifying assets.
- (12) A portion of this investment was sold via a participation agreement. The amount stated is the portion retained by Medley Capital Corporation (see Note 3).
- (13) The interest rate on these loans is subject to the greater of a London Interbank Offering Rate ("LIBOR") floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of June 30, 2018 was 2.10%.
- (14) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of June 30, 2018 was 2.34%.
- (15) These loans bear interest at an alternate base rate, or in the case of these particular investments the Prime Rate set by the Federal Reserve, plus a given spread. The Prime Rate in effect at June 30, 2018 was 5.00%.
- (16) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of June 30, 2018 was 2.34%.
- (17) This investment earns 0.50% commitment fee on all unused commitment as of June 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (18) This investment earns 1.00% commitment fee on all unused commitment as of June 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (19) This investment earns 0.75% commitment fee on all unused commitment as of June 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (20) This investment represents a Level 2 security in the ASC 820 table as of June 30, 2018 (see Note 4).  
This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG
- (21) Plastics, LLC obtaining all environmental and product testing authorizations, licenses and permits from all applicable governmental authorities, the remaining outstanding principal shall be repaid in full.  
This investment shall convert to equity upon TPG Plastics, LLC obtaining all environmental and product testing
- (22) authorizations, licenses and permits from all applicable governmental authorities. Upon conversion Medley Capital Corporation will continue to own 35% of the equity of TPG Plastics, LLC.
- (23) Investment changed its name from AAR Intermediate Holdings, LLC during FY 2018.

See accompanying notes to consolidated financial statements.

Edgar Filing: Medley Capital Corp - Form 10-Q

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2017

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/16/2023	\$17,500,000	\$17,500,000	\$17,500,000	3.8 %
				17,500,000	17,500,000	17,500,000	
Accupac, Inc. <sup>(7)</sup>	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor) <sup>(13)(18)</sup>	9/14/2023	9,887,670	9,887,670	9,887,670	2.2 %
				9,887,670	9,887,670	9,887,670	
Advanced Diagnostic Holdings, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	12/11/2020	14,776,537	14,776,537	14,776,537	3.2 %
				14,776,537	14,776,537	14,776,537	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/25/2023	6,500,000	6,500,000	6,578,000	1.4 %
				6,500,000	6,500,000	6,578,000	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR	6/30/2019	14,262,133	14,262,133	14,342,001	3.1 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Floor) <sup>(14)</sup>		14,262,133	14,262,133	14,342,001		
Avantor Performance Materials Holdings, LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (LIBOR + 8.25% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	3/10/2025	1,000,000	990,465	1,020,000	0.2	%
				1,000,000	990,465	1,020,000		
Barry's Bootcamp Holdings, LLC <sup>(7)</sup>	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/14/2022	7,628,570	7,628,570	7,628,570	1.7	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/14/2022	—	—	—	0.0	%
		Revolving Credit Facility (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	7/14/2022	—	—	—	0.0	%
				7,628,570	7,628,570	7,628,570		
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0	%
				—	416,250	—		
Black Angus Steakhouses, LLC <sup>(7)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/24/2020	7,700,893	7,700,893	7,375,190	1.6	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/24/2020	—	—	—	0.0	%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/24/2020	376,360	376,360	343,324	0.1	%

Edgar Filing: Medley Capital Corp - Form 10-Q

Floor)<sup>(14)(17)</sup>

8,077,253 8,077,253 7,718,514

F-13

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Central States Dermatology Services, LLC <sup>(7)</sup>	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	4/20/2022	1,087,248	1,087,248	1,087,248	0.2 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(14)(18)</sup>	4/20/2022	155,930	155,930	155,930	0.0 %
				1,243,178	1,243,178	1,243,178	
Comfort Holding, LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	2/3/2025	1,000,000	61,738	850,200	0.2 %
				1,000,000	61,738	850,200	
CP OPCO, LLC <sup>(7)</sup>	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 4.25% ABR Floor) <sup>(10)</sup>	3/31/2019	1,244,382	1,244,382	1,244,382	0.1 %
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 4.25% ABR Floor) <sup>(10)</sup>	3/31/2019	9,088,659	9,088,659	9,088,659	0.0 %
		Preferred Facility (ABR + 7.00% PIK, 3.75% ABR Floor) <sup>(10)</sup>	3/31/2019	5,297,476	—	—	0.0 %
		Revolving Credit Facility (ABR + 3.50% Cash, 4.25% ABR Floor)	3/31/2019	—	—	—	0.0 %
		Equity - 232 Common Units		—	—	—	0.0 %
				15,630,477	15,630,477	15,630,477	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	7/26/2025	5,000,000	975,352	2,750,000	0.1 %
				5,000,000	975,352	2,750,000	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2019	13,277,580	13,277,580	13,277,580	0.2 %
		Equity - 350 Common Units		—	700,000	273,808	0.1 %
				13,277,580	13,277,580	13,277,580	
CT Technologies Intermediate Holdings, Inc. <sup>(12)</sup>	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	12/1/2022	7,500,000	500,000	500,000	0.6 %
				7,500,000	500,000	500,000	



Edgar Filing: Medley Capital Corp - Form 10-Q

DHISCO Electronic Distribution, Inc.	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 8.50% PIK, 1.50% LIBOR Floor) <sup>(14)</sup>	11/10/2019	4,005,143	4,005,143	0.0	%
		Senior Secured First Lien Term Loan B (LIBOR + 11.00% PIK, 1.50% LIBOR Floor) <sup>(14)</sup>	11/10/2019	14,732,746	14,732,746	3.06	%
		Senior Secured First Lien Term Loan C (LIBOR + 12.25% PIK, 1.50% LIBOR Floor) <sup>(10)(14)</sup>	11/10/2019	12,751,998	6,755,999	0.0	%
		Senior Secured First Lien Term Loan D (LIBOR + 13.25% PIK, 1.50% LIBOR Floor) <sup>(10)(14)</sup>	11/10/2019	11,956,470	1,476	0.0	%
		Equity - 1,230,769 Class A Units		—	1,230,769	0.0	%
				43,445,962	70,859	13,858	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash) <sup>(16)</sup>	10/1/2018	3,460,972	17,239	58.8	%
		Preferred Equity (8.00% PIK)		3,571,580	571,508	0.0	%
				7,032,462	88,770	67,081	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (13.50% PIK + LIBOR) <sup>(16)</sup>	6/6/2018	18,201,183	201,153	492,821	%
				18,201,183	201,153	492,821	

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>	
Engineered Machinery Holdings, Inc. <sup>(7)</sup>	Capital Equipment	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/18/2025	1,519,145	1,504,143	503,967	%	
		Senior Secured Second Lien Delayed Draw Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(14)(19)</sup>	7/18/2025	21,702	21,487	19,894	0.0	%
				1,540,847	1,525,630	523,861		
FKI Security Group, LLC <sup>(12)</sup>	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	3/30/2020	11,656,250	11,656,250	11,656,250	%	
				11,656,250	11,656,250	11,656,250		
Footprint Acquisition, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash) <sup>(15)</sup>	2/27/2020	5,117,636	17,636	17,626	%	
		Preferred Equity (8.75% PIK)		6,124,188	24,188	27,252	%	
		Equity - 150 Common Units		—	—	—	0.0	%
				11,241,824	41,804	44,881		
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor) <sup>(14)</sup>	9/26/2019	12,410,000	10,000	517,967	%	
				12,410,000	10,000	517,967		
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	2/7/2023	10,000,000	0,000	94,000	%	
				10,000,000	0,000	94,000		
Global Accessories Group, LLC <sup>(12)</sup>	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.0	%
				—	151,337	151,339		
Harrison Gypsum, LLC <sup>(12)</sup>	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 1.50% LIBOR Floor) <sup>(13)</sup>	12/21/2018	52,137,521	137,501	667,194	%	
				52,137,521	137,501	667,194		
Heligear Acquisition Co. <sup>(8)</sup>	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	0,000	478,000	%	
				20,000,000	0,000	478,000		

Edgar Filing: Medley Capital Corp - Form 10-Q

Imagine! Print Solutions LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	6/21/2023	3,000,000	956,403	955,000	%
				3,000,000	956,403	955,000	
Impact Sales, LLC <sup>(7)</sup>	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	12/30/2021	2,605,312	265,312	261,986	%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(14)(18)</sup>	12/30/2021	119,711	119,711	25,307.0	
				2,725,023	25,023	747,293	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	8/18/2022	14,812,500	812,500	812,500	%
				14,812,500	812,500	812,500	
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.25% Cash) <sup>(15)</sup>	3/6/2019	20,100,000	100,000	71,860	%
				20,100,000	100,000	71,860	

F-15

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	2/15/2022	21,234,375	21,234,375	21,234,375	12.744 %
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK) <sup>(16)</sup> Warrants - 0.98% of Outstanding Equity <sup>(21)</sup>	2/19/2019 2/19/2024	13,865,893 —	13,865,893 955,680	13,865,893 —	1.338 % 0.0 %
Merchant Cash and Capital, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 13.00% Cash, 3.00% LIBOR Floor) <sup>(13)</sup> Senior Secured Second Lien Term Loan (17.00% PIK) <sup>(10)</sup>	5/31/2017 5/4/2017	4,915,639 15,519,956	4,915,639 15,519,956	4,915,639 15,519,956	1.5 % 1.3 %
Nation Safe Drivers Holdings, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor) <sup>(14)</sup>	9/29/2020	35,278,846	35,278,846	35,278,846	8.46 %
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor) <sup>(14)</sup>	12/31/2018	21,127,331	21,127,331	21,127,331	3.31 %
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,755,233	21,755,233	21,755,233	3.18 %
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup> Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) <sup>(14)</sup> Warrants - 1.56% of Outstanding Equity	10/11/2021 10/11/2021 1/9/2027	8,459,183 2,808,500 —	8,459,183 2,808,500 499,758	8,459,183 2,808,500 83,018	9.43 % 3.05 % 0.0 %
						11,267,613	10.350 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(16)</sup>	7/8/2020	2,085,820	2,085,820	844,504	%	
		Equity - 479,283 Common Units <sup>(20)</sup>		—	129,406	8,343	0.0	%
		Warrants - 2.8% of Outstanding Equity <sup>(21)</sup>	7/8/2020	—	52,757	21,103	0.0	%
				2,085,820	2,085,820	3,903,980		
Prince Mineral Holding Corp. <sup>(8)</sup>	Wholesale	Senior Secured First Lien Note (11.50% Cash) <sup>(21)</sup>	12/15/2019	6,800,067	6,800,067	66,566	%	
				6,800,067	6,800,067	66,566		
Reddy Ice Corporation	Beverage & Food	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor) <sup>(14)</sup>	11/1/2019	17,000,000	17,000,000	17,300	%	
				17,000,000	17,000,000	17,700		
SavATree, LLC <sup>(7)</sup>	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) <sup>(14)(18)</sup>	6/2/2022	1,330,000	1,330,000	30,000	%	
				1,330,000	1,330,000	30,000		

F-16

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>
Sendero Drilling Company, LLC	Energy: Oil & Gas	Warrants - 5.52% of Outstanding Equity	3/18/2019	—	793,523,188,606	793,523,188,676	0.6 %
				—	793,523,188,676		
Seotowncenter, Inc. <sup>(12)</sup>	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup> Equity - 3,249.697 Common Units	9/11/2019	23,697,976	23,697,976	23,697,976	10.1 %
				—	500,000	419,730	1.1 %
				23,697,976	23,697,976	23,697,976	
SFP Holding, Inc. <sup>(7)</sup>	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup> Equity - 1.42% Company Interest	9/1/2022	6,222,222	6,222,222	6,222,222	2.4 %
				—	600,000	600,000	0.1 %
				6,222,222	6,222,222	6,222,222	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	7/31/2020	7,648,798	7,648,798	7,648,798	3.4 %
				7,648,798	7,648,798	7,648,798	
SMART Financial Operations, LLC <sup>(7)</sup>	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup> Equity - 700,000 Class A Preferred Units	11/22/2021	2,775,000	2,775,000	2,775,000	0.6 %
				—	700,000	735,000	0.2 %
				2,775,000	2,775,000	2,775,000	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	2/17/2022	7,462,500	7,462,500	7,462,500	2.4 %
				7,462,500	7,462,500	7,462,500	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.75% LIBOR Floor) <sup>(13)</sup> Equity - 263,814.43 Class A Units	8/19/2019	4,346,364	4,346,364	4,346,364	0.9 %
				—	263,814	205,775	0.0 %
				4,346,364	4,346,364	4,346,364	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	8/18/2025	4,000,000	4,000,000	4,000,000	0.9 %

Edgar Filing: Medley Capital Corp - Form 10-Q

				4,000,000	940,532	940,000
Taylored Freight Services, LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor) <sup>(14)</sup>	11/1/2017	14,895,052	14,895,052	14,895,052 %
				14,895,052	14,895,052	14,895,052
Trans-Fast Remittance LLC <sup>(7)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)(17)</sup>	12/2/2021	3,567,857	3,567,857	3,567,857 %
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	12/2/2021	1,875,000	1,875,000	1,875,000 %
				5,442,857	5,442,857	5,442,857
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(9)</sup>	5/14/2021	1,958,668	1,958,668	1,958,668 %
		Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(9)</sup>	5/13/2022	24,000,000	24,000,000	24,000,000 %
				25,958,668	25,958,668	25,958,668

F-17

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>				
Watermill-QMC Midco, Inc.	Automotive	Equity - Partnership Interest <sup>(23)</sup>		—	518,283	672,213	0.1 %				
				—	518,283	672,213					
Wheels Up Partners LLC <sup>(12)</sup>	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	10/15/2021	14,676,659	14,676,659	14,676,659	3.2 %				
				14,676,659	14,676,659	14,676,659					
Subtotal Non-Controlled/Non-Affiliated Investments				\$640,893,679	\$625,108,198	\$575,495,698					
Affiliated Investments:											
1888 Industrial Services, LLC <sup>(7)(22)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2021	\$8,984,232	\$8,984,232	\$8,984,232	2.0 %				
				Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor) <sup>(14)</sup>	9/30/2021	19,746,290	16,707,477	19,746,290	4.3 %		
						Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(14)(17)</sup>	9/30/2021	—	—	—	0.0 %
								Equity - 21,562.16 Class A Units	—	—	—
				28,730,522	25,691,709	28,730,522					
Access Media Holdings, LLC <sup>(7)</sup>	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (5.00% Cash, 5.00% PIK)	7/22/2020	8,340,525	8,340,525	8,340,525	1.8 %				



Edgar Filing: Medley Capital Corp - Form 10-Q

		Preferred Equity Series A		1,600,000	1,600,000	—	0.0 %
		Preferred Equity Series AA		800,000	800,000	—	0.0 %
		Preferred Equity Series AAA		363,200	363,200	43,200	0.0 %
		Equity - 16 Common Units		—	—	—	0.0 %
				11,103,725	11,103,725	8,383,725	
Brantley Transportation LLC <sup>(7)(12)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK) <sup>(10)</sup>	8/2/2017	11,355,575	9,000,000	7,719,520	1.7 %
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	8/2/2017	668,105	668,105	668,105	0.1 %
		Equity - 7.5 Common Units		—	—	—	0.0 %
				12,023,680	9,668,105	8,387,625	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		30,552,190	30,552,190	30,552,190	6.6 %
		Preferred Equity - A-1 Preferred (3.00% PIK)		3,953,700	3,953,700	3,953,700	0.9 %
		Equity - 57,300 Class B Units		—	57,300	63,603	0.0 %
				34,505,890	34,563,190	34,569,493	
US Multifamily, LLC <sup>(11)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.5 %
		Equity - 33,300 Preferred Units		—	3,330,000	3,330,000	0.7 %
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				\$93,033,817	\$91,026,729	\$90,071,365	

Edgar Filing: Medley Capital Corp - Form 10-Q

Company <sup>(1)</sup>	Industry	Type of Investment <sup>(6)</sup>	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value	% of Net Assets <sup>(4)</sup>	
Controlled Investments: <sup>(5)</sup>								
Capstone Nutrition <sup>(12)</sup>	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/25/2020	\$26,124,967	\$20,803,397	\$18,002,715	3.9	%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) <sup>(10)(14)</sup>	9/25/2020	11,304,251	9,153,997	7,789,760	1.7	%
		Equity - 4,664.6 Class B Units and 9,424.4 Class C Units		—	12	—	0.0	%
		Equity - 2,932.3 Common Units		—	400,003	—	0.0	%
				37,429,218	30,357,409	25,792,475		
MCC Senior Loan Strategy JV I LLC <sup>(11)</sup>	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	56,087,500	56,137,946	12.2	%
				—	56,087,500	56,137,946		
NVTN LLC <sup>(7)(22)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	11/9/2020	3,505,990	3,505,990	3,505,990	0.8	%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	11/9/2020	10,604,502	10,604,502	10,604,502	2.3	%
		Senior Secured First Lien Term Loan C (LIBOR	11/9/2020	6,518,046	6,518,046	6,518,046	1.4	%

Edgar Filing: Medley Capital Corp - Form 10-Q

		+ 12.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>							
		Equity - 787.4 Class A Units		—	9,550,922	9,550,922	2.1	%	
				20,628,538	30,179,460	30,179,460			
		Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK) <sup>(10)(16)</sup>	5/5/2019	25,470,636	22,880,599	24,500,205	5.3	%	
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (8.00% PIK)	5/5/2019	1,409,669	1,409,669	1,409,669	0.3	%	
		Unsecured Debt (8.00% PIK) <sup>(10)</sup>	7/24/2025	26,666,961	22,727,575	—	0.0	%	
		Equity - 5,055.56 Common Units		—	872,698	—	0.0	%	
				53,547,266	47,890,541	25,909,874			
		Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor) <sup>(14)</sup>	5/2/2022	14,966,563	14,966,563	14,966,563	3.3	%	
URT Acquisition Holdings Corporation	Services: Business	Preferred Equity (12.00% PIK)		5,500,000	5,500,000	5,500,000	1.2	%	
		Equity - 397,466 Common Units		—	12,936,879	12,937,518	2.8	%	
				20,466,563	33,403,442	33,404,081			
		Subtotal Controlled Investments		\$ 132,071,585	\$ 197,918,352	\$ 171,423,836			
		Total Investments, September 30, 2017		\$ 865,999,081	\$ 914,053,279	\$ 836,990,899	181.8	%	

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.

(2) Par amount includes accumulated PIK interest and is net of repayments.

Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled \$15,157,028, \$82,394,835, and \$67,237,807, respectively. The tax cost basis of investments is \$903,754,350 as of September 30, 2017.

(4) Percentage is based on net assets of \$460,429,317 as of September 30, 2017.

(5) Controlled Investments are defined by the 1940 Act as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.

(6) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).

(7) The investment has an unfunded commitment as of September 30, 2017 (see Note 8), and includes an analysis of the value of any unfunded commitments.

Edgar Filing: Medley Capital Corp - Form 10-Q

- (8) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities represent a fair value of \$27,544,560 and 5.9% of net assets as of September 30, 2017, and are considered restricted securities.
- (9) The interest rate on these loans is subject to the greater of a LIBOR floor, or 6 month LIBOR plus a base rate. The 6 month LIBOR as of September 30, 2017 was 1.50%.
- (10) The investment was on non-accrual status as of September 30, 2017.

F-19

---

- (11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of September 30, 2017, 7.9% of the Company's portfolio investments were non-qualifying assets.
- (12) A portion of this investment was sold via a participation agreement. The amount stated is the portion retained by Medley Capital Corporation (see Note 3).
- (13) The interest rate on these loans is subject to the greater of a LIBOR floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of September 30, 2017 was 1.24%.
- (14) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2017 was 1.33%.
- (15) The interest rate on these loans is subject to 1 month LIBOR plus a base rate. The 1 month LIBOR as of September 30, 2017 was 1.24%.
- (16) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2017 was 1.33%.
- (17) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2017, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (18) This investment earns 1.00% commitment fee on all unused commitment as of September 30, 2017, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (19) This investment earns 7.25% commitment fee on all unused commitment as of September 30, 2017, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (20) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2017 (see Note 4).
- (21) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2017 (see Note 4).
- (22) Investment changed its name from DLR Restaurants LLC during fiscal year 2017.
- (23) Represents 1.3% partnership interest in Watermill-QMC Partners, LP, and Watermill-EMI Partners, LP.
- (24) Investment changed its name from AAR Intermediate Holdings, LLC during FY 2018.

See accompanying notes to consolidated financial statements.

MEDLEY CAPITAL CORPORATION

Notes to Consolidated Financial Statements

June 30, 2018

(unaudited)

Note 1. Organization

Medley Capital Corporation (the “Company,” “we” and “us”) is a non-diversified closed end management investment company incorporated in Delaware that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We completed our initial public offering (“IPO”) and commenced operations on January 20, 2011. The Company has elected, and intends to qualify annually, to be treated, for U.S. federal income tax purposes, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We are externally managed and advised by MCC Advisors LLC (“MCC Advisors”), a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), pursuant to an investment management agreement. MCC Advisors is a majority owned subsidiary of Medley LLC, which is controlled by Medley Management Inc. (NYSE: MDLY), a publicly traded asset management firm, which in turn is controlled by Medley Group LLC, an entity wholly-owned by the senior professionals of Medley LLC. We use the term “Medley” to refer collectively to the activities and operations of Medley Capital LLC, Medley LLC, Medley Management Inc., Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates.

Medley Capital BDC LLC (the “LLC”), a Delaware limited liability company, was formed on April 23, 2010. On January 18, 2011, the LLC, in accordance with Delaware law, converted into Medley Capital Corporation, a Delaware corporation, and on January 20, 2011, the Company filed an election to be regulated as a BDC under the 1940 Act.

On January 20, 2011, the Company consummated its IPO, sold 11,111,112 shares of common stock at \$12.00 per share and commenced its operations and investment activities. On February 24, 2011, an additional 450,000 shares of common stock were issued at a price of \$12.00 per share pursuant to the partial exercise of the underwriters’ option to purchase additional shares. Net of underwriting fees and offering costs, the Company received total cash proceeds of approximately \$129.6 million.

On January 20, 2011, the Company’s shares began trading on the New York Stock Exchange (“NYSE”) under the symbol “MCC”.

Prior to the consummation of our IPO, Medley Opportunity Fund LP (“MOF LP”), a Delaware limited partnership, and Medley Opportunity Fund, Ltd. (“MOF LTD”), a Cayman Islands exempted limited liability company, which are managed by an affiliate of MCC Advisors, transferred all of their respective interests in six loan participations in secured loans to middle market companies with a combined fair value, plus payment-in-kind interest and accrued interest thereon, of approximately \$84.95 million (the “Loan Assets”) to MOF I BDC LLC (“MOF I BDC”), a Delaware limited liability company, in exchange for membership interests in MOF I BDC. As a result, MOF LTD owned approximately 90% of the outstanding MOF I BDC membership interests and MOF LP owned approximately 10% of the outstanding MOF I BDC membership interests.

On January 18, 2011, each of MOF LTD and MOF LP contributed their respective MOF I BDC membership interests to the LLC in exchange for LLC membership interests. As a result, MOF I BDC became a wholly-owned subsidiary of the LLC. As a result of the LLC’s conversion noted above, MOF LTD and MOF LP’s LLC membership interests were exchanged for 5,759,356 shares of the Company’s common stock at \$14.75 per share. On February 23, 2012, MOF LTD and MOF LP collectively sold 4,406,301 shares of common stock in an underwritten public offering. See

Note 7 for further information.

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP (“SBIC LP”), a Delaware limited partnership which we own directly and through our wholly-owned subsidiary, Medley SBIC GP LLC, received a license from the Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”) under Section 301(c) of the Small Business Investment Company Act of 1958, as amended.

The Company has formed and expects to continue to form certain taxable subsidiaries (the “Taxable Subsidiaries”), which are taxed as corporations for federal income tax purposes. These Taxable Subsidiaries allow us to hold equity securities of portfolio companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

The Company’s investment objective is to generate current income and capital appreciation by lending to privately-held middle market companies, primarily through directly originated transactions, to help these companies fund acquisitions, growth or refinancing. The portfolio generally consists of senior secured first lien term loans and senior secured second lien term loans. Occasionally, we will receive warrants or other equity participation features which we believe will have the potential to increase the total investment returns.

On January 26, 2018, the Company priced a debt offering in Israel of \$121.1 million Series A Notes (the “2024 Notes”). The 2024 Notes will mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. The 2024 Notes are listed on the Tel Aviv Stock Exchange (“TASE”) and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements. In connection with this offering, we have dual listed our common stock on TASE.

## Note 2. Significant Accounting Policies

### Basis of Presentation

The Company follows the accounting and reporting guidance in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 946 (“ASC 946”). The accompanying unaudited consolidated financial statements have been prepared on the accrual basis of accounting in conformity

F-21

---

with U.S. generally accepted accounting principles (“GAAP”) and include the consolidated accounts of the Company and its wholly-owned subsidiary SBIC LP and its wholly-owned Taxable Subsidiaries. All references made to the “Company,” “we,” and “us” herein include Medley Capital Corporation and its consolidated subsidiaries, except as stated otherwise. Additionally, the accompanying unaudited consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X of the Securities Act of 1933. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments and reclassifications, which are of a normal recurring nature, that are necessary for the fair presentation of financial results as of and for the periods presented. Therefore, this Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the full year ending September 30, 2018. All intercompany balances and transactions have been eliminated.

#### Cash and Cash Equivalents

The Company considers cash equivalents to be highly liquid investments with original maturities of three months or less. Cash and cash equivalents include deposits in a money market account. The Company deposits its cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

#### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Deferred Offering Costs

Deferred offering costs consist of fees and expenses incurred in connection with the public offering and sale of the Company's common stock, including legal, accounting, printing fees and other related expenses, as well as costs incurred in connection with the filing of a shelf registration statement. These amounts are capitalized when incurred and recognized as a reduction of offering proceeds when the offering becomes effective or expensed upon expiration of the registration statement.

#### Debt Issuance Costs

Debt issuance costs, incurred in connection with our credit facilities, unsecured notes and SBA Debentures (see Note 5) are deferred and amortized over the life of the respective facility or instrument.

#### Indemnification

In the normal course of business, the Company enters into contractual agreements that provide general indemnifications against losses, costs, claims and liabilities arising from the performance of individual obligations under such agreements. The Company has had no material claims or payments pursuant to such agreements. The Company's individual maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on management's experience, the Company expects the risk of loss to be remote.

#### Revenue Recognition



Interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. Dividend income, which represents dividends from equity investments and distributions from Taxable Subsidiaries, is recorded on the ex-dividend date and when the distribution is received, respectively.

The Company holds debt investments in its portfolio that contain a payment-in-kind (“PIK”) interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three and nine months ended June 30, 2018, the Company earned approximately \$2.4 million and \$8.1 million in PIK interest, respectively. For the three and nine months ended June 30, 2017, the Company earned approximately \$3.6 million and \$12.5 million in PIK interest, respectively.

Origination/closing, amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt. Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as fee income when the services are rendered. Fee income for the three and nine months ended June 30, 2018 was approximately \$0.8 million and \$3.2 million, respectively (see Note 9). Fee income for the three and nine months ended June 30, 2017 was approximately \$1.9 million and \$4.8 million, respectively (see Note 9).

Investment transactions are accounted for on a trade date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. During the three and nine months ended June 30, 2018, \$19.7 million and \$41.9 million, respectively, of our realized losses were related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. During the three and nine months ended June 30, 2017, \$21.2 million and \$27.5 million, respectively, of our realized losses were related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management's designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved against when deemed uncollectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At June 30, 2018, certain investments in 9 portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$63.2 million, or 10.0% of the fair value of our portfolio. At September 30, 2017, certain investments in six portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$72.5 million, or 8.7% of the fair value of our portfolio.

#### Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, we would be deemed to "control" a portfolio company if we owned more than 25% of its outstanding voting securities and/or had the power to exercise control over the management or policies of such portfolio company. We refer to such investments in portfolio companies that we "control" as "Control Investments." Under the 1940 Act, we would be deemed to be an "Affiliated Person" of a portfolio company if we own between 5% and 25% of the portfolio company's outstanding voting securities or we are under common control with such portfolio company. We refer to such investments in Affiliated Persons as "Affiliated Investments."

#### Valuation of Investments

The Company applies fair value accounting to all of its financial instruments in accordance with the 1940 Act and ASC Topic 820 - Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements. In accordance with ASC 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy as discussed in Note 4. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

Investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotations, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. However, debt investments with remaining maturities within 60 days that are not credit impaired are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Investments for which market quotations are not readily available are valued at fair value as determined by the Company's board of directors based upon input from management and third party valuation firms. Because these investments are illiquid and because there may not be any directly comparable companies whose financial instruments have observable market values, these loans are valued using a fundamental valuation methodology, consistent with traditional asset pricing standards, that is objective and consistently applied across all loans and through time.

Investments in investment funds are valued at fair value. Fair values are generally determined utilizing the net asset value ("NAV") supplied by, or on behalf of, management of each investment fund, which is net of management and

incentive fees or allocations charged by the investment fund and is in accordance with the “practical expedient”, as defined by FASB Accounting Standards Update (“ASU”) 2009-12, Investments in Certain Entities that Calculate Net Asset Value per Share. NAVs received by, or on behalf of, management of each investment fund are based on the fair value of the investment funds’ underlying investments in accordance with policies established by management of each investment fund, as described in each of their financial statements and offering memorandum.

The methodologies utilized by the Company in estimating the fair value of its investments categorized as Level 3 generally fall into the following two categories:

The “Market Approach” uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

The “Income Approach” converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the Income Approach is used, the fair value measurement reflects current market expectations about those future amounts.

The Company uses third-party valuation firms to assist the board of directors in the valuation of its portfolio investments. The valuation reports generated by the third-party valuation firms consider the evaluation of financing and sale transactions with third parties, expected cash flows and market based information, including comparable transactions, performance multiples, and movement in yields of debt instruments, among other factors. The Company uses a market yield analysis under the Income Approach or an enterprise model of valuation under the Market Approach, or a combination thereof. In applying the market yield analysis, the value of the Company’s loans is determined based upon inputs such as the coupon rate, current market yield, interest rate spreads of similar securities, the stated value of the loan, and the length to maturity. In applying the enterprise model, the Company uses a waterfall analysis, which takes into account the specific capital structure of the borrower and the related seniority of the instruments within the borrower’s capital structure into consideration. To estimate the enterprise value of the portfolio company, we weigh some or all of the traditional market valuation methods and factors based on the individual circumstances of the portfolio company in order to estimate the enterprise value.

The methodologies and information that the Company utilizes when applying the Market Approach for performing investments include, among other things:

- valuations of comparable public companies (“Guideline Comparable Approach”);
- recent sales of private and public comparable companies (“Guideline Comparable Approach”);
- recent acquisition prices of the company, debt securities or equity securities (“Recent Arms-Length Transaction”);
- external valuations of the portfolio company, offers from third parties to buy the company (“Estimated Sales Proceeds Approach”);
- subsequent sales made by the company of its investments (“Expected Sales Proceeds Approach”); and
- estimating the value to potential buyers.

The methodologies and information that the Company utilizes when applying the Income Approach for performing investments include:

- discounting the forecasted cash flows of the portfolio company or securities (Discounted Cash Flow (“DCF”) Approach); and
- Black-Scholes model or simulation models or a combination thereof (Income Approach - Option Model) with respect to the valuation of warrants.

For non-performing investments, we may estimate the liquidation or collateral value of the portfolio company’s assets and liabilities using an expected recovery model (Market Approach - Expected Recovery Analysis or Estimated Liquidation Proceeds).

We undertake a multi-step valuation process each quarter when valuing investments for which market quotations are not readily available, as described below:

- our quarterly valuation process begins with each portfolio investment being internally valued by the valuation professionals;
- preliminary valuation conclusions are then documented and discussed with senior management; and
- an independent valuation firm engaged by our board of directors reviews approximately one third of these preliminary valuations each quarter on a rotating quarterly basis on non-fiscal year-end quarters, such that each of these investments will be valued by independent valuation firms at least twice per annum when combined with the fiscal year-end review of all the investments by independent valuation firms.

In addition, all of our investments are subject to the following valuation process:

- the audit committee of our board of directors reviews the preliminary valuations of the investment professionals, senior management and independent valuation firms; and
- our board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of MCC Advisors, the respective independent valuation firms and the audit committee.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ from the values that would have been used had a readily available

market value existed for such investments, and the differences could be material.

#### Fair Value of Financial Instruments

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts payable and accrued expenses, approximate fair value due to their short-term nature. The carrying amounts and fair values of our long-term obligations are discussed in Note 5.

#### Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contracts with a customer, (2) identify the performance obligations in the contracts, (3) determine the transaction prices, (4) allocate the transaction prices to the performance obligations in the contracts, and (5) recognize revenue when, or as, the entity satisfies a performance obligation. The guidance also requires advanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarified the implementation guidance regarding performance obligations and licensing arrangements. The new standard will become effective for the Company on October 1, 2018, with early application permitted to the effective date of October 1, 2017. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting. The guidance does not apply to revenue associated with financial instruments, including loans and notes that are accounted for under other U.S. GAAP. As a result, the Company does not expect the new revenue recognition guidance to have a material impact on the elements of its Consolidated Statements of Operations, most closely associated with financial instruments, including realized gains, fees, interest and dividend income. The Company plans to adopt the revenue recognition guidance in the first quarter of fiscal year 2019. The Company's implementation efforts include the identification of revenue within the scope of the guidance, as well as the evaluation of revenue contracts and related accounting

policies. The Company has determined that its significant revenue sources associated with financial instruments, including loans and notes that are accounted for under other U.S. GAAP, are considered not in the scope of ASU 2014-09. As a result, the new guidance will not have a significant impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force), or ASU 2016-15, which intends to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements and distributions from certain equity method investments. ASU 2016-15 is effective for interim and annual periods beginning after December 15, 2017. The Company plans to adopt this guidance in the first quarter of fiscal year 2019. The adoption of this guidance may impact the presentation of cash flows, but will not otherwise have a material impact on the Company's consolidated balance sheets or statements of operations.

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs ("ASU 2017-08"). The amendments in ASU 2017-08 require premiums on purchased callable debt securities to be amortized to the security's earliest call date. Prior to this ASU, premiums and discounts on purchased callable debt securities were generally required to be amortized to the security's maturity date. The amendments in ASU 2017-08 do not require any changes to treatment of securities held at a discount. ASU 2017-08 is effective on January 1, 2019, with early adoption permitted. Although the company is still evaluating the effect of ASU 2017-08, it does not expect the amendments to have a material impact on its consolidated financial statements.

#### Federal Income Taxes

The Company has elected, and intends to qualify annually, to be treated as a RIC under Subchapter M of the Code. In order to continue to qualify as a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements and timely distribute to its stockholders at least 90% of the sum of investment company taxable income ("ICTI") including PIK, as defined by the Code, and net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) for each taxable year in order to be eligible for tax treatment under Subchapter M of the Code. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the calendar year ended December 31, 2017, the Company did not distribute at least 98% of its ordinary income and 98.2% of its capital gains. Accordingly, with respect to the calendar year ended December 31, 2017, an excise tax expense of \$0.2 million was recorded.

The Company's Taxable Subsidiaries accrue income taxes payable based on the applicable corporate rates on the unrealized gains generated by the investments held by the Taxable Subsidiaries. As of June 30, 2018 and September 30, 2017, the Company recorded a deferred tax liability of \$0.4 million and \$0.9 million, respectively, on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net gain/(loss) on investments in the Consolidated Statements of Operations. For the three and nine

months ended June 30, 2018, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.2 million and \$0.5 million, respectively. For the three and nine months ended June 30, 2017, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.8 million and \$0.8 million, respectively.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changes the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21% , a move from a worldwide tax system to a territorial system, as well as other changes. The Company's Taxable Subsidiaries provisional tax will be based on the new lower blended federal corporate tax rate of 24.25% for the fiscal year ended September 30, 2018. The Taxable Subsidiaries' current interpretation of the Tax Act may change, possibly materially, as we complete our analysis and receive additional clarification and implementation guidance.

ICTI generally differs from net investment income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. The Company may be required to recognize ICTI in certain circumstances in which it does not receive cash. For example, if the Company holds debt obligations that are treated under applicable tax rules as having original issue discount, the Company must include in ICTI each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by the Company in the same taxable year. The Company may also have to include in ICTI other amounts that it has not yet received in cash, such as 1) PIK interest income and 2) interest income from investments that have been classified as non-accrual for financial reporting purposes. Interest income on non-accrual investments is not recognized for financial reporting purposes, but generally is recognized in ICTI. Because any original issue discount or other amounts accrued will be included in the Company's ICTI for the year of accrual, the Company may be required to make a distribution to its stockholders in order to satisfy the minimum distribution requirements, even though the Company will not have received and may not ever receive any corresponding cash amount. ICTI also excludes net unrealized appreciation or depreciation, as investment gains or losses are not included in taxable income until they are realized.

The Company accounts for income taxes in conformity with ASC Topic 740 - Income Taxes ("ASC 740"). ASC 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations. There were no material uncertain income tax positions at June 30, 2018. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's federal and state tax returns for the prior three fiscal years remain open, subject to examination by the Internal Revenue Service.

## Segments

The Company invests in various industries. The Company separately evaluates the performance of each of its investment relationships. However, because each of these investment relationships has similar business and economic characteristics, they have been aggregated into a single investment segment. All applicable segment disclosures are included in or can be derived from the Company's financial statements. See Note 3 for further information.

## Company Investment Risk, Concentration of Credit Risk, and Liquidity Risk

MCC Advisors has broad discretion in making investments for the Company. Investments will generally consist of debt instruments that may be affected by business, financial market or legal uncertainties. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Company's activities and the value of its investments. In addition, the value of the Company's portfolio may fluctuate as the general level of interest rates fluctuate.

The value of the Company's investments in loans may be detrimentally affected to the extent, among other things, that a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan, observable secondary or primary market yields for similar instruments issued by comparable companies increase materially or risk premiums required in the market between smaller companies, such as our borrowers, and those for which market yields are observable increase materially. MCC Advisors may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan.

The Company's assets may, at any time, include securities and other financial instruments or obligations that are illiquid or thinly traded, making purchase or sale of such securities and financial instruments at desired prices or in desired quantities difficult. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.

## Note 3. Investments

The composition of our investments as of June 30, 2018 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage		Fair Value	Percentage	
Senior Secured First Lien Term Loans	\$469,700	62.5	%	\$384,286	60.5	%
Senior Secured Second Lien Term Loans	47,657	6.3		47,434	7.5	
Senior Secured First Lien Notes	20,000	2.7		20,154	3.2	
Unsecured Debt	23,734	3.2		1,007	0.2	
MCC Senior Loan Strategy JV I LLC	78,575	10.4		78,231	12.3	
Equity/Warrants	112,270	14.9		103,756	16.3	
Total	\$751,936	100.0	%	\$634,868	100.0	%

The composition of our investments as of September 30, 2017 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage		Fair Value	Percentage	
Senior Secured First Lien Term Loans	\$559,461	61.2	%	\$537,163	64.2	%
Senior Secured Second Lien Term Loans	161,885	17.7		135,826	16.2	



Edgar Filing: Medley Capital Corp - Form 10-Q

Senior Secured First Lien Notes	26,768	2.9	27,545	3.3
Unsecured Debt	22,728	2.5	—	—
MCC Senior Loan Strategy JV I LLC	56,087	6.1	56,138	6.7
Equity/Warrants	87,124	9.6	80,319	9.6
Total	\$914,053	100.0 %	\$836,991	100.0 %

In connection with certain of the Company's investments, the Company receives warrants which are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At June 30, 2018 and September 30, 2017, the total fair value of warrants was \$1.2 million and \$2.3 million, respectively, and were included in investments at fair value on the Consolidated Statements of Assets and Liabilities. During the three and nine months ended June 30, 2018, the Company acquired no warrant positions and two warrant positions, respectively. During the three and nine months ended June 30, 2017, the Company acquired no warrant positions and one warrant position, respectively.

Total unrealized depreciation related to warrants for the three and nine months ended June 30, 2018 was \$1.4 million and \$1.9 million, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. Total unrealized depreciation related to warrants for the three and nine months ended June 30, 2017 was \$2.2 million and \$2.4 million, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. The warrants are received in connection with individual investments and are not subject to master netting arrangements.

Edgar Filing: Medley Capital Corp - Form 10-Q

The following table shows the portfolio composition by industry grouping at fair value at June 30, 2018 (dollars in thousands):

	Fair Value	Percentage	
Services: Business	\$111,306	17.5	%
Construction & Building	87,146	13.7	
Multisector Holdings	78,231	12.3	
High Tech Industries	49,020	7.7	
Healthcare & Pharmaceuticals	44,541	7.0	
Energy: Oil & Gas	44,396	7.0	
Hotel, Gaming & Leisure	37,692	5.9	
Aerospace & Defense	37,399	5.9	
Containers, Packaging & Glass	30,394	4.8	
Wholesale	18,044	2.9	
Services: Consumer	15,699	2.5	
Banking, Finance, Insurance & Real Estate	15,416	2.4	
Automotive	13,456	2.1	
Capital Equipment	13,024	2.1	
Metals & Mining	11,402	1.8	
Consumer goods: Non-durable	6,233	1.0	
Media: Broadcasting & Subscription	5,788	0.9	
Retail	5,614	0.9	
Chemicals, Plastics & Rubber	4,078	0.7	
Environmental Industries	3,203	0.5	
Media: Advertising, Printing & Publishing	2,786	0.4	
Total	\$634,868	100.0	%

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2017 (dollars in thousands):

	Fair Value	Percentage	
Services: Business	\$142,912	17.1	%
Construction & Building	130,633	15.6	
Healthcare & Pharmaceuticals	67,301	8.0	
Banking, Finance, Insurance & Real Estate	63,491	7.6	
Hotel, Gaming & Leisure	63,012	7.5	
Multisector Holdings	56,138	6.7	
Energy: Oil & Gas	54,800	6.5	
Aerospace & Defense	53,650	6.4	
Automotive	38,434	4.6	
Containers, Packaging & Glass	38,086	4.6	
High Tech Industries	25,809	3.1	
Metals & Mining	21,127	2.5	
Chemicals, Plastics & Rubber	20,012	2.4	
Beverage & Food	16,118	1.9	
Capital Equipment	13,180	1.6	
Media: Broadcasting & Subscription	8,384	1.0	
Services: Consumer	7,967	1.0	
Wholesale	7,067	0.8	

Edgar Filing: Medley Capital Corp - Form 10-Q

Retail	3,584	0.4
Media: Advertising, Printing & Publishing	2,955	0.4
Environmental Industries	1,330	0.2
Consumer goods: Durable	850	0.1
Consumer goods: Non-durable	151	0.0
Total	\$836,991	100.0 %

The Company invests in portfolio companies principally located in North America. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business.

F-27

---

Edgar Filing: Medley Capital Corp - Form 10-Q

The following table shows the portfolio composition by geographic location at fair value at June 30, 2018 (dollars in thousands):

	Fair Value	Percentage	
Northeast	\$149,251	23.5	%
Midwest	139,739	22.0	
West	129,427	20.4	
Southeast	80,087	12.6	
Southwest	68,489	10.8	
Mid-Atlantic	67,875	10.7	
Total	\$634,868	100.0	%

The following table shows the portfolio composition by geographic location at fair value at September 30, 2017 (dollars in thousands):

	Fair Value	Percentage	
Midwest	\$188,957	22.6	%
Southwest	152,883	18.3	
Northeast	152,662	18.2	
Southeast	152,469	18.2	
West	133,190	15.9	
Mid-Atlantic	56,830	6.8	
Total	\$836,991	100.0	%

Transactions With Affiliated/Controlled Companies

During the nine months ended June 30, 2018 and 2017, the Company had investments in portfolio companies designated as Affiliated Investments and Controlled Investments under the 1940 Act. Transactions with Affiliated Investments and Controlled Investments were as follows (prior period table modified to conform to the current period presentation):

Name of Investment <sup>(3)</sup>	Type of Investment	Fair Value at September 30, 2017	Purchases/Advances of or (Disbursements)	Transfers In/(Out) of Affiliations	Unrealized Gain/(Loss) of (Loss)	Realized Gain/(Loss)	Fair Value at June 30, 2018	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC <sup>(4)</sup>	Senior Secured First Lien Term Loan A	\$8,984,232	\$ —	\$ —	\$ —	\$ —	\$8,984,232	\$461,351
	Senior Secured First Lien Term Loan B	19,746,290	1,906,052	—	(2,427,755)	—	19,224,587	1,978,170
	Revolving Credit Facility	—	3,054,639	—	—	—	3,054,639	62,047
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	8,340,525	105,860	—	(2,570,051)	—	5,876,334	212,656
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—

Edgar Filing: Medley Capital Corp - Form 10-Q

	Preferred Equity Series AAA	43,200	428,800	—	(560,000)	(88,000)	)	—
	Equity	—	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	7,719,520	—	—	(1,559,604)	6,159,916	—	—
	Senior Secured First Lien Delayed Draw Term Loan	668,105	(165,000)	—	—	—	503,105	32,842
	Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	30,552,190	916,565	—	—	—	31,468,755	686,972
	Preferred Equity A-1	3,953,700	118,611	—	—	—	4,072,311	88,900
	Equity	63,603	—	—	7,399,149	7,462,752	—	—
JFL-WCS Partners, LLC	Preferred Equity Class A	—	1,166,292	—	—	—	1,166,292	30,100

F-28

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Name of Investment <sup>(3)</sup>	Type of Investment	Fair Value at September 30, 2017	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2018	Income Earned
US Multifamily, LLC	Equity Senior	—	129,588	—	—	—	129,588	—
	Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	500,250
	Equity	3,330,000	—	—	—	—	3,330,000	—
<b>Total Affiliated Investments</b>		<b>\$90,071,365</b>	<b>\$7,661,407</b>	<b>\$—</b>	<b>\$281,739</b>	<b>\$—</b>	<b>\$98,014,511</b>	<b>\$4,053,288</b>
<b>Controlled Investments</b>								
Capstone Nutrition	Senior Secured First Lien Term Loan	\$18,002,715	\$—	\$—	\$(5,845,850)	—	\$12,156,865	\$—
	Senior Secured First Lien Delayed Draw Term Loan	7,789,760	—	—	(2,529,495)	—	5,260,265	—
	Senior Secured First Lien Incremental Delayed Draw Equity - Class B and C Units	—	2,157,066	—	—	—	2,157,066	138,415
MCC Senior Loan Strategy JV I LLC <sup>(1)(2)</sup>	Equity - Common Units	—	—	—	—	—	—	—
	Equity	56,137,946	22,487,500	—	(394,453)	—	78,230,993	5,009,375
NVTN LLC	Senior Secured First Lien Term Loan	3,505,990	500,000	—	—	—	4,005,990	159,580
	Senior Secured First Lien Term Loan B	10,604,502	897,475	—	—	—	11,501,977	912,924
	Equity	6,518,046	699,083	—	—	—	7,217,129	711,660

Edgar Filing: Medley Capital Corp - Form 10-Q

	Senior Secured First Lien Term Loan C							
	Equity	9,550,922	—	—	(7,640,738 )	—1,910,184	—	
OmniVere LLC	Senior Secured First Lien Term Loan	24,500,205	—	—	(10,807,380 )	—13,692,825	—	
	Senior Secured First Lien Term Loan	1,409,669	2,720,804	—	—	—4,130,473	152,079	
	Unsecured Debt	—	—	—	—	—	—	
	Equity	—	—	—	—	—	—	
TPG Plastics LLC	Senior Secured Second Lien Term Loan	—	—	401,346	—	—401,346	4,287	
	Unsecured Debt	—	—	360,000	—	—360,000	3,900	
	Unsecured Debt	—	—	646,996	—	—646,996	701	
	Equity	—	—	2,670,154	—	—2,670,154	—	
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	14,966,563	—	—	—	—14,966,563	1,144,063	
	Preferred Equity	5,500,000	350,795	—	—	—5,850,795	514,634	
	Equity	12,937,518	—	—	—	—12,937,518	—	
Total Controlled Investments		\$171,423,836	\$29,812,723	\$4,078,496	\$(27,217,916)	\$—178,097,139	\$8,751,618	

F-29

Edgar Filing: Medley Capital Corp - Form 10-Q

Name of Investment <sup>(3)</sup>	Type of Investment	Fair Value at September 30, 2016	Purchases/(Sales) of or Advances/(Disbursements)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Fair Value at June 30, 2017 Realized Gain/(Loss)	Income Earned
<b>Affiliated Investments</b>							
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	\$—	\$305,760	\$7,832,358	\$96,735	\$—8,234,853	\$607,526
	Preferred Equity Series A	—	—	—	—	—	—
	Preferred Equity Series AA	—	184,000	—	(184,000 )	—	—
	Preferred Equity Series AAA	—	209,600	—	—	—209,600	—
	Equity	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	—	(41,189 )	5,351,092	2,177,756	—7,487,659	(41,189 )
	Senior Secured First Lien Delayed Draw Term Loan	—	75,000	637,500	—	—712,500	32,233
	Equity	—	—	—	—	—	—
Dream Finders Homes, LLC	Senior Secured First Lien Term Loan	—	(2,975,912 )	7,071,897	30,449	—4,126,434	697,397
	Equity	—	—	1,619,379	926,398	—2,545,777	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—6,670,000	500,250
	Equity	3,330,000	—	—	—	—3,330,000	—
<b>Total Affiliated Investments</b>		<b>\$10,000,000</b>	<b>\$(2,242,741)</b>	<b>\$22,512,226</b>	<b>\$3,047,338</b>	<b>\$—33,316,823</b>	<b>\$1,796,217</b>
<b>Controlled Investments</b>							
1888 Industrial Services, LLC <sup>(4)</sup>	Senior Secured First Lien	\$8,984,232	\$—	\$—	\$—	\$—8,984,232	\$412,153



Edgar Filing: Medley Capital Corp - Form 10-Q

	Term Loan						
	A						
	Senior						
	Secured						
	First Lien	14,889,405	1,678,145	—	3,178,741	—19,746,291	1,678,553
	Term Loan						
	B						
	Revolving						
	Credit	—	359,369	—	—	—359,369	28,041
	Facility						
	Equity	—	—	—	—	—	—
	Senior						
Capstone Nutrition	Secured						
	First Lien	14,615,564	—	—	3,244,299	—17,859,863	—
	Term Loan						
	Senior						
	Secured						
	First Lien	6,324,142	—	—	1,403,805	—7,727,947	—
	Delayed						
	Draw Term						
	Loan						
	Equity -						
	Class B and	—	—	—	—	—	—
	C Units						
	Equity -						
	Common	—	—	—	—	—	—
	Units						
	Senior						
Lydell Jewelry Design	Secured						
Studio, LLC	First Lien	5,707,522	—	—	(1,504,487 )	—4,203,035	—
	Term Loan						
	Senior						
	Secured						
	First Lien	1,500,000	1,523,818	—	—	—3,023,818	114,816
	Delayed						
	Draw Term						
	Loan						
	Equity	—	—	—	—	—	—
	Equity	—	—	—	—	—	—
MCC Senior Loan	Equity	31,252,416	22,400,000	—	650,467	—54,302,883	2,668,750
Strategy JV I LLC <sup>(1)(2)</sup>							
NorthStar Group	Preferred						
Services, Inc.	Equity A-2	—	—	30,552,190	—	—30,552,190	48,374
	Preferred						
	Equity A-1	—	3,953,700	—	—	—3,953,700	6,260
	Equity	—	57,300	—	6,412	—63,712	—

Edgar Filing: Medley Capital Corp - Form 10-Q

Name of Investment <sup>(3)</sup>	Type of Investment	Fair Value at September 30, 2016	Purchases/(Sales) of or Advances/(Disbursements)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at June 30, 2017	Impairment
NVTN LLC	Senior Secured First Lien Term Loan	—	750,000	2,755,990	—	—	3,505,990	1
	Senior Secured First Lien Term Loan	—	482,390	9,941,281	—	—	10,423,671	6
	Senior Secured First Lien Term Loan	—	427,130	5,950,478	—	—	6,377,608	5
OmniVere LLC	Equity Senior	—	—	9,550,922	—	—	9,550,922	—
	Secured First Lien Term Loan	22,360,258	827,585	—	718,805	—	23,906,648	8
	Senior Secured First Lien Term Loan	—	1,105,785	—	—	—	1,105,785	1
	Unsecured Debt	11,336,861	1,972,687	—	(13,309,548 )	—	—	—
	Equity Senior	—	—	—	—	—	—	—
United Road Towing, Inc	Secured Second Lien Term Loan	18,725,607	(18,725,607 )	—	—	—	—	6
	Preferred Equity Class C	1,186,268	(2,255,263 )	—	15,150,910	(14,081,915 )	—	8
	Preferred Equity Class C-1	—	(466,844 )	—	2,456,143	(1,989,299 )	—	1
	Preferred Equity Class A-2	—	(675,694 )	—	4,664,855	(3,989,161 )	—	2
URT Acquisition Holdings	Senior Secured Second Lien Term	—	1,098,096	4,500,000	—	(1,098,096 )	15,000,000	2

Edgar Filing: Medley Capital Corp - Form 10-Q

Loan Preferred Equity	—	—	5,500,000	—	—	5,500,000	1
Equity	—	—	12,936,880	4	—	12,936,884	—
Total Controlled Investments	\$ 136,882,275	\$ 25,012,597	\$ 81,687,741	\$ 16,660,406	\$ (21,158,471)	\$ 239,084,548	\$

(1) The Company and Great American Life Insurance Company (“GALIC”) are the members of MCC Senior Loan Strategy JV I LLC (“MCC JV”), a joint venture formed as a Delaware limited liability company that is not consolidated by either member for financial reporting purposes. The members of MCC JV make capital contributions as investments by MCC JV are completed, and all portfolio and other material decisions regarding MCC JV must be submitted to MCC JV’s board of managers, which is comprised of an equal number of members appointed by each of the Company and GALIC. Approval of MCC JV’s board of managers requires the unanimous approval of a quorum of the board of managers, with a quorum consisting of equal representation of members appointed by each of the Company and GALIC. Because management of MCC JV is shared equally between the Company and GALIC, the Company does not have operational control over the MCC JV for purposes of the 1940 Act or otherwise.

(2) Amount of income earned represents distributions from MCC JV to the Company and is a component of dividend income, net of provisional taxes in the Consolidated Statements of Operations.

(3) The par amount and additional detail are shown in the consolidated schedule of investments.

(4) Investment changed its name from AAR Intermediate Holdings, LLC during FY 2018.

Purchases/(sales) of or advances to/(distributions) from Affiliated Investments and Controlled Investments represent the proceeds from sales and settlements of investments, purchases, originations and participations, investment increases due to PIK interest as well as net amortization of premium/(discount) on investments and are included in the purchases and sales presented on the Consolidated Statements of Cash Flows for the nine months ended June 30, 2018 and 2017. Transfers in/(out) of Affiliated Investments and Controlled Investments represent the fair value for the month an investment became or was removed as an Affiliated Investment or a Controlled Investment. Income received from Affiliated Investments and Controlled Investments is included in total investment income on the Consolidated Statements of Operations for the nine months ended June 30, 2018 and 2017.

#### Loan Participation Sales

The Company may sell portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. At June 30, 2018, there were five participation agreements outstanding with an aggregate fair value of \$30.7 million. At September 30, 2017, there were eight participation agreements outstanding with an aggregate fair value of \$124.5 million. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, Transfers and Servicing for treatment as a sale. In each case, the Company’s loan participation agreements satisfy the following conditions:

transferred investments have been isolated from the Company, and put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership,

each participant has the right to pledge or exchange the transferred investments it received, and no condition both constrains the participant from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Company; and

the Company, its consolidated affiliates or its agents do not maintain effective control over the transferred investments through either: (i) an agreement that entitles and/or obligates the Company to repurchase or redeem the assets before maturity, or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Such investments where the Company has retained proportionate interests are included in the consolidated schedule of investments. All of these investments are classified within Level 3 of the fair value hierarchy, as defined in Note 4.

During the three and nine months ended June 30, 2018, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of \$17.0 million and \$21.2 million, respectively. During the three and nine months ended June 30, 2017, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of \$2.2 million and \$9.7 million, respectively. Under the terms of the participation agreements, the Company will collect and remit periodic payments to the participant equal to the participant's proportionate share of any principal and interest payments received by the Company from the underlying investee companies.

#### MCC Senior Loan Strategy JV I LLC

On March 27, 2015, the Company and GALIC entered into a limited liability company operating agreement to co-manage MCC JV. All portfolio and other material decisions regarding MCC JV must be submitted to MCC JV's board of managers, which is comprised of four members, two of whom are selected by the Company and the other two of whom are selected by GALIC. The Company has concluded that it does not operationally control MCC JV. As the Company does not operationally control MCC JV, it does not consolidate the operations of MCC JV within the consolidated financial statements. As a practical expedient, the Company uses NAV to determine the value of its investment in MCC JV; therefore, this investment has been presented as a reconciling item within the fair value hierarchy (see Note 4). Investments held by MCC JV are measured at fair value using the same valuation methodologies as described in Note 2.

As of June 30, 2018, MCC JV had total capital commitments of \$100.0 million, with the Company providing \$87.5 million and GALIC providing \$12.5 million. Approximately \$89.8 million was funded as of June 30, 2018 relating to these commitments, of which \$78.6 million was from the Company. As of June 30, 2018, MCC JV's board of managers had approved advances of capital of up to \$0.3 million of the remaining capital commitments, of which \$0.2 million is from the Company.

On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the "JV Facility") led by Credit Suisse, AG ("CS") with commitments of \$100 million subject to leverage and borrowing base restrictions. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch, ("DB") and increased the total loan commitments to \$200 million. The JV Facility bears interest at a rate of LIBOR (with no minimum) + 2.50% per annum. The JV Facility reinvestment period ends on March 30, 2019 and the stated maturity date is March 30, 2022. As of June 30, 2018 and September 30, 2017, there was approximately \$179.3 million and \$130.5 million outstanding under the JV Facility, respectively.

Edgar Filing: Medley Capital Corp - Form 10-Q

At June 30, 2018 and September 30, 2017, MCC JV had total investments at fair value of \$262.8 million and \$184.2 million, respectively. As of June 30, 2018 and September 30, 2017, MCC JV's portfolio was comprised of senior secured first lien term loans to 55 and 46 borrowers, respectively. As of June 30, 2018 and September 30, 2017, certain investments in one portfolio company held by MCC JV were on non-accrual status.

Below is a summary of MCC JV's portfolio, excluding equity investments, followed by a listing of the individual investments in MCC JV's portfolio as of June 30, 2018 and September 30, 2017:

	June 30, 2018	September 30, 2017
	(unaudited)	
Senior secured loans <sup>(1)</sup>	\$267,504,346	\$187,473,188
Weighted average current interest rate on senior secured loans <sup>(2)</sup>	7.21	% 6.69 %
Number of borrowers in MCC JV	55	46
Largest loan to a single borrower <sup>(1)</sup>	\$11,173,572	\$11,346,929
Total of five largest loans to borrowers <sup>(1)</sup>	\$48,846,434	\$44,015,117

(1) At par value.

(2) Computed as the (a) annual stated interest rate on accruing senior secured loans, divided by (b) total senior secured loans at par.

Edgar Filing: Medley Capital Corp - Form 10-Q

MCC JV Loan Portfolio as of June 30, 2018  
(unaudited)

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
4 Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/7/2022	\$11,173,572	\$11,173,572	\$11,173,572	12.5 %
				11,173,572	11,173,572	11,173,572	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/22/2023	2,950,206	2,943,644	2,937,225	3.3 %
		Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/22/2023	700,000	699,125	695,170	0.8 %
				3,650,206	3,642,769	3,632,395	
Associated Asphalt Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/5/2024	988,929	984,844	963,414	1.1 %
				988,929	984,844	963,414	
Avantor, Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/21/2024	6,542,125	6,456,124	6,569,602	7.3 %
				6,542,125	6,456,124	6,569,602	
Blount International, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/12/2023	2,369,063	2,363,958	2,369,063	2.6 %
				2,369,063	2,363,958	2,369,063	
BW NHHC Holdco Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR +	5/15/2025	7,000,000	6,896,387	6,895,000	7.7 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		5.00%)( <sup>1</sup> )		7,000,000	6,896,387	6,895,000		
Canyon Valor Companies, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 3.25%, 1.00% LIBOR Floor)( <sup>1</sup> )	6/16/2023	953,853	951,827	956,237	1.1	%
				953,853	951,827	956,237		
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)( <sup>1</sup> )	11/29/2023	5,417,500	5,375,576	5,386,620	6.0	%
				5,417,500	5,375,576	5,386,620		
CD&R TZ Purchaser, Inc	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)( <sup>1</sup> )	7/21/2023	3,436,877	3,399,358	3,394,603	3.8	%
				3,436,877	3,399,358	3,394,603		
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)( <sup>1</sup> )	4/10/2025	2,875,000	2,861,076	2,860,625	3.2	%
				2,875,000	2,861,076	2,860,625		
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.75%)( <sup>1</sup> )	10/4/2024	9,032,013	9,010,733	9,019,368	10.1	%
				9,032,013	9,010,733	9,019,368		

F-33

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.75% PIK, 4.75% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	236,514	213,454	141,295	0.0 %
		Senior Secured First Lien Term Loan C (ABR + 8.75% PIK, 4.75% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	1,766,333	1,701,6—	—	0.0 %
		Senior Secured First Lien Term Loan D (ABR + 7.25% PIK, 4.75% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	1,038,290	—	—	0.0 %
		Common Stock (41 units)	4/1/2019	—	—	—	0.0 %
				3,041,193	3,046,71	1,295	
CSP Technologies North America, LLC	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2022	2,461,562	2,461,562	2,461,562	0.0 %
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/1/2021	4,185,840	3,883,771	4,049,802	0.0 %
DigiCert, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/31/2024	4,488,750	4,169,228	4,182,017	0.0 %
Elite Comfort Solutions LLC	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/15/2021	5,583,356	5,583,356	5,583,356	0.0 %
Evo Payments International, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/22/2023	4,038,243	4,010,962	4,038,213	0.0 %



Edgar Filing: Medley Capital Corp - Form 10-Q

GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/20/2021	2,946,503,508,55,739	%
				2,946,503,508,55,739	
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/23/2024	4,962,569,45,282,62,563	%
				4,962,569,45,282,62,563	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/20/2023	10,718,367,18,367,18,357	%
				10,718,367,18,367,18,357	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/30/2022	1,837,508,18,387,10,345	%
				1,837,508,18,387,10,345	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2025	7,000,069,77,704,82,508	%
				7,000,069,77,704,82,508	
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/21/2022	7,900,008,36,675,33,444	%
				7,900,008,36,675,33,444	

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2023	4,937,500	4,937,500	4,937,500	15.34 %
						4,937,500	15.31 %
Isagenix International, LLC	Consumer Goods - Durable	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/16/2025	2,975,000	2,975,000	2,975,000	9.69 %
						2,975,000	9.69 %
Jackson Hewitt Tax Services Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/20/2023	6,000,000	6,000,000	6,000,000	19.67 %
						6,000,000	19.67 %
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/1/2024	6,241,300	6,241,300	6,241,300	20.28 %
						6,241,300	20.23 %
The KEYW Corporation	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/8/2024	3,500,000	3,500,000	3,500,000	11.50 %
						3,500,000	11.50 %
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2024	5,031,600	5,031,600	5,031,600	16.26 %
						5,031,600	16.26 %
LegalZoom.com, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/21/2024	1,989,800	1,989,800	1,989,800	6.26 %
						1,989,800	6.26 %
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/18/2022	5,573,750	5,573,750	5,573,750	17.62 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Floor) <sup>(1)</sup>		5,573,718,485,540	57,324	
Loparex International B.V.	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/11/2025	7,500,000	63,646	62,500 %
				7,500,000	63,646	62,500
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/8/2023	3,444,083	444,083	14,468 %
				3,444,083	444,083	14,464
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/14/2022	4,568,920	660,265	68,920 %
				4,568,920	660,265	68,920
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/28/2025	4,239,373	318,803	18,478 %
				4,239,373	318,803	18,178
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/29/2024	4,950,000	929,340	14,855 %
				4,950,000	929,340	14,855

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/22/2022	4,924,051	4,924,051	4,924,051	%
						4,924,051	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2024	6,830,627	6,830,627	6,830,627	%
						6,830,627	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/30/2021	4,925,289	4,925,289	4,925,289	%
						4,925,289	
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/25/2023	7,972,492	7,972,492	7,972,492	%
						7,972,492	
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/3/2025	3,466,314	3,466,314	3,466,314	%
						3,466,314	
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/28/2022	2,796,429	2,796,429	2,796,429	%
						2,796,429	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/31/2022	4,292,582	4,292,582	4,292,582	%
						4,292,582	
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2024	9,950,000	9,950,000	9,950,000	%

Edgar Filing: Medley Capital Corp - Form 10-Q

		Floor) <sup>(1)</sup>			9,950,000	28,950,000	
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/11/2024	6,225,062	204,862	17,553	%
				6,225,062	204,862	17,553	
Starfish Holdco, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/16/2024	3,965,081	929,951	67,392	%
				3,965,081	929,951	67,392	
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/9/2023	4,987,500	39,743	975,530	%
				4,987,500	39,743	975,530	
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/28/2021	4,936,389	36,389	29,969	%
				4,936,389	36,389	29,969	
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/11/2024	5,000,000	986,251	975,000	%
				5,000,000	986,251	975,000	

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>	
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2025	2,468,813	2,457,191	2,481,897	2.8	%
					2,468,813	2,457,191	2,481,897	
United Road Services, Inc	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/1/2024	3,910,000	3,892,352	3,924,858	4.4	%
					3,910,000	3,892,352	3,924,858	
Verscend Holding Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/1/2023	2,760,294	2,740,555	2,791,209	3.1	%
					2,760,294	2,740,555	2,791,209	
Wheels Up Partners LLC	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/15/2020	4,628,783	4,507,086	4,547,780	5.1	%
					4,628,783	4,507,086	4,547,780	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/12/2024	6,982,500	6,982,500	6,982,500	7.8	%
					6,982,500	6,982,500	6,982,500	
Z-Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2022	2,927,875	2,927,875	2,910,601	3.3	%
					2,927,875	2,927,875	2,910,601	
Total Investments, June 30, 2018				\$267,504,346	\$263,876,552	\$262,834,997	294.2	%

Edgar Filing: Medley Capital Corp - Form 10-Q

- (1) Represents the annual current interest rate as of June 30, 2018. All interest rates are payable in cash, unless otherwise noted.
- (2) Represents the fair value in accordance with ASC 820 as reported by MCC JV. The determination of such fair value is not included in the Company's board of directors' valuation process described elsewhere herein.
- (3) This investment was on non-accrual status as of June 30, 2018.
- (4) Percentage is based on MCC JV's net assets of \$89,406,852 as of June 30, 2018.

F-37

---

Edgar Filing: Medley Capital Corp - Form 10-Q

MCC JV Loan Portfolio as of September 30, 2017

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/7/2022	\$ 11,346,929	\$ 11,346,929	\$ 11,346,929	17.7 %
				11,346,929	11,346,929	11,346,929	
AccentCare, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/1/2021	5,006,781	4,978,815	4,981,747	7.8 %
				5,006,781	4,978,815	4,981,747	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/22/2023	497,500	496,327	502,475	0.8 %
				497,500	496,327	502,475	
Amplify Snack Brands, Inc.	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/4/2023	1,811,579	1,796,231	1,781,688	2.8 %
				1,811,579	1,796,231	1,781,688	
Apco Holdings, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2022	3,508,277	3,432,083	3,508,277	5.5 %
				3,508,277	3,432,083	3,508,277	
API Technologies Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00%	4/22/2022	2,951,250	2,906,128	2,951,250	4.6 %



Edgar Filing: Medley Capital Corp - Form 10-Q

		LIBOR Floor) <sup>(1)</sup>		2,951,250	2,906,128	2,951,250		
Associated Asphalt Partners, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/5/2024	997,500	992,848	992,513	1.5	%
				997,500	992,848	992,513		
Avantor Performance Materials Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/11/2024	2,985,000	2,978,117	2,985,000	4.7	%
				2,985,000	2,978,117	2,985,000		
Blount International, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/12/2023	2,962,500	2,918,684	2,962,500	4.6	%
		Senior Secured First Lien Term Loan (ABR + 4.00%, 4.25% ABR Floor) <sup>(1)</sup>	4/12/2023	7,500	7,389	7,500	0.0	%
				2,970,000	2,926,073	2,970,000		
Canyon Valor Companies, Inc. (fka GTCR Valor Companies, Inc.)	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/16/2023	2,475,000	2,468,952	2,499,750	3.9	%
				2,475,000	2,468,952	2,499,750		
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2023	5,458,750	5,410,676	5,450,016	8.5	%
				5,458,750	5,410,676	5,450,016		
CD&R TZ Purchaser, Inc	Services: Consumer	Senior Secured First Lien Term	7/21/2023	3,465,000	3,421,596	3,456,338	5.4	%

Edgar Filing: Medley Capital Corp - Form 10-Q

Loan (LIBOR +  
6.00%, 1.00%  
LIBOR  
Floor)<sup>(1)</sup>

3,465,000    3,421,596    3,456,338

F-38

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 4.25% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	219,589	213,453	19,728	0.1 %
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 4.25% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	1,603,887	1,016	—	0.0 %
		Preferred Facility (ABR + 7.00% PIK, 3.75% ABR Floor) <sup>(1)(3)</sup>	4/1/2019	934,849	—	—	0.0 %
		Revolving Credit Facility (ABR + 3.50% Cash, 4.25% ABR Floor) <sup>(1)</sup>	4/1/2019	—	—	—	0.0 %
		Common Stock		41	—	—	0.0 %
				2,758,360	2,463,728		
CSP Technologies North America, LLC	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2022	2,480,789	2,480,789	2,480,781	%
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/1/2021	5,218,206	5,218,206	5,218,206	%
Elite Comfort Solutions, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/15/2021	5,810,616	5,810,616	5,810,616	%
Evo Payments International, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/22/2023	3,482,500	3,517,325	3,517,325	%
Explorer Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/2/2023	979,038	976,119	82,758	8.5 %

Edgar Filing: Medley Capital Corp - Form 10-Q

				979,038	76,119	82,758	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/20/2021	2,969,460	57,679	408,592	%
				2,969,460	57,679	408,592	
Global Eagle Entertainment Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/6/2023	4,147,500	79,692	116,394	%
				4,147,500	79,692	116,394	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/20/2023	6,708,188	808,188	1885	%
				6,708,188	808,188	188	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/30/2022	1,851,568	28,707	73,988	%
				1,851,568	28,707	73,982	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/18/2024	3,110,896	96,476	10,895	%
				3,110,896	96,476	10,895	

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 6/21/2022 1.00% LIBOR Floor) <sup>(1)</sup>		7,960,000	8,184,188	8,400,400	1.3 %
						7,960,000	8,184,188
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 4/3/2023 1.00% LIBOR Floor) <sup>(1)</sup>		4,975,000	28,999	25,250	0 %
						4,975,000	28,999
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 5/1/2024 1.00% LIBOR Floor) <sup>(1)</sup>		8,000,000	857,682	200,000	0.5 %
						8,000,000	857,682
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 4/26/2024 1.00% LIBOR Floor) <sup>(1)</sup>		6,500,000	77,765	16,250	0.3 %
						6,500,000	77,765
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 8/18/2022 1.00% LIBOR Floor) <sup>(1)</sup>		5,000,000	50,699	50,000	0 %
						5,000,000	50,699
Lighthouse Network, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 10/13/2023 1.00% LIBOR Floor) <sup>(1)</sup>		4,466,250	427,644	466,250	0 %
						4,466,250	427,644
MB Aerospace ACP Holdings II Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 12/15/2022 1.00% LIBOR Floor) <sup>(1)</sup>		5,163,678	28,251	63,678	0 %
						5,163,678	28,251
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 7/14/2022 1.00% LIBOR Floor) <sup>(1)</sup>		2,932,320	32,320	32,340	0 %
						2,932,320	32,320
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 4/29/2024 1.00% LIBOR Floor) <sup>(1)</sup>		4,987,500	63,982	62,563	0 %
						4,987,500	63,982

Edgar Filing: Medley Capital Corp - Form 10-Q

PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien			
		Term Loan (LIBOR + 5.00%, 8/22/2022 1.00% LIBOR Floor) <sup>(1)</sup>	4,962,025	<del>4,962,025</del>	<del>4,962,025</del> %
			4,962,025	<del>4,962,025</del>	
Pomeroy Group LLC	Services: Business	Senior Secured First Lien			
		Term Loan (LIBOR + 6.00%, 11/30/2021 1.00% LIBOR Floor) <sup>(1)</sup>	2,343,588	<del>2,343,588</del>	<del>2,343,588</del> %
		Senior Secured First Lien			
		Term Loan (LIBOR + 6.00%, 11/30/2021 1.00% LIBOR Floor) <sup>(1)</sup>	419,504	<del>419,504</del>	<del>419,504</del> %
			2,763,088	<del>2,763,088</del>	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien			
		Term Loan (LIBOR + 6.50%, 11/30/2021 1.00% LIBOR Floor) <sup>(1)</sup>	4,962,509	<del>4,962,509</del>	<del>4,962,509</del> %
			4,962,509	<del>4,962,509</del>	

F-40

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(4)</sup>	
Quorum Health Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/29/2022	1,176,137	1,158,096	1,191,191	1.9	%
				1,176,137	1,158,096	1,191,191		
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/25/2023	4,987,500	4,940,019	4,937,625	7.7	%
				4,987,500	4,940,019	4,937,625		
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/28/2022	2,948,214	2,895,729	2,935,832	4.6	%
				2,948,214	2,895,729	2,935,832		
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/31/2022	2,778,498	2,737,893	2,806,283	4.4	%
				2,778,498	2,737,893	2,806,283		
Starfish Holdco, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/16/2024	5,000,000	4,950,395	4,950,000	7.7	%
				5,000,000	4,950,395	4,950,000		

Edgar Filing: Medley Capital Corp - Form 10-Q

Sundial Group Holdings LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/15/2024	10,000,000	9,852,004	9,850,000	15.4	%
				10,000,000	9,852,004	9,850,000		
Survey Sampling International, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/16/2020	2,954,530	2,934,263	2,954,530	4.6	%
				2,954,530	2,934,263	2,954,530		
TouchTunes Interactive Networks, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/28/2021	4,974,555	4,974,555	5,005,894	7.8	%
				4,974,555	4,974,555	5,005,894		
TrialCard Incorporated	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/26/2021	3,300,075	3,273,215	3,300,075	5.1	%
				3,300,075	3,273,215	3,300,075		
VCVH Holding Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/1/2023	2,962,500	2,938,097	2,958,353	4.6	%
				2,962,500	2,938,097	2,958,353		
VIP Cinema Holdings, Inc.	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/1/2023	728,165	724,860	735,446	1.1	%



Edgar Filing: Medley Capital Corp - Form 10-Q

Floor)<sup>(1)</sup>

728,165      724,860      735,446

Total Investments, September 30,  
2017

\$ 187,473,229   \$ 183,950,100   \$ 184,241,231   287.6 %

(1) Represents the annual current interest rate as of September 30, 2017. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the fair value in accordance with ASC 820 as reported by MCC JV. The determination of such fair value is not included in the Company's board of directors' valuation process described elsewhere herein.

(3) This investment was on non-accrual status as of September 30, 2017.

(4) Percentage is based on MCC JV's net assets of \$64,157,655 as of September 30, 2017.

F-41

---

Edgar Filing: Medley Capital Corp - Form 10-Q

Below is certain summarized financial information for MCC JV as of June 30, 2018 and September 30, 2017, and for the three and nine months ended June 30, 2018 and 2017:

	June 30, 2018 (unaudited)	September 30, 2017
Selected Consolidated Statement of Assets and Liabilities Information:		
Investments in loans at fair value (cost: of \$263,876,552 and \$183,950,100, respectively)	\$262,834,997	\$184,241,231
Cash	8,326,619	8,908,117
Other assets	1,051,104	597,831
Total assets	\$272,212,720	\$193,747,179
Line of credit (net of debt issuance costs of \$1,517,573 and \$1,789,953, respectively)	\$177,762,427	\$128,690,047
Other liabilities	4,315,883	440,959
Interest payable	727,558	458,518
Total liabilities	182,805,868	129,589,524
Members' capital	89,406,852	64,157,655
Total liabilities and members' capital	\$272,212,720	\$193,747,179

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Selected Consolidated Statement of Operations Information:				
Total revenues	\$4,562,308	\$2,776,134	\$12,161,439	\$7,107,843
Total expenses	(2,415,306 )	(1,498,453 )	(6,415,916 )	(3,488,822 )
Net unrealized appreciation/(depreciation)	(1,473,641 )	(667,417 )	(1,427,303 )	(373,455 )
Net realized gain/(loss)	248,853	142,139	861,361	547,827
Net income/(loss)	\$922,214	\$752,403	\$5,179,581	\$3,793,393

#### Unconsolidated Significant Subsidiaries

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, the Company must determine which of its unconsolidated Control Investments, if any, are considered "significant subsidiaries." In evaluating these investments, there are three tests utilized to determine if any Controlled Investments are considered significant subsidiaries: the investment test, the asset test and the income test. Rule 3-09 of Regulation S-X requires the Company to include separate audited financial statements of any unconsolidated majority-owned subsidiary (Control Investments in which the Company owns greater than 50% of the voting securities) in an annual report if any of the three tests exceed 20% of the Company's total investments at fair value, total assets, or total income, respectively. Rule 4-08(g) of Regulation S-X requires summarized financial information of Control Investments in an annual report if any of the three tests exceeds 10%, and summarized financial information in a quarterly report if any of the three tests exceeds 20% pursuant to Rule 10-01(b)(1) of Regulation S-X.

As of June 30, 2018, excluding MCC JV, the Company had no single Control Investment that represented greater than 20% of its total Investment Portfolio at fair value and no single investment whose total assets represented greater than 20% of its total assets. After performing the income test for the nine months ended June 30, 2018, the Company determined that no single Control Investment's income individually generated more than 20% of the Company's total income.

The Company determined that the assets of MCC JV represented greater than 20% of its total assets and also generated more than 20% of the Company's total income primarily due to dividend income. Accordingly, the related summary financial information is presented in the "MCC Senior Loan Strategy JV I LLC" heading above.

#### Note 4. Fair Value Measurements

The Company follows ASC 820 for measuring the fair value of portfolio investments. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. The Company's fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined below. Investments which are valued using NAV as a practical expedient are excluded from this hierarchy:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.

Level 3 - Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date. The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the Market or Income Approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and EBITDA multiples. The information may also include pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

In addition to using the above inputs in investment valuations, the Company continues to employ the valuation policy approved by the board of directors that is consistent with ASC 820 (see Note 2). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value.

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of June 30, 2018 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ —	—\$	—\$384,286	\$384,286
Senior Secured Second Lien Term Loans	—	—	47,434	47,434
Senior Secured First Lien Notes	—	—	20,154	20,154
Unsecured Debt	—	—	1,007	1,007
Equity/Warrants	—	—	103,756	103,756
Total	\$ —	—\$	—\$556,637	\$556,637
MCC Senior Loan Strategy JV I LLC <sup>(1)</sup>				\$78,231
Total Investments, at fair value				\$634,868

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2017 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ —	\$—	\$537,163	\$537,163
Senior Secured Second Lien Term Loans	—	—	135,826	135,826
Senior Secured First Lien Notes	—	7,067	20,478	27,545
Unsecured Debt	—	—	—	—
Equity/Warrants	38	21	80,260	80,319
Total	\$ 38	\$7,088	\$773,727	\$780,853
MCC Senior Loan Strategy JV I LLC <sup>(1)</sup>				\$56,138
Total Investments, at fair value				\$836,991

Certain investments that are measured at fair value using NAV have not been categorized in the fair value (1) hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the Consolidated Statements of Assets and Liabilities.

F-43

---

Edgar Filing: Medley Capital Corp - Form 10-Q

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended June 30, 2018 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien Notes	Unsecured Debt	Equities/Warrants	Total
Balance as of September 30, 2017	\$537,163	\$135,826	\$20,478	\$ —	\$ 80,260	\$773,727
Purchases and other adjustments to cost	(7,003 )	10,709	6	—	4,362	8,074
Originations	95,944	401	—	1,007	20,784	118,136
Sales	(25,960 )	(17,714 )	(7,013 )	—	—	(50,687 )
Settlements	(131,848 )	(69,819 )	—	—	—	(201,667 )
Net realized gains/(losses) from investments	(20,895 )	(37,806 )	239	—	—	(58,462 )
Net transfers in and/or out of Level 3	—	—	7,067	—	59	7,126
Net unrealized gains/(losses)	(63,115 )	25,837	(623 )	—	(1,709 )	(39,610 )
Balance as of June 30, 2018	\$384,286	\$47,434	\$20,154	\$ 1,007	\$ 103,756	\$556,637

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the nine months ended June 30, 2017 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien Notes	Unsecured Debt	Equities/Warrants	Total
Balance as of September 30, 2016	\$565,329	\$213,537	\$21,048	\$ 52,809	\$ 23,112	\$875,835
Purchases and other adjustments to cost	10,324	7,707	—	4,445	402	22,878
Originations	123,677	29,000	—	1,973	64,174	218,824
Sales	(27,951 )	(38,500 )	—	(30,552 )	—	(97,003 )
Settlements	(126,969 )	(23,977 )	—	(15,000 )	(2,312 )	(168,258 )
Net realized gains/(losses) from investments	(26,470 )	(7,587 )	—	(289 )	(21,158 )	(55,504 )
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	14,583	5,736	(570 )	(13,386 )	16,077	22,440
Balance as of June 30, 2017	\$532,523	\$185,916	\$20,478	\$ —	\$ 80,295	\$819,212

Net change in unrealized loss included in earnings related to investments still held as of June 30, 2018 and 2017 was approximately \$70.0 million and \$15.1 million, respectively.

Purchases and other adjustments to cost include purchases of new investments at cost, effects of refinancing/restructuring, accretion/amortization of income from discount/premium on debt securities, and PIK.

Sales represent net proceeds received from investments sold.

Settlements represent principal paydowns received.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the

Edgar Filing: Medley Capital Corp - Form 10-Q

quarter in which the reclassifications occur. During the nine months ended June 30, 2018, one of our senior secured first lien notes with a fair value of \$7.1 million, and one of our warrant positions with a fair value of \$0 transferred from Level 2 to Level 3 because of the decrease in availability of the transaction data or the inputs to the valuation. During the nine months ended June 30, 2018, one of our equity positions with a fair value of \$0 transferred from Level 1 to Level 3 because of the decrease in availability of the transaction data or the inputs to the valuation. During the nine months ended June 30, 2017, none of our investments transferred in or out of Level 3.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of June 30, 2018 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$231,942	Income Approach (DCF)	Market Yield	7.18% - 15.55% (10.53%)
			Revenue Multiple <sup>(1)</sup>	0.75x - 1.35x (1.00x)
Senior Secured First Lien Term Loans	134,987	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions)/Income Approach (DCF) / Enterprise Value Analysis	EBITDA Multiple <sup>(1)</sup>	4.50x - 6.50x (5.99x)
			Discount Rate Expected	10.00% - 19.75% (17.24%)
			Proceeds	\$0.0M - \$5.7M (\$1.4M)

F-44

Edgar Filing: Medley Capital Corp - Form 10-Q

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	17,357	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	20,154	Income Approach (DCF)	Market Yield	9.88%
Senior Secured Second Lien Term Loan	32,066	Income Approach (DCF)	Market Yield	9.34% - 17.31% (12.73%) 0.60x - 0.80x (0.70x)
Senior Secured Second Lien Term Loans	14,967	Market Approach (Guideline Comparable) / Income Approach (DCF)	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount Rate	6.75x - 7.75x (7.25x) 15.50% - 17.50% (16.50%)
Senior Secured Second Lien Term Loans	401	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Unsecured Debt	—	Market Approach (Guideline Comparable) / Income Approach (DCF) / Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> Discount Rate Expected Proceeds	1.10x - 1.30x (1.20x) 18.75% - 20.75% (19.75%) \$0.0M - \$1.0M (\$0.5M)
Unsecured Debt	1,007	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	6,535	Income Approach (DCF)	Market Yield	8.75% 0.70x - 1.35x (0.71x)
Equity	92,591	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF) / Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount Rate Expected Proceeds	4.50x - 13.50x (9.85x) 10.00% - 21.50% (14.82%) \$0.0M - \$5.7M (\$0.4M)
Equity	4,630	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Total	\$556,637			

The following table has been modified to conform to the current period presentation, and presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2017 (dollars in



Edgar Filing: Medley Capital Corp - Form 10-Q

thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$288,134	Income Approach (DCF)	Market yield	8.63% - 14.74% (11.15%)
Senior Secured First Lien Term Loans	5,254	Enterprise Value Analysis	Expected Proceeds	\$0.0M - \$4.9M (\$4.6M) 0.60x - 3.00x (1.42x)
Senior Secured First Lien Term Loans	184,059	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF)	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount rate	5.50x - 8.00x (6.77x) 10.00% - 22.00% (17.79%)
Senior Secured First Lien Term Loans	59,716	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	20,478	Income Approach (DCF)	Market yield	8.85% - 8.85% (8.85%)
Senior Secured Second Lien Term Loan	88,126	Income Approach (DCF)	Market yield	9.92% - 16.16% (12.22%)
Senior Secured Second Lien Term Loans	7,760	Enterprise Value Analysis	Expected Proceeds	\$0.0M - \$15.5M (\$7.8M)
Senior Secured Second Lien Term Loan	20,894	Recent Arms-Length Transaction	Recent Arms-Length Transaction	N/A
Senior Secured Second Lien Term Loan	19,046	Market Approach (Guideline Comparable) / Income Approach (DCF)	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount Rate	0.55x - 0.70x (0.67x) 7.00x - 9.13x (8.06x) 17.50% - 18.00% (17.61%)
Unsecured Debt	—	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF)	Revenue Multiple <sup>(1)</sup> Discount rate	1.00x - 1.40x (1.20x) 17.50% - 23.50% (20.50%)
Equity	38,893	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A

F-45

Edgar Filing: Medley Capital Corp - Form 10-Q

Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	
Equity 41,367	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF)	Revenue Multiple <sup>(1)</sup>	0.70x - 3.00x (0.74x)	
		EBITDA Multiple <sup>(1)</sup>	5.00x - 8.63x (7.10x)	
		Discount rate	10.00% - 20.50% (16.42%)	
		Expected Proceeds	\$1.9M - \$8.0M (\$5.0M)	
Equity—		Enterprise Value Analysis	Expected Proceeds	\$0.0M
Total				\$773,727

(1) Represents inputs used when the Company has determined that market participants would use such multiples when measuring the fair value of these investments.

The significant unobservable inputs used in the fair value measurement of the Company's debt investments are market yields. Increases in market yields would result in lower fair value measurements holding all other variables constant.

The significant unobservable inputs used in the fair value measurement of the Company's equity/warrants investments are comparable company multiples of Revenue or EBITDA (earnings before interest, taxes, depreciation and amortization) for the last twelve months ("LTM"), next twelve months ("NTM") or a reasonable period a market participant would consider. Increases in EBITDA multiples in isolation would result in higher fair value measurements.

In September 2017, the Company entered into an agreement with Global Accessories Group, LLC ("Global Accessories"), in which the Company exchanged its full position in Lydell Jewelry Design Studio, LLC for a 3.8% membership interest in Global Accessories, which is included in the Consolidated Schedule of Investments. As part of the agreement, the Company is entitled to contingent consideration in the form of cash payments ("Earnout"), as well as up to an additional 5% membership interest ("AMI"), provided Global Accessories achieves certain financial benchmarks over specified time frames. The Earnout and AMI were initially recorded an aggregate fair value of \$2.4 million on the transaction date using the Income Approach and were included on the Consolidated Statements of Assets and Liabilities in other assets. The contingent consideration will be remeasured to fair value at each reporting date until the contingency is resolved. Any changes in fair value will be recognized in earnings. As of June 30, 2018, there was no change in fair value of the contingent consideration.

#### Note 5. Borrowings

As a BDC, we are generally only allowed to employ leverage to the extent that our asset coverage, as defined in the 1940 Act, equals at least 200% after giving effect to such leverage. The amount of leverage that we employ at any time depends on our assessment of the market and other factors at the time of any proposed borrowing.

Recent legislation, however, modifies the required minimum asset coverage ratio from 200% to 150%, if certain requirements are met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of our independent directors to approve an increase in our leverage

capacity, and such approval would become effective after the one-year anniversary of such approval.

On November 16, 2012, we obtained an exemptive order from the Securities and Exchange Commission (“SEC”) to permit us to exclude the debt of the SBIC LP guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. The exemptive order provides us with increased flexibility under the 200% asset coverage test by permitting SBIC LP to borrow up to \$150 million more than it would otherwise be able to absent the receipt of this exemptive order.

The Company’s outstanding debt excluding debt issuance costs as of June 30, 2018 and September 30, 2017 was as follows (dollars in thousands):

	June 30, 2018				September 30, 2017			
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value
Revolving Credit Facility	\$ 150,000	\$ 1,500	\$ 1,500	\$ 1,500	\$ 200,000	\$ 68,000	\$ 68,000	\$ 68,000
Term Loan Facility	—	—	—	—	102,000	102,000	102,000	102,000
2019 Notes	—	—	—	—	—	—	—	—
2021 Notes	74,013	74,013	74,013	75,019	74,013	74,013	74,013	77,121
2023 Notes	89,847	89,847	89,847	87,690	102,847	102,847	102,847	103,464
2024 Notes	121,276	121,276	121,276	110,428	N/A	N/A	N/A	N/A
SBA Debentures	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total	\$ 585,136	\$ 436,636	\$ 436,636	\$ 424,637	\$ 628,860	\$ 496,860	\$ 496,860	\$ 500,585

Credit Facility

Term Loan Facility

The Company had a Senior Secured Term Loan Credit Agreement, as amended (the “Term Loan Facility”), that was scheduled to mature on July 28, 2020.

On September 1, 2017, the Company reduced the Term Loan Facility commitment to \$102.0 million from \$174.0 million. The reduction was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.6 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On January 31, 2018, the Company voluntarily prepaid the remaining \$102.0 million outstanding on the Term Loan Facility. The payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.9 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

### Revolving Credit Facility

The Company has a Senior Secured Revolving Credit Agreement, as amended (the “Revolving Credit Facility” and collectively with the Term Loan Facility, the “Facilities”), with ING Capital LLC, as Administrative Agent, in order to borrow funds to make additional investments.

The pricing on the Revolving Credit Facility is LIBOR (with no minimum) plus 2.75% and will decrease by an additional 25 basis points upon receiving an investment grade rating from Standard & Poor’s. The Revolving Credit Facility’s revolving period ends July 28, 2019, followed by a one year amortization period and a final maturity on July 28, 2020.

On February 14, 2017, the Company elected to reduce the total commitment of the Revolving Credit Facility to \$200.0 million from \$343.5 million. The reduction was accounted for as a debt modification to a line-of credit or revolving-debt arrangement in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to an acceleration of debt issuance costs in the amount of \$1.3 million and recorded on the Consolidated Statements of Operations as a component of interest and financing expenses.

On February 12, 2018, the Company elected to reduce the total commitment of the Revolving Credit Facility to \$150.0 million from \$200.0 million. The reduction was accounted for as a debt modification to a line-of credit or revolving-debt arrangement in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to an acceleration of debt issuance costs in the amount of \$0.4 million and recorded on the Consolidated Statements of Operations as a component of interest and financing expenses.

Borrowings under the Revolving Credit Facility are subject to, among other things, a minimum borrowing/collateral base, and substantially all of the Company’s assets are pledged as collateral. In addition, the Revolving Credit Facility requires the Company to, among other things (i) make representations and warranties regarding the collateral as well the Company’s business and operations, (ii) agree to certain indemnification obligations and (iii) agree to comply with various affirmative and negative covenants. The documentation for Revolving Credit Facility also includes default provisions such as the failure to make timely payments, the occurrence of a change in control and the failure by the Company to materially perform under the operative agreements governing the Revolving Credit Facility, which, if not complied with, could accelerate repayment, thereby materially and adversely affecting the Company’s liquidity, financial condition and results of operations.

At June 30, 2018, the carrying amount of our borrowings under the Revolving Credit Facility approximated its fair value. The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the

Edgar Filing: Medley Capital Corp - Form 10-Q

measurement date under current market conditions. The fair value of our borrowings under the Facilities are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. As of June 30, 2018 and September 30, 2017, the valuation of the Revolving Credit Facility and the Facilities, would be deemed to be Level 3 in the fair value hierarchy, respectively, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Facilities are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Facilities. As of June 30, 2018 and September 30, 2017, debt issuance costs related to the Facilities were as follows (dollars in thousands):

	June 30, 2018		September 30, 2017	
	Revolving Facility	Term Facility	Revolving Facility	Term Facility
Total Debt Issuance Costs	\$8,747	\$4,491	\$8,546	\$4,490
Amortized Debt Issuance Costs	7,596	4,491	6,769	3,444
Unamortized Debt Issuance Costs	\$1,151	\$—	\$1,777	\$1,046

The following table shows the components of interest expense, commitment fees related to the Facilities, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Facilities for the three and nine months ended June 30, 2018 and 2017 (dollars in thousands):

F-47

---

Edgar Filing: Medley Capital Corp - Form 10-Q

	For the three months		For the nine months	
	ended June 30		ended June 30	
	2018	2017	2018	2017
Revolving Facility interest	\$14	\$225	\$729	\$405
Revolving Facility commitment fee	376	447	1,150	1,952
Term Facility interest	—	1,773	1,505	5,030
Amortization of debt issuance costs	138	306	952	2,580
Agency and other fees	19	20	57	59
Total	\$547	\$2,771	\$4,393	\$10,026
Weighted average stated interest rate (annualized)	4.8 %	4.1 %	4.4 %	3.9 %
Weighted average outstanding balance	\$1,220	\$197,077	\$68,048	\$187,991

Unsecured Notes

2019 Notes

On March 21, 2012, the Company issued \$40.0 million in aggregate principal amount of 7.125% unsecured notes which were scheduled to mature on March 30, 2019 (the "2019 Notes"). The 2019 Notes bore interest at a rate of 7.125% per year, and were payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2012. The 2019 Notes were listed on the NYSE and traded thereon under the trading symbol "MCQ". On February 22, 2017, the 2019 Notes were redeemed at par plus accrued and unpaid interest. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.5 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

2021 Notes

On December 17, 2015, the Company issued \$70.8 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the "2021 Notes"). On January 14, 2016, the Company closed an additional \$3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes. The 2021 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after January 30, 2019. The 2021 Notes bear interest at a rate of 6.50% per year, payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning January 30, 2016. The 2021 Notes are listed on the NYSE and trade thereon under the trading symbol "MCX".

2023 Notes

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes," and together with the 2019 Notes, the 2021 Notes and the 2024 Notes, the "Unsecured Notes"). On March 26, 2013, the Company closed an additional \$3.5 million in aggregate principal amount of the 2023 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes. As of March 30, 2016, the 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2013. The 2023 Notes are listed on the NYSE and trade thereon under the trading symbol "MCV".

On December 12, 2016, the Company entered into an "At-The-Market" ("ATM") debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to \$40.0 million in aggregate principal amount of the 2023 Notes. The Company has sold 1,573,872 of the 2023 Notes at an average price

of \$25.03 per note, and has raised \$38.6 million in net proceeds, since inception of the ATM debt distribution agreement.

On March 10, 2018, the Company redeemed \$13.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

#### 2024 Notes

On January 26, 2018, the Company priced a debt offering in Israel of \$121.1 million in aggregate principal amount of the 2024 Notes that mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. As of March 27, 2018, the 2024 Notes may be redeemed in whole or in part at anytime or from time to time at the Company's option. The 2024 Notes bear interest at a rate of 5.30% per year, payable semi-annually on February 27 and August 27 of each year, beginning August 27, 2018.

The deed of trust governing the 2024 Notes includes certain customary covenants, including minimum equity requirements, and events of default. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act of 1933 or in transactions exempt from, or not subject to, such registration requirements. The 2024 Notes are listed for trading on the TASE and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. In connection with this offering, we have dual listed our common stock on the TASE.

On June 5, 2018, the Company announced that, on June 1, 2018, its board of directors authorized the Company to repurchase and retire up to \$20 million of the Company's outstanding 2024 Notes on TASE. Execution of the repurchase plan is subject to an open trading window for the Company and continued liquidity at that time and is expected to continue until the full authorized amount is purchased or market conditions change. The repurchase of the 2024 Notes is not expected to result in any material tax consequences to the Company or its note holders.

The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Unsecured Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of June 30, 2018 and September 30, 2017, the Unsecured Notes would be deemed to be Level 1 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Unsecured Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Unsecured Notes. As of June 30, 2018 and September 30, 2017, debt issuance costs related to the Unsecured Notes were as follows (dollars in thousands):

	June 30, 2018					September 30, 2017				
	2019 Notes	2021 Notes	2023 Notes	2024 Notes	Total	2019 Notes	2021 Notes	2023 Notes	2024 Notes	Total
Total Debt Issuance Costs	\$1,475	\$3,226	\$3,102	\$6,287	\$14,090	\$1,475	\$3,226	\$3,102	N/A	\$7,803
Amortized Debt Issuance Costs	1,475	1,597	1,574	626	5,272	1,475	1,127	1,078	N/A	3,680
Unamortized Debt Issuance Costs	\$—	\$1,629	\$1,528	\$5,661	\$8,818	\$—	\$2,099	\$2,024	N/A	\$4,123

For the three and nine months ended June 30, 2018 and 2017, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Unsecured Notes were as follows (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
2019 Notes interest	\$—	\$—	\$—	\$1,116
2021 Notes interest	1,203	1,203	3,608	3,608
2023 Notes interest	1,376	1,575	4,481	4,111
2023 Notes premium	(1 )	(1 )	(2 )	(1 )
2024 Notes interest	1,551	N/A	2,641	N/A
Amortization of debt issuance costs	576	243	1,356	788
Total	\$4,705	\$3,020	\$12,084	\$9,622
Weighted average stated interest rate (annualized)	5.8 %	6.3 %	6.0 %	6.4 %
Weighted average outstanding balance	\$285,135	\$176,860	\$240,731	\$183,753

#### SBA Debentures

On March 26, 2013, SBIC LP received an SBIC license from the SBA.

The SBIC license allows SBIC LP to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC LP's assets over our stockholders in the event we liquidate the SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by the SBIC LP upon an event of default.

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment



Edgar Filing: Medley Capital Corp - Form 10-Q

Opportunity Act, which the President signed into law, that amended the Small Business Investment Act of 1958 by increasing the individual leverage limit from \$150 million to \$175 million, subject to SBA approvals.

As of June 30, 2018 and September 30, 2017, SBIC LP had \$75.0 million in regulatory capital and had \$150.0 million SBA Debentures outstanding that mature between September 2023 and September 2025.

Our fixed-rate SBA Debentures as of June 30, 2018 and September 30, 2017 were as follows (dollars in thousands):

Rate Fix Date	June 30, 2018			September 30, 2017		
	Debt	Fixed	All-in	Debt	Fixed	All-in
	Amount	Interest Rate		Amount	Interest Rate	
September 2013	\$5,000	4.404	%	\$5,000	4.404	%
March 2014	39,000	3.951		39,000	3.951	
September 2014	50,000	3.370		50,000	3.370	
September 2014	6,000	3.775		6,000	3.775	
September 2015	50,000	3.571		50,000	3.571	
Weighted Average Rate/Total	\$150,000	3.639	%	\$150,000	3.639	%

F-49

---

As of June 30, 2018, the carrying amount of the SBA Debentures approximated their fair value. The fair values of the SBA Debentures are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the SBA Debentures are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. As of June 30, 2018 and September 30, 2017, the SBA Debentures would be deemed to be Level 3 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the SBA Debentures are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the SBA Debentures. As of June 30, 2018 and September 30, 2017, debt issuance costs related to the SBA Debentures were as follows (dollars in thousands):

	June 30, 2018	September 30, 2017
Total Debt Issuance Costs	\$5,138	\$ 5,138
Amortized Debt Issuance Costs	2,716	2,292
Unamortized Debt Issuance Costs	\$2,422	\$ 2,846

For the three and nine months ended June 30, 2018 and 2017, the components of interest, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the SBA Debentures were as follows (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
SBA Debentures interest	\$1,361	\$1,361	\$4,082	\$4,082
Amortization of debt issuance costs	141	169	424	508
Total	\$1,502	\$1,530	\$4,506	\$4,590
Weighted average stated interest rate (annualized)	3.6	% 3.6	% 3.6	% 3.6
Weighted average outstanding balance	\$150,000	\$150,000	\$150,000	\$150,000

## Note 6. Agreements

### Investment Management Agreement

We entered into an investment management agreement with MCC Advisors. Mr. Brook Taube, our Chairman and Chief Executive Officer, is a managing partner and senior portfolio manager of MCC Advisors, and Mr. Seth Taube, one of our directors, is a managing partner of MCC Advisors.

Under the terms of our investment management agreement, MCC Advisors:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and

- executes, closes, monitors and administers the investments we make, including the exercise of any voting or consent rights.

MCC Advisors' services under the investment management agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

Pursuant to our investment management agreement, we pay MCC Advisors a fee for investment advisory and management services consisting of a base management fee and a two-part incentive fee.

On December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the investment management agreement. Beginning January 1, 2016, the base management fee was reduced to 1.50% on gross assets above \$1 billion. In addition, MCC Advisors reduced its incentive fee from 20% on pre-incentive fee net investment income over an 8% hurdle, to 17.5% on pre-incentive fee net investment income over a 6% hurdle. Moreover, the revised incentive fee includes a netting mechanism and is subject to a rolling three-year look back from January 1, 2016 forward. Under no circumstances will the new fee structure result in higher fees to MCC Advisors than fees under the prior investment management agreement.

The following discussion of our base management fee and two-part incentive fee reflect the terms of the fee waiver agreement executed by MCC Advisors on February 8, 2016 (the "Fee Waiver Agreement"). The terms of the Fee Waiver Agreement are effective as of January 1, 2016, and are a permanent reduction in the base management fee and incentive fee on net investment income payable to MCC Advisors for the investment advisory and management services it provides under the investment management agreement. The Fee Waiver Agreement does not change the second component of the incentive fee, which is the incentive fee on capital gains.

#### Base Management Fee

For providing investment advisory and management services to us, MCC Advisors receives a base management fee. The base management fee is calculated at an annual rate of 1.75% (0.4375% per quarter) of up to \$1.0 billion of the Company's gross assets and 1.50% (0.375% per quarter) of any amounts over \$1.0 billion of the Company's gross assets, and is payable quarterly in arrears. The base management fee will be calculated based on the average

value of the Company's gross assets at the end of the two most recently completed calendar quarters and will be appropriately pro-rated for any partial quarter. On May 4, 2018, MCC Advisors voluntarily elected to waive \$380,000 of the base management fee payable for the quarter ended March 31, 2018, which is shown on the Consolidated Statements of Operations.

#### Incentive Fee

The incentive fee has two components, as follows:

##### Incentive Fee Based on Income

The first component of the incentive fee is payable quarterly in arrears and is based on our pre-incentive fee net investment income earned during the calendar quarter for which the incentive fee is being calculated. MCC Advisors is entitled to receive the incentive fee on net investment income from us if our Ordinary Income (as defined below) exceeds a quarterly "hurdle rate" of 1.5%. The hurdle amount is calculated after making appropriate adjustments to the Company's net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter.

Beginning with the calendar quarter that commenced on January 1, 2016, the incentive fee on net investment income is determined and paid quarterly in arrears at the end of each calendar quarter by reference to our aggregate net investment income, as adjusted as described below, from the calendar quarter then ending and the eleven preceding calendar quarters (or if shorter, the number of quarters that have occurred since January 1, 2016). We refer to such period as the "Trailing Twelve Quarters."

The hurdle amount for the incentive fee on net investment income is determined on a quarterly basis, and is equal to 1.5% multiplied by the Company's net asset value at the beginning of each applicable calendar quarter comprising the relevant Trailing Twelve Quarters. The hurdle amount is calculated after making appropriate adjustments to the Company's net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter. The incentive fee for any partial period will be appropriately prorated. Any incentive fee on net investment income will be paid to MCC Advisors on a quarterly basis, and will be based on the amount by which (A) aggregate net investment income ("Ordinary Income") in respect of the relevant Trailing Twelve Quarters exceeds (B) the hurdle amount for such Trailing Twelve Quarters. The amount of the excess of (A) over (B) described in this paragraph for such Trailing Twelve Quarters is referred to as the "Excess Income Amount." For the avoidance of doubt, Ordinary Income is net of all fees and expenses, including the reduced base management fee but excluding any incentive fee on Pre-Incentive Fee net investment income or on the Company's capital gains.

##### Determination of Quarterly Incentive Fee Based on Income

The incentive fee on net investment income for each quarter is determined as follows:

No incentive fee on net investment income is payable to MCC Advisors for any calendar quarter for which there is no Excess Income Amount;

-

100% of the Ordinary Income, if any, that exceeds the hurdle amount, but is less than or equal to an amount, which we refer to as the “Catch-up Amount,” determined as the sum of 1.8182% multiplied by the Company’s net assets at the beginning of each applicable calendar quarter, as adjusted as noted above, comprising the relevant Trailing Twelve Quarters is included in the calculation of the incentive fee on net investment income; and

17.5% of the Ordinary Income that exceeds the Catch-up Amount is included in the calculation of the incentive fee on net investment income.

The amount of the incentive fee on net investment income that will be paid to MCC Advisors for a particular quarter will equal the excess of the incentive fee so calculated minus the aggregate incentive fees on net investment income that were paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters but not in excess of the Incentive Fee Cap (as described below).

The incentive fee on net investment income that is paid to MCC Advisors for a particular quarter is subject to a cap (the “Incentive Fee Cap”). The Incentive Fee Cap for any quarter is an amount equal to (a) 17.5% of the Cumulative Net Return (as defined below) during the relevant Trailing Twelve Quarters minus (b) the aggregate incentive fees on net investment income that were paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters.

“Cumulative Net Return” means (x) the Ordinary Income in respect of the relevant Trailing Twelve Quarters minus (y) any Net Capital Loss (as described below), if any, in respect of the relevant Trailing Twelve Quarters. If, in any quarter, the Incentive Fee Cap is zero or a negative value, the Company will pay no incentive fee on net investment income to MCC Advisors for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is a positive value but is less than the incentive fee on net investment income that is payable to MCC Advisors for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company will pay an incentive fee on net investment income to MCC Advisors equal to the Incentive Fee Cap for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is equal to or greater than the incentive fee on net investment income that is payable to MCC Advisors for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company will pay an incentive fee on net investment income to MCC Advisors, calculated as described above, for such quarter without regard to the Incentive Fee Cap.

“Net Capital Loss” in respect of a particular period means the difference, if positive, between (i) aggregate capital losses, whether realized or unrealized, and dilution to the Company’s net assets due to capital raising or capital actions, in such period and (ii) aggregate capital gains, whether realized or unrealized and accretion to the Company’s net assets due to capital raising or capital action, in such period.

Dilution to the Company's net assets due to capital raising is calculated, in the case of issuances of common stock, as the amount by which the net asset value per share was adjusted over the transaction price per share, multiplied by the number of shares issued. Accretion to the Company's net assets due to capital raising is calculated, in the case of issuances of common stock (including issuances pursuant to our dividend reinvestment plan), as the excess of the transaction price per share over the amount by which the net asset value per share was adjusted, multiplied by the number of shares issued. Accretion to the Company's net assets due to other capital action is calculated, in the case of repurchases by the Company of its own common stock, as the excess of the amount by which the net asset value per share was adjusted over the transaction price per share multiplied by the number of shares repurchased by the Company.

#### Incentive Fee Based on Capital Gains

The second component of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment management agreement as of the termination date) and equals 20.0% of our cumulative aggregate realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the investment adviser.

Under GAAP, the Company calculates the second component of the incentive fee as if the Company had realized all assets at their fair values as of the reporting date. Accordingly, the Company accrues a provisional capital gains incentive fee taking into account any unrealized gains or losses. As the provisional capital gains incentive fee is subject to the performance of investments until there is a realization event, the amount of the provisional capital gains incentive fee accrued at a reporting date may vary from the capital gains incentive that is ultimately realized and the differences could be material.

#### Base Management Fee - Prior to Fee Waiver Agreement

Prior to January 1, 2016, the base management fee was calculated at an annual rate of 1.75% of our gross assets (which is defined as all the assets of the Company, including those acquired using borrowings for investment purposes), and was payable quarterly in arrears. The base management fee was based on the average value of our gross assets at the end of the two most recently completed calendar quarters.

#### Incentive Fee - Prior to Fee Waiver Agreement

Prior to January 1, 2016, the incentive fee based on net investment income was calculated as 20.0% of the amount, if any, by which our pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets calculated as of the end of the calendar quarter immediately preceding the calendar quarter for which the incentive fee is being calculated, exceeds a 2.0% (which is 8.0% annualized) hurdle rate but also includes a "catch-up" provision. Under this provision, in any calendar quarter, our investment adviser receives no incentive fee until our net investment income equals the hurdle rate of 2.0%, but then receives, as a "catch-up", 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if the hurdle rate did not apply. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter including the base management fee, expenses payable under the administration agreement, and any interest expense and any

dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash.

For the avoidance of doubt, the purpose of the new incentive fee calculation under the Fee Waiver Agreement is to permanently reduce aggregate fees payable to MCC Advisors by the Company, effective as of January 1, 2016. In order to ensure that the Company will pay MCC Advisors lesser aggregate fees on a cumulative basis, as calculated beginning January 1, 2016, we will, at the end of each quarter, also calculate the base management fee and incentive fee on net investment income owed by the Company to MCC Advisors based on the formula in place prior to January 1, 2016. If, at any time beginning January 1, 2016, the aggregate fees on a cumulative basis, as calculated based on the formula in place after January 1, 2016, would be greater than the aggregate fees on a cumulative basis, as calculated based on the formula in place prior to January 1, 2016, MCC Advisors shall only be entitled to the lesser of those two amounts.

For the three and nine months ended June 30, 2018, the Company incurred base management fees to MCC Advisors of \$3.5 million and \$11.4 million, respectively. For the three and nine months ended June 30, 2017, the Company incurred base management fees to MCC Advisors of \$4.4 million and \$13.5 million, respectively.

For the three months ended June 30, 2018, the Company did not waive any management fees under the Fee Waiver Agreement. For the nine months ended June 30, 2018, base management fees, net of the voluntary \$0.4 million waiver, was \$11.0 million. For the three and nine months ended June 30, 2017, base management fees, net of \$10,669 and \$47,941 waived under the Fee Waiver Agreement were \$4.4 million and \$13.4 million, respectively.

The incentive fees shown in the Consolidated Statements of Operations are calculated using the fee structure set forth in investment management agreement, and then adjusted to reflect the terms of the Fee Waiver Agreement. Pursuant to the investment management agreement, pre-incentive fee net investment income is compared to a hurdle rate of 2.0% of the net asset value at the beginning of the period and is calculated as follows:

- 1) No incentive fee is recorded during the quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 2) 100% of pre-incentive fee net investment income that exceeds the hurdle rate but is less than 2.5% in the quarter;  
and
- 3) 20.0% of the amount of pre-incentive fee net investment income, if any, that exceeds 2.5% of the hurdle rate.

For purposes of implementing the fee waiver under the Fee Waiver Agreement, we calculate the incentive fee based upon the formula that exists under the investment management agreement, and then apply the terms of waiver set forth in the Fee Waiver Agreement, if applicable.

For the three and nine months ended June 30, 2018, and the three months ended June 30, 2017, the Company did not incur any incentive fees on net investment income because pre-incentive fee net investment income did not exceed the hurdle amount under the formula that exists under the investment management agreement. For the nine months ended June 30, 2017, incentive fees, net of \$43,663 waived under the Fee Waiver Agreement were \$0.9 million.

As of June 30, 2018 and September 30, 2017, \$3.5 million and \$4.3 million, respectively, were included in “management and incentive fees payable” in the accompanying Consolidated Statements of Assets and Liabilities.

#### Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to this agreement, MCC Advisors furnishes us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimburse MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staff. From time to time, our administrator may pay amounts owed by us to third-party service providers and we will subsequently reimburse our administrator for such amounts paid on our behalf. For the three and nine months ended June 30, 2018, we incurred \$0.9 million and \$2.8 million in administrator expenses, respectively. For the three and nine months ended June 30, 2017, we incurred \$1.1 million and \$3.0 million in administrator expenses, respectively.

As of June 30, 2018 and September 30, 2017, \$0.9 million and \$0.9 million, respectively, were included in “administrator expenses payable” in the accompanying Consolidated Statements of Assets and Liabilities.

#### Note 7. Related Party Transactions

##### Due to Affiliate

Due to affiliate consists of certain general and administrative expenses paid by an affiliate on behalf of the Company.

##### Other Related Party Transactions

Certain affiliates of MCC Advisors, Medley Capital LLC, their respective affiliates and some of their employees purchased in the IPO an aggregate of 833,333 shares of common stock at the IPO price per share of \$12.00. The Company received the full proceeds from the sale of these shares, and no underwriting discounts or commissions were paid in respect of these shares.

Opportunities for co-investments may arise when MCC Advisors or an affiliated investment adviser becomes aware of investment opportunities that may be appropriate for the Company, other clients, or affiliated funds. On November 25, 2013, the Company obtained an exemptive order from the SEC that permits us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Medley, LLC or an investment adviser controlled by Medley, LLC in a manner consistent with our investment objective, strategies and restrictions, as well as regulatory requirements and other pertinent factors (the “Prior Exemptive Order”). On March 29, 2017, the Company, MCC Advisors and certain other affiliated funds and investment advisers received an exemptive order (the “Exemptive Order”) that supersedes the Prior Exemptive Order and allows affiliated registered investment companies to



participate in co-investment transactions with us that would otherwise have been prohibited under Section 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 thereunder. On October 4, 2017, the Company, MCC Advisors and certain of our affiliates received an exemptive order that supersedes the Exemptive Order (the “New Exemptive Order”) and allows, in addition to the entities already covered by the Exemptive Order, Medley LLC and its subsidiary, Medley Capital LLC, to the extent they hold financial assets in a principal capacity, and any direct or indirect, wholly- or majority-owned subsidiary of Medley LLC that is formed in the future, to participate in co-investment transactions with us that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. The terms of the New Exemptive Order are otherwise substantially similar to the Exemptive Order. Co-investment under the New Exemptive Order is subject to certain conditions, including the condition that, in the case of each co-investment transaction, our board of directors determines that it would be in our best interest to participate in the transaction. However, neither we nor the affiliated funds are obligated to invest or co-invest when investment opportunities are referred to us or them.

#### Note 8. Commitments

##### Guarantees

The Company has a guarantee to issue up to \$7.0 million in standby letters of credit through a financial intermediary on behalf of a certain portfolio company. Under this arrangement, if the standby letters of credit were to be issued, the Company would be required to make payments to third parties if the portfolio company was to default on its related payment obligations. The guarantee will renew annually until cancellation. As of June 30, 2018 and September 30, 2017, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

##### Unfunded commitments

As of June 30, 2018 and September 30, 2017, we had commitments under loan and financing agreements to fund up to \$44.4 million to 17 portfolio companies and \$23.7 million to 15 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and an analysis of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject

Edgar Filing: Medley Capital Corp - Form 10-Q

to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of June 30, 2018 and September 30, 2017 is shown in the table below (dollars in thousands):

	June 30, September 30,	
	2018	2017
Impact Sales, LLC - Delayed Draw Term Loan	\$9,995	\$ 755
Path Medical, LLC - Delayed Draw Term Loan B	7,125	—
Evergreen Services Group, LLC - Delayed Draw Term Loan	6,213	—
Barry's Bootcamp Holdings, LLC - Revolver	3,520	4,400
SMART Financial Operations, LLC - Delayed Draw Term Loan	2,700	4,725
Accupac, Inc. - Delayed Draw Term Loan	2,612	2,612
RMS Holding Company, LLC - Revolver	2,327	—
Evergreen Services Group, LLC - Revolver	1,750	—
Barry's Bootcamp Holdings, LLC - Delayed Draw Term Loan	1,271	1,271
1888 Industrial Services, LLC - Revolver	1,258	1,797
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	1,057
Alpine SG, LLC - Revolver	1,000	—
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Black Angus Steakhouses, LLC - Revolver	893	516
SFP Holding, Inc. - Delayed Draw Term Loan	666	1,778
Manna Pro Products, LLC - Delayed Draw Term Loan	429	—
Brook & Whittle Holdings Corp. - Delayed Draw Term Loan	310	—
Central States Dermatology Services, LLC - Delayed Draw Term Loan	200	254
SavATree, LLC - Delayed Draw Term Loan	123	167
Access Media Holdings, LLC - Series AAA Preferred Equity	88	277
Engineered Machinery Holdings, Inc. - Delayed Draw Term Loan	—	159
CP OPCO, LLC - Revolver	—	1,973
Brantley Transportation LLC - Delayed Draw Term Loan	—	788
NVTN LLC - Delayed Draw Term Loan	—	250
Total	\$44,430	\$ 23,672

#### Legal Proceedings

We are a party to certain legal proceedings incidental to the normal course of our business, including where third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, we do not expect that these proceedings will have a material effect on our financial condition or results of operations.

#### Note 9. Fee Income

Fee income consists of origination/closing fee, amendment fee, prepayment penalty, administrative agent fee, and other miscellaneous fees. The following tables summarize the Company's fee income for the three and nine months ended June 30, 2018 and 2017 (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
Origination fee	\$227	\$529	\$1,844	\$2,229

Edgar Filing: Medley Capital Corp - Form 10-Q

Amendment fee	204	658	383	952
Prepayment fee	200	187	220	575
Administrative agent fee	182	138	488	471
Other fees	—	358	222	606
Fee income	\$813	\$1,870	\$3,157	\$4,833

Note 10. Directors Fees

On December 7, 2016, the board of directors approved an amendment to the compensation model pursuant to which the independent directors earn fees for their service on the board of directors. Prior to the amendment, as compensation for serving on our board of directors, each independent director received an annual fee of \$55,000. Independent directors also received \$7,500 (\$1,500 for telephonic attendance) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and received \$2,500 (\$1,500 for telephonic attendance) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the Chairman of the Audit Committee received an annual fee of \$25,000 and each chairperson of any other committee received an annual fee of \$10,000, and other members of the Audit Committee and any other standing committees received an annual fee of \$12,500 and \$6,000, respectively, for their additional services in these capacities.

The compensation model approved by the board of directors on December 7, 2016, which was retroactively effective as of October 1, 2016, amended the prior model by increasing the annual fee received by each independent director from \$55,000 to \$90,000, but decreasing the per board meeting fee from \$7,500 to \$3,000. In addition, there will no longer be a different fee for participating in board and/or committee meetings telephonically.

F-54

---

No compensation is paid to directors who are “interested persons” of the Company (as such term is defined in the 1940 Act). For the three and nine months ended June 30, 2018, we accrued \$0.5 million and \$0.9 million for directors’ fees expense, respectively. For the three and nine months ended June 30, 2017, we accrued \$0.2 million and \$0.5 million for directors’ fees expense, respectively.

Note 11. Earnings Per Share

In accordance with the provisions of ASC Topic 260 - Earnings per Share, basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company does not have any potentially dilutive common shares as of June 30, 2018.

The following information sets forth the computation of the weighted average basic and diluted net increase/(decrease) in net assets per share from operations for the three and nine months ended June 30, 2018 and 2017 (dollars in thousands, except share and per share amounts):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
Basic and diluted:				
Net increase/(decrease) in net assets from operations	\$(26,666)	\$ 2,999	\$(87,389)	\$(2,924 )
Weighted average common shares outstanding	54,474,211	54,474,211	54,474,211	54,474,211
Earnings per common share-basic and diluted	\$(0.49 )	\$ 0.06	\$(1.60 )	\$(0.05 )

Note 12. Financial Highlights

The following is a schedule of financial highlights for the nine months ended June 30, 2018 and 2017:

	For the nine months ended June 30	
	2018	2017
Per share data: <sup>(1)</sup>		
Net asset value per share at beginning of period	\$8.45	\$9.49
Net investment income <sup>(2)</sup>	0.21	0.51
Net realized gains/(losses) on investments	(1.07 )	(1.12 )
Net unrealized appreciation/(depreciation) on investments	(0.73 )	0.56
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	0.01	0.01
Loss on extinguishment of debt	(0.02 )	(0.01 )
Net increase/(decrease) in net assets	(1.60 )	(0.05 )
Distributions from net investment income	(0.42 )	(0.60 )
Distributions from net realized gains	—	—
Distributions from investor capital	—	—
Net asset value at end of period	\$6.43	\$8.84
Net assets at end of period	\$350,161,597	\$481,297,939
Shares outstanding at end of period	54,474,211	54,474,211

Edgar Filing: Medley Capital Corp - Form 10-Q

Per share market value at end of period	\$3.47	\$6.39	
Total return based on market value <sup>(3)</sup>	(36.05	)% (9.07	)%
Total return based on net asset value <sup>(4)</sup>	(16.28	)% 1.13	%
Portfolio turnover rate <sup>(5)</sup>	23.25	% 25.23	%

F-55

---

Edgar Filing: Medley Capital Corp - Form 10-Q

The following is a schedule of ratios and supplemental data for the nine months ended June 30, 2018 and 2017:

	For the nine months ended June 30		
	2018	2017	
<b>Ratios:</b>			
Ratio of net investment income to average net assets after waivers <sup>(5)(6)</sup>	3.85	% 7.51	%
Ratio of total expenses to average net assets after waivers <sup>(5)(6)</sup>	13.27	% 12.34	%
Ratio of incentive fees to average net assets after waivers <sup>(6)</sup>	—	% 0.17	%
<b>Supplemental Data:</b>			
Ratio of net operating expenses and credit facility related expenses to average net assets <sup>(5)(6)(12)</sup>	13.27	% 12.17	%
Percentage of non-recurring fee income <sup>(7)</sup>	5.17	% 5.89	%
Average debt outstanding <sup>(8)</sup>	\$458,779,067	\$521,744,180	
Average debt outstanding per common share	\$8.42	\$9.58	
Asset coverage ratio per unit <sup>(9)</sup>	2,222	2,277	
<b>Average market value per unit:</b>			
Facilities <sup>(10)</sup>	N/A	N/A	
SBA debentures <sup>(10)</sup>	N/A	N/A	
Notes due 2019 <sup>(11)</sup>	N/A	\$25.39	
Notes due 2021	\$25.55	\$25.74	
Notes due 2023	\$25.07	\$25.15	
Notes due 2024	\$275.50	N/A	

(1) Table may not foot due to rounding.

Net investment income excluding management and incentive fee waivers based on total weighted average common (2) stock outstanding equals \$0.21 and \$0.51 per share for the nine months ended June 30, 2018 and 2017, respectively.

(3) Total return is historical and assumes changes in share price, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales charge for the period.

(4) Total return is historical and assumes changes in NAV, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales charge for the period.

(5) Ratios are annualized during interim periods.

For the nine months ended June 30, 2018, excluding management and incentive fee waivers, the ratios of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were 3.76%, 13.36%, 0.00%, and 13.36%, respectively. For the nine months ended June 30, (6) 2017, excluding management and incentive fee waivers, the ratios of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were 7.49%, 12.37%, 0.18%, and 12.19%, respectively.

(7) Represents the impact of the non-recurring fees over total investment income.

(8) Based on daily weighted average carrying value of debt outstanding during the period.

Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing (9) indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness. Asset coverage ratio per unit does not include unfunded commitments. The inclusion of unfunded commitments in the calculation of the asset coverage ratio per unit would not cause us to be below the required amount of regulatory coverage.

(10) The Facilities and SBA Debentures are not registered for public trading.

During the nine months ended June 30, 2017, the 2019 Notes were redeemed in full and ceased trading on (11)February 17, 2017. The average price for the nine months ended June 30, 2017 reflects the period from October 1, 2016 through February 17, 2017.

(12)Excludes incentive fees.

#### Note 13. Dividends

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by our board of directors.

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have its dividends automatically reinvested in additional shares of our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as if they received cash distributions.

The following table summarizes the Company's dividend distributions during the nine months ended June 30, 2018 and 2017:

Date Declared	Record Date	Payment Date	Amount Per Share
During the nine months ended June 30, 2018			
10/31/2017	11/22/2017	12/22/2017	\$ 0.16
1/30/2018	2/21/2018	3/23/2018	0.16
5/4/2018	6/6/2018	6/21/2018	0.10
			\$ 0.42
During the nine months ended June 30, 2017			
11/3/2016	11/23/2016	12/23/2016	\$ 0.22
1/31/2017	2/22/2017	3/24/2017	0.22
5/5/2017	5/24/2017	6/23/2017	0.16
			\$ 0.60

#### Note 14. Stock Repurchase Program

The Company had a share repurchase program from February 5, 2015 to December 31, 2017. Under the share repurchase program, the Company repurchased an aggregate of 4,259,073 shares of common stock at an average price of \$8.00 per share with a total cost of approximately \$34.1 million, and the Company's net asset value per share was increased by approximately \$0.23 as a result of the share repurchases.

#### Note 15. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the nine months ended June 30, 2018, except as disclosed below.

On August 2, 2018, the Company's board of directors declared a quarterly dividend of \$0.10 per share, payable on September 20, 2018 to stockholders of record at the close of business on September 5, 2018. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099 after the end of the calendar year.

On August 9, 2018 the Company entered into a definitive agreement to merge with Sierra Income Corporation ("Sierra"). Pursuant to the Agreement and Plan of Merger by and between Sierra and the Company, the Company will merge with and into Sierra, with Sierra as the surviving entity. Company stockholders will receive 0.805 shares of Sierra's common stock for each share of common stock of the Company they hold.

Simultaneously, pursuant to the Agreement and Plan of Merger by and among Sierra, Medley Management Inc. and Sierra Management Inc., a newly formed Delaware corporation ("Merger Sub"), Medley will merge with and into the Merger Sub, and Medley's existing asset management business will continue to operate as a wholly owned subsidiary of Sierra. Medley stockholders will receive 0.3836 shares of Sierra's common stock, \$3.44 per share of cash consideration and \$0.65 per share in special cash dividends for each share of Medley Class A common stock they hold. Medley LLC unitholders will convert their units into shares of Class A Medley common stock and will receive 0.3836 shares of Sierra's common stock, \$3.44 per share of cash consideration and \$0.35 per share in a special cash dividend for each share of Medley Class A common stock they hold.

As a condition to closing, Sierra's common stock will be listed to trade on the NYSE. The mergers are cross conditioned upon each other and are subject to approval by the shareholders of the Company, Sierra and Medley,



regulators, including the SEC, other customary closing conditions and third party consents. Accordingly, we can provide no assurance that the mergers will be completed, that the mergers will not be delayed or that the terms of the mergers will not change.

F-57

---

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this quarterly on Form 10-Q.

Except as otherwise specified, references to "we," "us," "our," or the "Company," refer to Medley Capital Corporation.

### Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of MCC Advisors LLC ("MCC Advisors");
- the impact of increased competition;
- the impact of future acquisitions and divestitures;
- our business prospects and the prospects of our portfolio companies;
- the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or MCC Advisors;
- our contractual arrangements and relationships with third parties;
- any future financings by us;
- the ability of MCC Advisors to attract and retain highly talented professionals;
- fluctuations in foreign currency exchange rates;
- the impact of changes to tax legislation and, generally, our tax position; and
- the unfavorable resolution of legal proceedings.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "trend," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "assume," "potential," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. The forward looking statements contained in this quarterly report involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as "Risk Factors" in our annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 7, 2017, and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.

## Overview

We are an externally-managed, non-diversified closed-end management investment company that filed an election to be regulated as a BDC under the 1940 Act. In addition, we have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code.

We commenced operations and completed our initial public offering on January 20, 2011. Our investment activities are managed by MCC Advisors and supervised by our board of directors, of which a majority of the members are independent of us.

Our investment objective is to generate current income and capital appreciation by lending to privately-held middle market companies, primarily through directly originated transactions, to help these companies fund acquisitions, growth or refinancing. Our portfolio generally consists of senior secured first lien term loans and senior secured second lien term loans. Occasionally, we receive warrants or other equity participation features, which we believe will increase the total investment returns.

On January 26, 2018, the Company priced a debt offering in Israel of \$121.1 million Series A Notes (the “2024 Notes”). The 2024 Notes will mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. The 2024 Notes are listed on the Tel Aviv Stock Exchange (“TASE”) and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements. In connection with this offering, we have dual listed our common stock on TASE.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, we are only allowed to borrow money such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if, pursuant to recent legislation, certain requirements are met) after such borrowing, with certain limited exceptions. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements. To maintain our RIC tax treatment under Subchapter M for U.S. federal income tax purposes, we must timely distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year.

#### Revenues

We generate revenue in the form of interest income on the debt that we hold and capital gains, if any, on warrants or other equity interests that we may acquire in portfolio companies. We invest our assets primarily in privately held companies with enterprise or asset values between \$25 million and \$250 million and focus on investment sizes of \$10 million to \$50 million. We believe that pursuing opportunities of this size offers several benefits including reduced competition, a larger investment opportunity set and the ability to minimize the impact of financial intermediaries. We expect our debt investments to bear interest at either a fixed or floating rate. Interest on debt will be payable generally either monthly or quarterly. In some cases our debt investments may provide for a portion of the interest to be PIK. To the extent interest is PIK, it will be payable through the increase of the principal amount of the obligation by the amount of interest due on the then-outstanding aggregate principal amount of such obligation. The principal amount of the debt and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance or investment management services and possibly consulting fees. Any such fees will be generated in connection with our investments and recognized as earned.

#### Expenses

Our primary operating expenses include the payment of management and incentive fees pursuant to the investment management agreement we have with MCC Advisors and overhead expenses, including our allocable portion of our administrator’s overhead under the administration agreement. Our management and incentive fees compensate MCC Advisors for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions, including those relating to:

- our organization and continued corporate existence;
- calculating our NAV (including the cost and expenses of any independent valuation firms);

-

Edgar Filing: Medley Capital Corp - Form 10-Q

expenses incurred by MCC Advisors payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;

interest payable on debt, if any, incurred to finance our investments;

the costs of all offerings of common stock and other securities, if any;

the base management fee and any incentive fee;

distributions on our shares;

administration fees payable under our administration agreement;

the allocated costs incurred by MCC Advisors in providing managerial assistance to those portfolio companies that request it;

amounts payable to third parties relating to, or associated with, making investments;

transfer agent and custodial fees;

registration fees and listing fees;

U.S. federal, state and local taxes;

independent director fees and expenses;

costs of preparing and filing reports or other documents with the SEC or other regulators;

the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;

our fidelity bond;

directors and officers/errors and omissions liability insurance, and any other insurance premiums;

indemnification payments;

direct costs and expenses of administration, including audit and legal costs; and

all other expenses reasonably incurred by us or MCC Advisors in connection with administering our business, such as the allocable portion of overhead under our administration agreement, including rent and other allocable portions of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs (including travel expenses).

### Portfolio and Investment Activity

As of June 30, 2018 and September 30, 2017, our portfolio had a fair market value of approximately \$634.9 million and \$837.0 million, respectively. The following table summarizes our portfolio and investment activity three and nine months ended June 30, 2018 and 2017 (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
Investments made in new portfolio companies	\$13,037	\$47,462	\$94,094	\$125,332
Investments made in existing portfolio companies	16,800	27,936	38,676	49,387
Aggregate amount in exits and repayments	(117,717)	(118,959)	(245,113)	(194,082)
Net investment activity	\$(87,880)	\$(43,561)	\$(112,343)	\$(19,363)
Portfolio Companies, at beginning of period	64	64	64	58
Number of new portfolio companies	2	16	10	27
Number of exited portfolio companies	(4)	(20)	(12)	(25)
Portfolio companies, at end of period	62	60	62	60
Number of investments in existing portfolio companies	12	9	16	14

The following table summarizes the amortized cost and the fair value of our average portfolio company investment, including MCC Senior Loan Strategy JV I LLC ("MCC JV"), and largest portfolio company investment, excluding MCC JV, as of June 30, 2018 and September 30, 2017 (dollars in thousands):

	June 30, 2018		September 30, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company investment	\$12,128	\$10,240	\$14,282	\$13,078
Largest portfolio company investment	31,469	31,469	52,137	50,667

The following table summarizes the amortized cost and the fair value of investments as of June 30, 2018 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$469,700	62.5 %	\$384,286	60.5 %
Senior Secured Second Lien Term Loans	47,657	6.3	47,434	7.5

Edgar Filing: Medley Capital Corp - Form 10-Q

Senior Secured First Lien Notes	20,000	2.7	20,154	3.2
Unsecured Debt	23,734	3.2	1,007	0.2
MCC Senior Loan Strategy JV I LLC	78,575	10.4	78,231	12.3
Equity/Warrants	112,270	14.9	103,756	16.3
Total	\$751,936	100.0 %	\$634,868	100.0 %

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2017 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 559,461	61.2 %	\$537,163	64.2 %
Senior Secured Second Lien Term Loans	161,885	17.7	135,826	16.2
Senior Secured First Lien Notes	26,768	2.9	27,545	3.3
Unsecured Debt	22,728	2.5	—	—
MCC Senior Loan Strategy JV I LLC	56,087	6.1	56,138	6.7
Equity/Warrants	87,124	9.6	80,319	9.6
Total	\$ 914,053	100.0 %	\$836,991	100.0 %

As of June 30, 2018, our income-bearing investment portfolio, which represented 71.3% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 10.0%, and 79.1% of our income-bearing investment portfolio bore interest based on floating rates,

such as the London Interbank Offering Rate (“LIBOR”), and 20.9% bore interest at fixed rates. As of June 30, 2018, the weighted average yield based upon cost of our total portfolio was approximately 6.0%. The weighted average yield of our total portfolio does not represent the total return to our stockholders.

MCC Advisors regularly assesses the risk profile of each of our investments and rates each of them based on the following categories, which we refer to as MCC Advisors’ investment credit rating:

Credit  
Definition  
Rating

- 1 Investments that are performing above expectations.
- 2 Investments that are performing within expectations, with risks that are neutral or favorable compared to risks at the time of origination.  
All new loans are rated ‘2’.
- 3 Investments that are performing below expectations and that require closer monitoring, but where no loss of interest, dividend or principal is expected.  
Companies rated ‘3’ may be out of compliance with financial covenants, however, loan payments are generally not past due.
- 4 Investments that are performing below expectations and for which risk has increased materially since origination.  
Some loss of interest or dividend is expected but no loss of principal.  
In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 180 days past due).
- 5 Investments that are performing substantially below expectations and whose risks have increased substantially since origination.  
Most or all of the debt covenants are out of compliance and payments are substantially delinquent.  
Some loss of principal is expected.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of June 30, 2018 and September 30, 2017 (dollars in thousands):

Investment Performance Rating	June 30, 2018		September 30, 2017	
	Fair Value	Percentage	Fair Value	Percentage
1	\$32,419	5.1 %	\$42,346	5.1 %
2	435,961	68.7	527,410	63.0
3	90,337	14.2	139,481	16.7
4	10,010	1.6	69,864	8.3
5	66,141	10.4	57,890	6.9
Total	\$634,868	100.0 %	\$836,991	100.0 %

Results of Operations

Operating results for the three and nine months ended June 30, 2018 and 2017 are as follows (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
Total investment income	\$13,945	\$23,695	\$51,611	\$74,108
Total expenses, net	13,041	14,126	39,790	46,095
Net investment income before excise taxes	904	9,569	11,821	28,013
Excise tax expense	—	—	(158 )	(267 )
Net investment income	904	9,569	11,663	27,746
Net realized gains/(losses) from investments	(35,000 )	(55,083 )	(58,352 )	(61,371 )



Edgar Filing: Medley Capital Corp - Form 10-Q

Net unrealized appreciation/(depreciation) on investments	7,247	47,730	(40,006 )	30,374
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	194	783	474	783
Loss on extinguishment of debt	(11 )	—	(1,168 )	(456 )
Net increase/(decrease) in net assets resulting from operations	\$(26,666)	\$2,999	\$(87,389)	\$(2,924 )

Investment Income

For the three and nine months ended June 30, 2018, investment income totaled \$13.9 million and \$51.6 million, respectively, of which \$13.1 million and \$48.4 million was attributable to portfolio interest and dividend income, and \$0.8 million and \$3.2 million to fee income.

For the three and nine months ended June 30, 2017, investment income totaled \$23.7 million and \$74.1 million, respectively, of which \$21.8 million and \$69.3 million was attributable to portfolio interest and dividend income, and \$1.9 million and \$4.8 million to fee income.

## Operating Expenses

Operating expenses for the three and nine months ended June 30, 2018 and 2017 are as follows (dollars in thousands):

	For the three months ended June 30		For the nine months ended June 30	
	2018	2017	2018	2017
Base management fees	\$3,533	\$4,450	\$11,376	\$13,461
Incentive fees	—	—	—	896
Interest and financing expenses	6,754	7,321	20,983	24,238
Administrator expenses	950	1,075	2,774	2,988
General and administrative	474	424	1,903	1,904
Professional fees	679	616	1,821	1,930
Directors fees	521	152	919	472
Insurance	130	99	394	298
Expenses before management and incentive fee waivers	13,041	14,137	40,170	46,187
Management fee waiver	—	(11 )	(380 )	(48 )
Incentive fee waiver	—	—	—	(44 )
Expenses, net of management and incentive fee waivers	\$13,041	\$14,126	\$39,790	\$46,095

For the three months ended June 30, 2018, total operating expenses before management and incentive fee waivers decreased by \$1.1 million, or 7.8%, compared to the three months ended June 30, 2017. For the nine months ended June 30, 2018, total operating expenses before management and incentive fee waivers decreased by \$6.0 million, or 13.0%, compared to the nine months ended June 30, 2017.

## Interest and Financing Expenses

Interest and financing expenses for the three months ended June 30, 2018 decreased by \$0.6 million, or 7.7%, compared to the three months ended June 30, 2017. The decrease in interest and financing expenses was primarily due to the \$102.0 million repayment of the Senior Secured Term Loan Credit Facility (the “Term Loan Facility”), the reduction of the Senior Secured Revolving Credit Facility (the “Revolving Credit Facility”) commitment to \$150.0 million from \$200.0 million, the redemption of \$13.0 million of 6.125% unsecured notes that mature on March 30, 2023 (the “2023 Notes,”), partially offset by an increase in LIBOR rates and the pricing of the 2024 Notes.

Interest and financing expenses for the nine months ended June 30, 2018 decreased by \$3.3 million, or 13.4%, compared to the nine months ended June 30, 2017. The decrease in interest and financing expenses was primarily due to the \$102.0 million repayment of the Term Loan Facility, the reduction of the Revolving Credit Facility commitment to \$150.0 million from \$200.0 million, the redemption of \$13.0 million of the 2023 Notes and the repayment of the 7.125% unsecured notes (the “2019 Notes”) in February 2017, partially offset by an increase in LIBOR rates and the pricing of the 2024 Notes.

## Base Management Fees and Incentive Fees

Base management fees for the three months ended June 30, 2018 decreased by \$0.9 million, or 20.6%, compared to the three months ended June 30, 2017 due to the decline in the portfolio during the period. There were no incentive fees payable to MCC Advisors for the three months ended June 30, 2018 and 2017.

Base management fees for the nine months ended June 30, 2018 decreased by \$2.1 million, or 15.5%, compared to the nine months ended June 30, 2017 due to the decline in the portfolio during the period. Incentive fees for the nine

months ended June 30, 2018 decreased by \$0.9 million, or 100.0%, compared to the nine months ended June 30, 2017 due to the decrease in pre-incentive fee net investment income.

#### Professional Fees and Other General and Administrative Expenses

Professional fees and general and administrative expenses for the three months ended June 30, 2018 increased by \$0.4 million, or 16.4%, compared to the three months ended June 30, 2017 primarily due to an increase in directors expenses, legal expenses, insurance expenses, and general and administrative expenses, offset by a decrease to administrative expenses, audit expenses, and valuation expenses.

Professional fees and general and administrative expenses for the nine months ended June 30, 2018 increased by \$0.2 million, or 2.9%, compared to the nine months ended June 30, 2017 primarily due to an increase in directors expenses, legal expenses, and insurance expenses, offset by a decrease in audit expenses, administrator expenses, valuation expenses, and general and administrative expenses.

#### Net Realized Gains/Losses from Investments

We measure realized gains or losses by the difference between the net proceeds from the disposition and the amortized cost basis of an investment, without regard to unrealized gains or losses previously recognized.

During the three and nine months ended June 30, 2018, we recognized \$35.0 million and \$58.4 million of realized loss on our portfolio investments, respectively, primarily due to the non-cash restructuring transaction of certain investments and the sale of one of our investments.

During the three and nine months ended June 30, 2017, we recognized \$55.1 million and \$61.4 million of realized loss on our portfolio investments, respectively. The realized loss of \$55.1 million was primarily due to the liquidation of one investment, the non-cash restructuring transaction of one

investment as well as the write off of certain investments. The realized loss of \$61.4 million was primarily due to the aforementioned events as well as the non-cash restructuring transactions of one investment.

#### Realized loss on extinguishment of debt

In the event that we modify or extinguish our debt prior to maturity, we account for it in accordance with ASC 470-50, Modifications and Extinguishments, in which we measure the difference between the reacquisition price of the debt and the net carrying amount of the debt, which includes any unamortized debt issuance costs.

During the three and nine months ended June 30, 2018, we recognized a loss on extinguishment of debt of \$10,848 and \$1.2 million, respectively, from the payment of the remaining \$102.0 million outstanding under the Term Loan Facility as well as the \$13.0 million partial redemption of the 2023 Notes.

During the three months ended June 30, 2017, we did not recognize a loss on extinguishment of debt. During the nine months ended June 30, 2017, we recognized a \$0.5 million loss on extinguishment of debt from the redemption of the 2019 Notes.

#### Net Unrealized Appreciation/Depreciation on Investments

Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of our investment portfolio. For the three and nine months ended June 30, 2018, we had \$7.2 million of net unrealized appreciation on investments and \$40.0 million of net unrealized depreciation on investments, respectively. For the three and nine months ended June 30, 2017, we had \$47.7 million and \$30.4 million of net unrealized appreciation on investments, respectively.

#### Provision for Deferred Taxes on Unrealized Appreciation on Investments

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three and nine months ended June 30, 2018, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.2 million and \$0.5 million, respectively. For the three and nine months ended June 30, 2017, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.8 million and \$0.8 million, respectively.

#### Changes in Net Assets from Operations

For the three months ended June 30, 2018, we recorded a net decrease in net assets resulting from operations of \$26.7 million compared to a net increase in net assets resulting from operations of \$3.0 million for the three months ended June 30, 2017 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the three months ended June 30, 2018 and 2017, our per share net decrease in net assets resulting from operations was \$0.49 for the three months ended June 30, 2018 compared to a per share net increase in net assets resulting from operations of \$0.06 for the three months ended June 30, 2017.

For the nine months ended June 30, 2018, we recorded a net decrease in net assets resulting from operations of \$87.4 million compared to a net decrease in net assets resulting from operations of \$2.9 million for the nine months ended June 30, 2017 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the nine months ended June 30, 2018 and 2017, our per share net decrease in net assets resulting from operations was \$1.60 for the nine months ended June 30, 2018 compared to a per share net decrease in net assets

resulting from operations of \$0.05 for the nine months ended June 30, 2017.

#### Financial Condition, Liquidity and Capital Resources

As a RIC, we distribute substantially all of our net income to our stockholders and have an ongoing need to raise additional capital for investment purposes. To fund growth, we have a number of alternatives available to increase capital, including raising equity, increasing debt, and funding from operational cash flow.

Our liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Credit Facility and net proceeds from the issuance of notes as well as cash flows from operations.

As of June 30, 2018, we had \$144.0 million in cash and cash equivalents. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

In order to continue to qualify as a RIC under the Code, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spill over certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, for each taxable year we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if certain requirements are met). This requirement limits the amount that we may borrow.

#### Credit Facility

##### Term Loan Facility

The Company had a Term Loan Facility which was scheduled to mature on July 28, 2020.

On September 1, 2017, the Company reduced the Term Loan Facility commitment to \$102.0 million from \$174.0 million. The reduction was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.6 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On January 31, 2018, the Company voluntarily prepaid the remaining \$102.0 million outstanding on the Term Loan Facility. The payment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.9 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

#### Revolving Credit Facility

The Company has a Revolving Credit Facility with ING Capital LLC, as Administrative Agent, in order to borrow funds to make additional investments.

The pricing on the Revolving Credit Facility, is LIBOR (with no minimum) plus 2.75%. and will decrease by an additional 25 basis points upon receiving an investment grade rating from Standard & Poor's. The Revolving Credit Facility's revolving period ends July 28, 2019, followed by a one year amortization period and a final maturity on July 28, 2020.

On February 14, 2017, the Company elected to reduce the total commitment of the Revolving Credit Facility to \$200.0 million from \$343.5 million. The reduction was accounted for as a debt modification to a line-of credit or revolving-debt arrangement in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to an acceleration of debt issuance costs in the amount of \$1.3 million and recorded on the Consolidated Statements of Operations as a component of interest and financing expenses.

On February 12, 2018, the Company elected to reduce the total commitment of the Revolving Credit Facility to \$150.0 million from \$200.0 million. The reduction was accounted for as a debt modification to a line-of credit or revolving-debt arrangement in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to an acceleration of debt issuance costs in the amount of \$0.4 million and recorded on the Consolidated Statements of Operations as a component of interest and financing expenses.

Borrowings under the Revolving Credit Facility are subject to, among other things, a minimum borrowing/collateral base, and substantially all of the Company's assets are pledged as collateral. In addition, the Revolving Credit Facility requires the Company to, among other things (i) make representations and warranties regarding the collateral as well the Company's business and operations, (ii) agree to certain indemnification obligations and (iii) agree to comply with various affirmative and negative covenants. The documentation for Revolving Credit Facility also includes default provisions such as the failure to make timely payments, the occurrence of a change in control and the failure by the Company to materially perform under the operative agreements governing the Revolving Credit Facility, which, if not complied with, could accelerate repayment, thereby materially and adversely affecting the Company's liquidity, financial condition and results of operations.

As of June 30, 2018, total commitment under the Revolving Credit Facility was \$150.0 million.

#### Unsecured Notes

##### 2019 Notes

On March 21, 2012, the Company issued \$40.0 million in aggregate principal amount of the 2019 Notes. The 2019 Notes bore interest at a rate of 7.125% per year, and were payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2012. The 2019 Notes were listed on the New York Stock Exchange (“NYSE”) and traded thereon under the trading symbol “MCQ”. On February 22, 2017, the 2019 Notes were redeemed at par plus accrued and unpaid interest. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.5 million.

#### 2021 Notes

On December 17, 2015, the Company issued \$70.8 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the “2021 Notes”). On January 14, 2016, the Company closed an additional \$3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes. The 2021 Notes may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after January 30, 2019. The 2021 Notes bear interest at a rate of 6.50% per year, payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning January 30, 2016. The 2021 Notes are listed on the NYSE and trade thereon under the trading symbol “MCX”.

#### 2023 Notes

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of 2023 Notes. As of March 30, 2016, the 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company’s option. On March 26, 2013, the Company closed an additional \$3.5 million in aggregate principal amount of 2023 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2013. The 2023 Notes are listed on the NYSE and trade thereon under the trading symbol “MCV”.

On December 12, 2016, the Company entered into an ATM debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to \$40.0 million in aggregate principal amount of the 2023 Notes. The Company sold 1,573,872 of the 2023 Notes at an average price of \$25.03 per note, and raised \$38.6 million in net proceeds, since inception of the ATM debt distribution agreement.

On March 10, 2018, the Company redeemed \$13.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which attributed to a realized loss of \$0.4 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

#### 2024 Notes

On January 26, 2018, the Company priced a debt offering in Israel of \$121.1 million in aggregate principal amount of the 2024 Notes that mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. As of March 27, 2018, the 2024 Notes may be redeemed in whole or in part at anytime or from time to time at the Company's option. The 2024 Notes bear interest at a rate of 5.30% per year, payable semi-annually on February 27 and August 27 of each year, beginning August 27, 2018.

The deed of trust governing the 2024 Notes includes certain customary covenants, including minimum equity requirements, and events of default. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act of 1933 or in transactions exempt from, or not subject to, such registration requirements. The 2024 Notes are listed for trading on the TASE and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. In connection with this offering, we have dual listed our common stock on the TASE.

On June 5, 2018, the Company announced that, on June 1, 2018, its board of directors authorized the Company to repurchase and retire up to \$20 million of the Company's outstanding 2024 Notes on TASE. Execution of the repurchase plan is subject to an open trading window for the Company and continued liquidity at that time and is expected to continue until the full authorized amount is purchased or market conditions change. The repurchase of the 2024 Notes is not expected to result in any material tax consequences to the Company or its note holders.

#### SBA Debentures

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP ("SBIC LP") received a Small Business Investment Company ("SBIC") license from the Small Business Administration ("SBA") under Section 301(c) of the Small Business Investment Company Act of 1958, as amended.

The SBIC license allows the SBIC LP to obtain leverage by issuing SBA-guaranteed debentures ("SBA Debentures"), subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA Debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA Debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA Debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC LP's assets over our stockholders in the event we liquidate the SBIC LP or the SBA exercises its remedies under the SBA Debentures issued by the SBIC LP upon an event of default.

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of \$150.0 million when it has at least \$75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the Small Business Investment Act of 1958 by increasing the individual leverage limit from \$150 million to \$175 million, subject to SBA approvals.



On November 16, 2012, we obtained an exemptive order from the SEC to permit us to exclude the debt of the SBIC LP guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. The exemptive order provides us with increased flexibility under the 200% asset coverage test by permitting SBIC LP to borrow up to \$150.0 million more than it would otherwise be able to absent the receipt of this exemptive order.

As of June 30, 2018, SBIC LP had \$75.0 million in regulatory capital and had \$150.0 million SBA Debentures outstanding.

#### Contractual Obligations and Off-Balance Sheet Arrangements

The Company has a guarantee to issue up to \$7.0 million in standby letters of credit through a financial intermediary on behalf of a certain portfolio company. Under this arrangement, if the standby letters of credit were to be issued, the Company would be required to make payments to third parties if the portfolio company was to default on its related payment obligations. The guarantee will renew annually until cancellation. As of June 30, 2018 and September 30, 2017, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

As of June 30, 2018 and September 30, 2017, we had commitments under loan and financing agreements to fund up to \$44.4 million to 17 portfolio companies and \$23.7 million to 15 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and an analysis of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of June 30, 2018 and September 30, 2017 is shown in the table below (dollars in thousands):

Edgar Filing: Medley Capital Corp - Form 10-Q

	June 30, September 30,	
	2018	2017
Impact Sales, LLC - Delayed Draw Term Loan	\$9,995	\$ 755
Path Medical, LLC - Delayed Draw Term Loan B	7,125	—
Evergreen Services Group, LLC - Delayed Draw Term Loan	6,213	—
Barry's Bootcamp Holdings, LLC - Revolver	3,520	4,400
SMART Financial Operations, LLC - Delayed Draw Term Loan	2,700	4,725
Accupac, Inc. - Delayed Draw Term Loan	2,612	2,612
RMS Holding Company, LLC - Revolver	2,327	—
Evergreen Services Group, LLC - Revolver	1,750	—
Barry's Bootcamp Holdings, LLC - Delayed Draw Term Loan	1,271	1,271
1888 Industrial Services, LLC - Revolver	1,258	1,797
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	1,057
Alpine SG, LLC - Revolver	1,000	—
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Black Angus Steakhouses, LLC - Revolver	893	516
SFP Holding, Inc. - Delayed Draw Term Loan	666	1,778
Manna Pro Products, LLC - Delayed Draw Term Loan	429	—
Brook & Whittle Holdings Corp. - Delayed Draw Term Loan	310	—
Central States Dermatology Services, LLC - Delayed Draw Term Loan	200	254
SavATree, LLC - Delayed Draw Term Loan	123	167
Access Media Holdings, LLC - Series AAA Preferred Equity	88	277
Engineered Machinery Holdings, Inc. - Delayed Draw Term Loan	—	159
CP OPCO, LLC - Revolver	—	1,973
Brantley Transportation LLC - Delayed Draw Term Loan	—	788
NVTN LLC - Delayed Draw Term Loan	—	250
Total	\$44,430	\$ 23,672

We have certain contracts under which we have material future commitments. We have entered into an investment management agreement with MCC Advisors in accordance with the 1940 Act. The investment management agreement became effective upon the pricing of our initial public offering. Under the investment management agreement, MCC Advisors has agreed to provide us with investment advisory and management services. For these services, we have agreed to pay a base management fee equal to a percentage of our gross assets and an incentive fee based on our performance.

We have also entered into an administration agreement with MCC Advisors as our administrator. The administration agreement became effective upon the pricing of our initial public offering. Under the administration agreement, MCC Advisors has agreed to furnish us with office facilities and equipment, provide us clerical, bookkeeping and record keeping services at such facilities and provide us with other administrative services necessary to conduct our day-to-day operations. MCC Advisors will also provide on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance.

The following table shows our payment obligations for repayment of debt and other contractual obligations at June 30, 2018 (dollars in thousands):

	Payment Due by Period			
	Total	Less than 1 year	1 - 3 years	More than 3 - 5 years 5 years
Revolving Facility	\$1,500	\$ —	\$1,500	\$ —

Edgar Filing: Medley Capital Corp - Form 10-Q

2021 Notes	74,013	—	74,013	—	—
2023 Notes	89,847	—	—	89,847	—
2024 Notes	121,276	—	—	—	121,276
SBA Debenture	150,000	—	—	—	150,000
Total contractual obligations	\$436,636	\$	—\$ 75,513	\$ 89,847	\$271,276

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our investment management agreement and our administration agreement. Any new investment management agreement would also be subject to approval by our stockholders.

On March 27, 2015, the Company and Great American Life Insurance Company (“GALIC”) entered into a limited liability company operating agreement to co-manage MCC Senior Loan Strategy JV I LLC (“MCC JV”). The Company and GALIC have committed to provide \$100 million of equity to MCC JV, with the Company providing \$87.5 million and GALIC providing \$12.5 million. MCC JV commenced operations on July 15, 2015. On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the “JV Facility”) led by Credit Suisse, AG with commitments of \$100 million. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch, (“DB”) and increased the total loan commitments to \$200 million. As of June 30, 2018, MCC JV has drawn approximately \$179.3 million on the JV Facility. As of June 30, 2018, MCC JV had total investments at fair value of \$262.8

million. As of June 30, 2018, MCC JV's portfolio was comprised of senior secured first lien term loans to 55 different borrowers. As of June 30, 2018, certain investments in one portfolio company were on non-accrual status.

The Company has determined that MCC JV is an investment company under ASC 946, however in accordance with such guidance, the Company will generally not consolidate its investment in a company other than a wholly owned investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company does not consolidate its interest in MCC JV.

#### Distributions

We have elected, and intend to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, in any taxable year with respect to which we timely distribute at least 90 percent of the sum of our (i) investment company taxable income (which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses) determined without regard to the deduction for dividends paid and (ii) net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions), we (but not our stockholders) generally will not be subject to U.S. federal income tax on investment company taxable income and net capital gains that we distribute to our stockholders. We intend to distribute annually all or substantially all of such income, but we may also elect to periodically spill over certain excess undistributed taxable income from one tax year to the next tax year. To the extent that we retain our net capital gains or any investment company taxable income, we will be subject to U.S. federal income tax. We may choose to retain our net capital gains or any investment company taxable income, and pay the associated federal corporate income tax, including the federal excise tax described below.

Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% U.S. federal excise tax payable by us. To avoid this tax, we must distribute (or be deemed to have distributed) during each calendar year an amount equal to the sum of:

- 1) at least 98.0 percent of our ordinary income (not taking into account any capital gains or losses) for the calendar year;
- 2) at least 98.2 percent of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period ending on October 31st of the calendar year; and
- 3) income realized, but not distributed, in preceding years and on which we did not pay federal income tax.

While we intend to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% U.S. federal excise tax, sufficient amounts of our taxable income and capital gains may not be distributed to avoid entirely the imposition of the tax. In that event, we will be liable for the tax only on the amount by which we do not meet the foregoing distribution requirement.

We intend to pay quarterly dividends to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of dividends or year-to-year increases in dividends. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay dividends. All dividends will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our stockholders in the future.

## Edgar Filing: Medley Capital Corp - Form 10-Q

To the extent our taxable earnings fall below the total amount of our distributions for a taxable year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Stockholders should read any written disclosure accompanying a distribution carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have their dividends automatically reinvested in additional shares of our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as if they received cash distributions.

The following table summarizes the dividend distributions during the nine months ended June 30, 2018:

Date Declared	Record Date	Payment Date	Amount Per Share
10/31/2017	11/22/2017	12/22/2017	\$ 0.16
1/30/2018	2/21/2018	3/23/2018	0.16
5/4/2018	6/6/2018	6/21/2018	0.10
			\$ 0.42

### Stock Repurchase Program

The Company had a share repurchase program from February 5, 2015 to December 31, 2017. Under the share repurchase program, the Company repurchased an aggregate of 4,259,073 shares of common stock at an average price of \$8.00 per share with a total cost of approximately \$34.1 million, and the Company's net asset value per share was increased by approximately \$0.23 as a result of the share repurchases.

### Related Party Transactions

Concurrent with the pricing of our IPO, we entered into a number of business relationships with affiliated or related parties, including the following:

We entered into an investment management agreement with MCC Advisors. Mr. Brook Taube, our Chairman and Chief Executive Officer, is a managing partner and senior portfolio manager of MCC Advisors, and Mr. Seth Taube, one of our directors, is a managing partner of MCC Advisors.

MCC Advisors provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our administration agreement. We reimburse MCC Advisors for the allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses incurred by it in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.

We have entered into a license agreement with Medley Capital LLC, pursuant to which Medley Capital LLC has granted us a non-exclusive, royalty-free license to use the name “Medley.”

Certain affiliates of MCC Advisors, Medley Capital LLC, their respective affiliates and some of their employees purchased in the IPO an aggregate of 833,333 shares of common stock at the IPO price per share of \$12.00. We received the full proceeds from the sale of these shares, and no underwriting discounts or commissions were paid in respect of these shares.

MCC Advisors and its affiliates may in the future manage other accounts that have investment mandates that are similar, in whole and in part, with ours. MCC Advisors and its affiliates may determine that an investment is appropriate for us and for one or more of those other accounts. In such event, depending on the availability of such investment and other appropriate factors, and pursuant to MCC Advisors’ allocation policy, MCC Advisors or its affiliates may determine that we should invest side-by-side with one or more other accounts. We will not make any investments if they are not permitted by applicable law and interpretive positions of the SEC and its staff, the exemptive order granted by the SEC, or if they are inconsistent with MCC Advisors’ allocation procedures. Further, any investments made by related parties will be made in accordance with MCC Advisors’ related party transaction procedures.

On November 25, 2013, the Company obtained an exemptive order from the SEC that permits us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Medley, LLC or an investment adviser controlled by Medley, LLC in a manner consistent with our investment objective, strategies and restrictions, as well as regulatory requirements and other pertinent factors (the “Prior Exemptive Order”). On March 29, 2017, the Company, MCC Advisors and certain other affiliated funds and investment advisers received an exemptive order (the “Exemptive Order”) that supersedes the Prior Exemptive Order and allows affiliated registered investment companies to participate in co-investment transactions with us that would otherwise have been prohibited under Section 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 thereunder. On October 4, 2017, the Company, MCC Advisors and certain of our affiliates received an exemptive order that supersedes the Exemptive Order (the “New Exemptive Order”) and allows, in addition to the entities already covered by the Exemptive Order, Medley LLC and its subsidiary, Medley Capital LLC, to the extent they hold financial assets in a principal capacity, and any direct or indirect, wholly- or majority-owned subsidiary of Medley LLC that is formed in the future, to participate in co-investment transactions with us that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. The terms of the New Exemptive Order are otherwise substantially similar to the Exemptive Order. Co-investment under the New Exemptive Order is subject to certain conditions, including the condition that, in the case of each co-investment transaction, our board of directors determines that it would be in our best interest to participate in the transaction. However, neither we nor the affiliated funds are obligated to invest or co-invest when investment opportunities are referred to us or them.

In addition, we have adopted a formal code of ethics that governs the conduct of our and MCC Advisors' officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Delaware General Corporation Law.

#### Investment Management Agreement

Under the terms of our investment management agreement, MCC Advisors:

determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;

identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and

executes, closes, monitors and administers the investments we make, including the exercise of any voting or consent rights.

MCC Advisors' services under the investment management agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

Pursuant to our investment management agreement, we pay MCC Advisors a fee for investment advisory and management services consisting of a base management fee and a two-part incentive fee.

On December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the investment management agreement. Beginning January 1, 2016, the base management fee was reduced to 1.50% on gross assets above \$1 billion. In addition, MCC Advisors reduced its incentive fee from 20% on pre-incentive fee net investment income over an 8% hurdle, to 17.5% on pre-incentive fee net investment income over a 6% hurdle. Moreover, the revised incentive fee includes a netting mechanism and is subject to a rolling three-year look back from January 1, 2016 forward. Under no circumstances will the new fee structure result in higher fees to MCC Advisors than fees under the prior investment management agreement.

The following discussion of our base management fee and two-part incentive fee reflects the terms of the fee waiver agreement executed by MCC Advisors on February 8, 2016 (the “Fee Waiver Agreement”). The terms of the Fee Waiver Agreement are effective as of January 1, 2016, and are a permanent reduction in the base management fee and incentive fee on net investment income payable to MCC Advisors for the investment advisory and management services it provides under the investment management agreement. The Fee Waiver Agreement does not change the second component of the incentive fee, which is the incentive fee on capital gains.

#### Base Management Fee

For providing investment advisory and management services to us, MCC Advisors receives a base management fee. The base management fee is calculated at an annual rate of 1.75% (0.4375% per quarter) of up to \$1.0 billion of the Company’s gross assets and 1.50% (0.375% per quarter) of any amounts over \$1.0 billion of the Company’s gross assets, and is payable quarterly in arrears. The base management fee will be calculated based on the average value of the Company’s gross assets at the end of the two most recently completed calendar quarters and will be appropriately pro-rated for any partial quarter. On May 4, 2018, MCC Advisors voluntarily elected to waive \$380,000 of the base management fee payable for the quarter ended March 31, 2018, which is shown on the Consolidated Statements of Operations.

#### Incentive Fee

The incentive fee has two components, as follows:

##### Incentive Fee Based on Income

The first component of the incentive fee is payable quarterly in arrears and is based on our pre-incentive fee net investment income earned during the calendar quarter for which the incentive fee is being calculated. MCC Advisors is entitled to receive the incentive fee on net investment income from us if our Ordinary Income (as defined below) exceeds a quarterly “hurdle rate” of 1.5%. The hurdle amount is calculated after making appropriate adjustments to the Company’s net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter.

Beginning with the calendar quarter that commenced on January 1, 2016, the incentive fee on net investment income is determined and paid quarterly in arrears at the end of each calendar quarter by reference to our aggregate net investment income, as adjusted as described below, from the calendar quarter then ending and the eleven preceding calendar quarters (or if shorter, the number of quarters that have occurred since January 1, 2016). We refer to such period as the “Trailing Twelve Quarters.”

The hurdle amount for the incentive fee on net investment income is determined on a quarterly basis, and is equal to 1.5% multiplied by the Company’s net asset value at the beginning of each applicable calendar quarter comprising the relevant Trailing Twelve Quarters. The hurdle amount is calculated after making appropriate adjustments to the Company’s net assets, as determined as of the beginning of each applicable calendar quarter, in order to account for any capital raising or other capital actions as a result of any issuances by the Company of its common stock (including issuances pursuant to our dividend reinvestment plan), any repurchase by the Company of its own common stock, and any dividends paid by the Company, each as may have occurred during the relevant quarter. The incentive fee for any partial period will be appropriately prorated. Any incentive fee on net investment income will be paid to MCC Advisors on a quarterly basis, and will be based on the amount by which (A) aggregate net investment income (“Ordinary Income”) in respect of the relevant Trailing Twelve Quarters exceeds (B) the hurdle amount for such



Trailing Twelve Quarters. The amount of the excess of (A) over (B) described in this paragraph for such Trailing Twelve Quarters is referred to as the “Excess Income Amount.” For the avoidance of doubt, Ordinary Income is net of all fees and expenses, including the reduced base management fee but excluding any incentive fee on Pre-Incentive Fee net investment income or on the Company’s capital gains.

#### Quarterly Incentive Fee Based on Income

The incentive fee on net investment income for each quarter is determined as follows:

No incentive fee on net investment income is payable to MCC Advisors for any calendar quarter for which there is no Excess Income Amount;

100% of the Ordinary Income, if any, that exceeds the hurdle amount, but is less than or equal to an amount, which we refer to as the “Catch-up Amount,” determined as the sum of 1.8182% multiplied by the Company’s net assets at the beginning of each applicable calendar quarter, as adjusted as noted above, comprising the relevant Trailing Twelve Quarters is included in the calculation of the incentive fee on net investment income; and

17.5% of the Ordinary Income that exceeds the Catch-up Amount is included in the calculation of the incentive fee on net investment income.

The amount of the incentive fee on net investment income that will be paid to MCC Advisors for a particular quarter will equal the excess of the incentive fee so calculated minus the aggregate incentive fees on net investment income that were paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters but not in excess of the Incentive Fee Cap (as described below).

The incentive fee on net investment income that is paid to MCC Advisors for a particular quarter is subject to a cap (the “Incentive Fee Cap”). The Incentive Fee Cap for any quarter is an amount equal to (a) 17.5% of the Cumulative Net Return (as defined below) during the relevant Trailing Twelve Quarters minus (b) the aggregate incentive fees on net investment income that were paid in respect of the first eleven calendar quarters (or the portion thereof) included in the relevant Trailing Twelve Quarters.

“Cumulative Net Return” means (x) the Ordinary Income in respect of the relevant Trailing Twelve Quarters minus (y) any Net Capital Loss (as described below), if any, in respect of the relevant Trailing Twelve Quarters. If, in any quarter, the Incentive Fee Cap is zero or a negative value, the Company will

pay no incentive fee on net investment income to MCC Advisors for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is a positive value but is less than the incentive fee on net investment income that is payable to MCC Advisors for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company will pay an incentive fee on net investment income to MCC Advisors equal to the Incentive Fee Cap for such quarter. If, in any quarter, the Incentive Fee Cap for such quarter is equal to or greater than the incentive fee on net investment income that is payable to MCC Advisors for such quarter (before giving effect to the Incentive Fee Cap) calculated as described above, the Company will pay an incentive fee on net investment income to MCC Advisors, calculated as described above, for such quarter without regard to the Incentive Fee Cap.

“Net Capital Loss” in respect of a particular period means the difference, if positive, between (i) aggregate capital losses, whether realized or unrealized, and dilution to the Company’s net assets due to capital raising or capital actions, in such period and (ii) aggregate capital gains, whether realized or unrealized and accretion to the Company’s net assets due to capital raising or capital action, in such period.

Dilution to the Company’s net assets due to capital raising is calculated, in the case of issuances of common stock, as the amount by which the net asset value per share was adjusted over the transaction price per share, multiplied by the number of shares issued. Accretion to the Company’s net assets due to capital raising is calculated, in the case of issuances of common stock (including issuances pursuant to our dividend reinvestment plan), as the excess of the transaction price per share over the amount by which the net asset value per share was adjusted, multiplied by the number of shares issued. Accretion to the Company’s net assets due to other capital action is calculated, in the case of repurchases by the Company of its own common stock, as the excess of the amount by which the net asset value per share was adjusted over the transaction price per share multiplied by the number of shares repurchased by the Company.

For the avoidance of doubt, the purpose of the new incentive fee calculation under the Fee Waiver Agreement is to permanently reduce aggregate fees payable to MCC Advisors by the Company, effective as of January 1, 2016. In order to ensure that the Company will pay MCC Advisors lesser aggregate fees on a cumulative basis, as calculated beginning January 1, 2016, we will, at the end of each quarter, also calculate the base management fee and incentive fee on net investment income owed by the Company to MCC Advisors based on the formula in place prior to January 1, 2016. If, at any time beginning January 1, 2016, the aggregate fees on a cumulative basis, as calculated based on the formula in place after January 1, 2016, would be greater than the aggregate fees on a cumulative basis, as calculated based on the formula in place prior to January 1, 2016, MCC Advisors shall only be entitled to the lesser of those two amounts.

The second component of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment management agreement as of the termination date) and equals 20.0% of our cumulative aggregate realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the investment adviser.

Under GAAP, the Company calculates the second component of the incentive fee as if the Company had realized all assets at their fair values as of the reporting date. Accordingly, the Company accrues a provisional capital gains incentive fee taking into account any unrealized gains or losses. As the provisional capital gains incentive fee is subject to the performance of investments until there is a realization event, the amount of the provisional capital gains incentive fee accrued at a reporting date may vary from the capital gains incentive that is ultimately realized and the differences could be material.

#### Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

#### Valuation of Portfolio Investments

We value investments for which market quotations are readily available at their market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our board of directors under our valuation policy and process. We may seek pricing information with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments.

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate the private equity valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Our board of directors is ultimately and solely responsible for determining the fair value of the investments in our portfolio that are not publicly traded, whose market prices are not readily available on a quarterly basis or any other situation where portfolio investments require a fair value determination.

With respect to investments for which market quotations are not readily available, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each investment being initially valued by the investment professionals responsible for monitoring the portfolio investment.

Preliminary valuation conclusions are then documented and discussed with senior management.

Independent third-party valuation firms are also employed for all of our investments for which there is not a readily available market value. At least twice annually, including at year end, the valuation for each portfolio investment is reviewed by an independent valuation firm.

The audit committee of our board of directors reviews the preliminary valuations of the investment professionals, senior management and independent valuation firms.

Our audit committee reviews and the board of directors approves the valuations and determines the fair value of each investment in our portfolio in good faith based on the input of MCC Advisors, the respective independent valuation firms and the audit committee.

In following these approaches, the types of factors that are taken into account in fair value pricing investments include available current market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the portfolio company's earnings and discounted cash flows; the markets in which the portfolio company does business; comparisons of financial ratios of peer companies that are public; comparable merger and acquisition transactions; and the principal market and enterprise values.

Determination of fair values involves subjective judgments and estimates made by management. The notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our consolidated financial statements.

#### Revenue Recognition

Our revenue recognition policies are as follows:

**Investments and Related Investment Income** We account for investment transactions on a trade-date basis and interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Origination, closing and/or commitment fees associated with investments in portfolio companies are recognized as income when the investment transaction closes. Other fees are capitalized as deferred revenue and recorded into income over the respective period. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon receipt. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in the fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation/(depreciation) on investments in our Consolidated Statements of Operations.

**Non-accrual** We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At June 30, 2018, certain investments in 9 portfolio companies held by the Company were on non-accrual status with a

combined fair value of approximately \$63.2 million, or 10.0% of the fair value of our portfolio. At September 30, 2017, certain investments in six portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$72.5 million, or 8.7% of the fair value of our portfolio.

#### Federal Income Taxes

The Company has elected, and intends to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code, commencing with its first taxable year as a corporation, and it intends to operate in a manner so as to maintain its RIC tax treatment. As a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements. Once qualified as a RIC, the Company must timely distribute to its stockholders at least 90% of the sum of investment company taxable income (“ICTI”) including PIK, as defined by the Code, and net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) for each taxable year in order to be eligible for tax treatment under Subchapter M of the Code. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its net ordinary income for any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which we did not pay federal income tax. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the consolidated financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

## Recent Developments

On August 2, 2018, the Company's board of directors declared a quarterly dividend of \$0.10 per share, payable on September 20, 2018 to stockholders of record at the close of business on September 5, 2018. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099 after the end of the calendar year.

On August 9, 2018 the Company entered into a definitive agreement to merge with Sierra Income Corporation ("Sierra"). Pursuant to the Agreement and Plan of Merger by and between Sierra and the Company, the Company will merge with and into Sierra, with Sierra as the surviving entity. Company stockholders will receive 0.805 shares of Sierra's common stock for each share of common stock of the Company they hold.

Simultaneously, pursuant to the Agreement and Plan of Merger by and among Sierra, Medley Management Inc. and Sierra Management Inc., a newly formed Delaware corporation ("Merger Sub"), Medley will merge with and into the Merger Sub, and Medley's existing asset management business will continue to operate as a wholly owned subsidiary of Sierra. Medley stockholders will receive 0.3836 shares of Sierra's common stock, \$3.44 per share of cash consideration and \$0.65 per share in special cash dividends for each share of Medley Class A common stock they hold. Medley LLC unitholders will convert their units into shares of Class A Medley common stock and will receive 0.3836 shares of Sierra's common stock, \$3.44 per share of cash consideration and \$0.35 per share in a special cash dividend for each share of Medley Class A common stock they hold.

As a condition to closing, Sierra's common stock will be listed to trade on the NYSE. The mergers are cross conditioned upon each other and are subject to approval by the shareholders of the Company, Sierra and Medley, regulators, including the SEC, other customary closing conditions and third party consents. Accordingly, we can provide no assurance that the mergers will be completed, that the mergers will not be delayed or that the terms of the mergers will not change.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the nine months ended June 30, 2018, we did not engage in hedging activities.

As of June 30, 2018, 79.1% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate LIBOR floor as of June 30, 2018 was as follows (dollars in thousands):

	June 30, 2018		
LIBOR Floor	Fair Value	% of Floating Rate Portfolio	
Under 1%	\$12,273	3.4	%
1% to under 2%	330,922	92.4	
2% to under 3%	14,966	4.2	
Total	\$358,161	100.0	%

Based on our Consolidated Statements of Assets and Liabilities as of June 30, 2018, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR base rate changes in interest rates, assuming no changes in our investment and capital structure.

Basis point increase/(decrease)	Interest Income <sup>(1)</sup>	Interest Expense	Net
			Increase/ (Decrease)
300	\$ 10,900	\$ 45	\$ 10,855
200	7,200	30	7,170
100	3,600	15	3,585
(100)	(3,400)	(15)	(3,385)
(200)	(4,200)	(30)	(4,170)
(300)	(4,200)	(45)	(4,155)

(1) Assumes no defaults or prepayments by portfolio companies over the next twelve months.

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. The term “disclosure controls and procedures” is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

##### Changes in Internal Control Over Financial Reporting

There has not been any change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II

### Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us. Except as described below, we are not currently party to any material legal proceedings.

On August 29, 2016, MVF Holdings, Inc. filed a lawsuit naming the Company among others as defendants, captioned Modern Videofilm Holdings, LLC, derivatively on behalf of Modern Videofilm, Inc. v Medley Capital Corporation, Medley Opportunity Fund II LP, MCC Advisors LLC, Richard Craybas, James Feeley, Congruent Credit Opportunities Fund II, LP, Congruent Investment Partners, LLC, Preston Massey, Main Street Capital Corporation, Charles Sweet, Managease, Inc., Christina Woodward, in the California Superior Court, Los Angeles County, Central District, as Case No. BC 631888 (the “Derivative Action”), The plaintiff in the Derivative Action asserts claims derivatively on behalf of Modern VideoFilm LLC against the defendants for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unfair competition, breach of the implied covenant of good faith and fair dealing, interference with prospective economic advantage, fraud, and declaratory relief. The Company and the other defendants believe the causes of action asserted in the Derivative Action are without merit and all defendants intend to continue to assert a vigorous defense. On May 16, 2018, Modern VideoFilm LLC filed for bankruptcy in the United States Bankruptcy Court, Central District, As a result of the bankruptcy filing of Modern VideoFilm LLC’s, all matters in the Derivative Action have been stayed.

Medley LLC, Medley Capital Corporation, Medley Opportunity Fund II LP, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube were named as defendants, along with other various parties, in a putative class action lawsuit captioned as Royce Solomon, Jodi Belleci, Michael Littlejohn, and Giulianna Lomaglio v. American Web Loan, Inc., AWL, Inc., Mark Curry, MacFarlane Group, Inc., Sol Partners, Medley Opportunity Fund, II, LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube, DHI Computing Service, Inc., Middlemarch Partners, and John Does 1-100, filed on December 15, 2017 and amended on March 9, 2018, in the United States District Court for the Eastern District of Virginia, Newport News Division, as Case No. 4:17-cv-145 (hereinafter, “Class Action 1”). Medley Opportunity Fund II LP and Medley Capital Corporation were also named as defendants, along with various other parties, in a putative class action lawsuit captioned George Hengle and Lula Williams v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed February 13, 2018, in the United States District Court, Eastern District of Virginia, Richmond Division, as Case No. 3:18-cv-100 (“Class Action 2”) (together with Class Action 1, the “Class Action Complaints”). The plaintiffs in the Class Action Complaints filed their putative class actions alleging claims under the Racketeer Influenced and Corrupt Organizations Act, and various other claims arising out of the alleged payday lending activities of American Web Loan. The claims against Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube (in Class Action 1), and the claims against Medley Opportunity Fund II LP and Medley Capital Corporation (in Class Action 2), allege that those defendants in each respective action exercised control over American Web Loan’s payday lending activities as a result of a loan to American Web Loan. The loan was made by Medley Opportunity Fund II LP in 2011. American Web Loan repaid the loan from Medley Opportunity Fund II LP in full in February of 2015, more than 1 year and 10 months prior to any of the loans allegedly made by American Web Loan to the alleged class plaintiff representatives in Class Action 1; in Class Action 2, the alleged class plaintiff representatives have not alleged when they received any loans from American Web Loan. Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube never made any loans or provided financing to, or had any other relationship with, American Web Loan. Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube are seeking indemnification from American Web Loan, various affiliates, and other parties with respect to the

claims in the Class Action Complaints. Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube believe the alleged claims in the Class Action Complaints are without merit and they intend to defend these lawsuits vigorously.

#### Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2017, filed with the SEC on December 7, 2017, which could materially affect our business, financial condition and/or operating results. Other than the items disclosed below, there have been no material changes during the nine months ended June 30, 2018 to the risk factors discussed in “Item 1A. Risk Factors” of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. The U.S. House of Representatives and U.S. Senate recently passed tax reform legislation, which the President recently signed into law. Such legislation has made many changes to the Code, including significant changes to the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisors regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Recent legislation may allow us to incur additional leverage.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to 150%, if certain requirements are

met. Under the legislation, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the legislation allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after the one-year anniversary of such proposal. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

As a result of this legislation, we may be able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company had a share repurchase program from February 5, 2015 to December 31, 2017. Under the share repurchase program, the Company repurchased an aggregate of 4,259,073 shares of common stock at an average price of \$8.00 per share with a total cost of approximately \$34.1 million, and the Company's net asset value per share was increased by approximately \$0.23 as a result of the share repurchases.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

None.

#### Item 6. Exhibits

- 3.1 Certificate of Incorporation (Incorporated by reference to Exhibit 99.A.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
- 3.2 Form of Bylaws (Incorporated by reference to Exhibit 99.B.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
- 4.1 Form of Stock Certificate (Incorporated by reference to Exhibit 99.D to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).

Edgar Filing: Medley Capital Corp - Form 10-Q

4.2 Indenture, dated February 7, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.2 to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-179237), filed on February 13, 2012).

4.3 First Supplemental Indenture, dated March 21, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-179237), filed on March 21, 2012).

4.4 Second Supplemental Indenture, dated March 18, 2013, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 (File No. 333-179237), filed on March 15, 2013).

4.5 Third Supplemental Indenture, dated December 17, 2015, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.6 to the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2 (File No. 333-187324), filed on December 17, 2015).

4.6 Statement of Eligibility of Trustee on Form T-1 (Incorporated by reference to Exhibit d.5 to the Registrant's Registration Statement on Form N-2, filed on March 15, 2013).

10.1 Form of Amended and Restated Investment Management Agreement between Registrant and MCC Advisors LLC (Incorporated by reference to Exhibit 99.G to Registrant's Post-Effective Amendment No. 3 to the Registration Statement on N-2, filed on December 10, 2013).

10.2 Letter from MCC Advisors LLC re: Waiver of Base Management Fee and Incentive Fee on Net Investment Income, dated February 8, 2016 (Incorporated by reference to Exhibit 99.K.5 to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-208746), filed on March 25, 2016).

- 10.3 Form of Custody Agreement (Incorporated by reference to Exhibit 99.J.1 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
- 10.4 Form of Administration Agreement (Incorporated by reference to Exhibit 99.K.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
- 10.5 Form of Sub-Administration Agreement (Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 10.6 Trademark License Agreement (Incorporated by reference to Exhibit 99.K.3 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
- 10.7 Form of Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
- 10.8 Senior Secured Revolving Credit Agreement among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
- 10.9 Guarantee, Pledge and Security Agreement among the Company, the Subsidiary Guarantors party thereto, ING Capital LLC, as Administrative Agent, each Financial Agent and Designated Indebtedness Holder party thereto and ING Capital LLC, as Collateral Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
- 10.10 Amendment No. 1, dated as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
- 10.11 Amendment No. 2, dated as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).
- 10.12 Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 and December 7, 2012, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).
- 10.13 Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
- 10.14 Amendment No. 1, dated as of December 7, 2012, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital

LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).

- 10.15 Amendment No. 2, dated as of January 23, 2013, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Term Loan Credit Agreement, dated as of January 23, 2013 (Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013).

- 10.16 Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 and January 23, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).

- 10.17 Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012 and March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).

- 10.18 Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013 and March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).

- 10.19 Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).

- 10.20 Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).

10.21 Amendment No. 6, dated as of February 2, 2015, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015).

10.22 Amendment No. 6 to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015).

10.23 Amended and Restated Senior Secured Revolving Credit Agreement, dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015).

10.24 Amendment No. 1 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016).

10.25 Amendment No. 2 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017).

10.26 Amendment No. 3 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017).

10.27 Amendment No. 4 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 12, 2018, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party hereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 16, 2018).

10.28 Amended and Restated Senior Secured Term Loan Credit Agreement dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING

Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015).

10.29 Amendment No. 1 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016).

10.30 Amendment No. 2 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017).

10.31 Amendment No. 3 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017).

10.32 Incremental Assumption Agreement, dated as of February 10, 2012, made by Credit Suisse AG, Cayman Islands Branch, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2012).

10.33 Incremental Assumption Agreement dated as of March 30, 2012, made by Onewest Bank, FSB, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on April 4, 2012).

10.34 Incremental Assumption Agreement dated as of May 3, 2012, made by Doral Bank, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on May 3, 2012).



- 10.35 Incremental Assumption Agreement dated as of September 25, 2012, made by Stamford First Bank, a division of the Bank of New Canaan, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, as amended by Amendment No. 1, dated as of August 31, 2012, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 28, 2012).
- 10.36 Limited Liability Company Operating Agreement of MCC Senior Loan Strategy JV I LLC, a Delaware Limited Liability Company, dated as of March 27, 2015 (Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2015).
- 14.1 Code of Business Conduct and Ethics of the Registrant (Incorporated by reference to Exhibit 14.1 to the Registrant's 10-Q for the period ended June 30, 2011, filed on August 4, 2011).
- 14.2 Code of Business Ethics of MCC Advisors (Incorporated by reference to Exhibit 99.R.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
- 21.1 List of Subsidiaries\*
- 24.0 Power of attorney (included on the signature page hereto).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\*
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.\*

\* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: Medley Capital Corporation  
August 9, 2018

By/s/ Brook Taube  
Brook Taube  
Chief Executive Officer  
(Principal Executive Officer)

By/s/ Richard T. Allorto, Jr.  
Richard T. Allorto, Jr.  
Chief Financial Officer  
(Principal Accounting and Financial Officer)