As filed with the Securities and Exchange Commission on April 9, 2019

Securities Act Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form N-2
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

☐ Pre-Effective Amendment No.
☐ Post-Effective Amendment No.

Medley Capital Corporation
(Exact Name of Registrant as Specified in its Charter

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

(212) 759-0777
Registrant’s Telephone Number, Including Area Code

Brook Taube
Medley Capital Corporation
280 Park Avenue, 6th Floor East
New York, NY 10017
Name and Address (Number, Street, City, State, Zip Code)
of Agent for Service

Copies to:

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700 Sixth Street, NW
Washington, DC 20001
(202) 380-0100

Approximate date of proposed public offering: From time to time after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☒

It is proposed that this filing will become effective (check appropriate box):

☐ when declared effective pursuant to Section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(7)
Common Stock, $0.01 par value per share(2)(3)		
Preferred Stock, $0.01 par value per share(2)		
Subscription Rights(2)		
Warrants(4)		
Debt Securities(5)		
Total(6)	$ 700,000,000	$ —

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the “Securities Act”), solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by Medley Capital Corporation (the “Company” or “Registrant”) in connection with the sale of the securities registered under this Registration Statement.

(2) Subject to Note 6 below, there is being registered hereunder an indeterminate number of shares of common stock, preferred stock, or subscription rights to purchase shares of our common stock, as may be sold, from time to time.

(3) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.

(4) Subject to note 6 below, there is being registered hereunder an indeterminate number of the Registrant’s warrants as may be sold, from time to time, representing rights to purchase common stock, preferred stock or debt securities of the Registrant.

(5) Subject to note 6 below, there is being registered hereunder an indeterminate number of debt securities of the Registrant as may be sold, from time to time. If any debt securities of the Registrant are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed $700,000,000.

(6) In no event will the aggregate offering price of all securities issued from time to time pursuant to this Registration Statement exceed $700,000,000.

(7) Pursuant to Rule 415(a)(6) under the Securities Act, the Registrant is carrying forward to this Registration Statement $700,000,000 in aggregate offering price of unsold securities that the Registrant previously registered on its registration statement on Form N-2 (File No. 333-208746) initially filed on December 23, 2015 (the “Prior Registration Statement”). Pursuant to Rule 415(a)(6) under the Securities Act, the filing fee previously paid with respect to such unsold securities will continue to be applied to such unsold securities. As a result, no filing fee is required to be paid herewith. Pursuant to Rule 415(a)(6) under the Securities Act, the offering of unsold securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 9, 2019

PROSPECTUS

$700,000,000

MEDLEY CAPITAL CORPORATION

Common Stock
Preferred Stock
Subscription Rights
Warrants
Debt Securities

Medley Capital Corporation is a non-diversified closed end management investment company that has elected to be regulated as a business development company. Our investment objective is to generate current income and capital appreciation by lending directly to privately held middle market companies, primarily through directly originated transactions, to help these companies expand their businesses, refinance and make acquisitions. We are externally managed and advised by our investment advisor, MCC Advisors LLC, which also provides the administrative services necessary for us to operate.

We may offer, from time to time, in one or more offerings or series, up to $700,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as the "securities." The preferred stock, subscription rights, and warrants offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value ("NAV") per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our NAV per share (a) with the prior approval of the majority of our common stockholders or (b) under such other circumstances as the Securities and Exchange Commission (the "SEC") may permit.

The securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of the securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of the securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Our common stock is listed on the New York Stock Exchange ("NYSE") and the Tel Aviv Stock Exchange ("TASE") under the symbol "MCC." On April 4, 2019, the last reported sales price on the NYSE and the TASE for our common stock was $3.18 per share and NIS 1,104 per share, respectively. The NAV per share of our common stock at December 31, 2018 was $5.61.

This prospectus, and the accompanying prospectus supplement, contains important information about us that a prospective investor should know before investing in our common stock or other securities. Please read this prospectus, and the accompanying prospectus supplement, before investing, and keep it for future reference. We are required to file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us by mail at 280 Park Avenue, 6th Floor East, New York, NY 10017, by telephone at (212) 759-0777 or on our website at *http://www.medleycapitalcorp.com*. The SEC also maintains a website at *http://www.sec.gov* that contains such information. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus or the accompanying prospectus supplement.

An investment in our common stock or other securities is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their NAV. In addition, the companies in which we invest are subject to special risks. See "Risks" beginning on page 8 to read about factors you should consider, including the risk of leverage, before investing in our common stock or other securities.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of shares of common stock unless accompanied by a prospectus supplement.

You should rely only on the information contained in this prospectus and the accompanying prospectus supplement. We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus or any prospectus supplement to this prospectus. You must not rely upon any information or representation not contained in this prospectus or any such supplements as if we had authorized it. This prospectus and any such supplements do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any such supplements is accurate as of the dates on their covers. Our business, financial condition, results of operations and prospects may have changed since then.

, 2019

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC using the "shelf" registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, we may offer, from time to time, in one or more offerings or series, up to $700,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities on the terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus.

Please carefully read this prospectus and any such supplements together with any exhibits and the additional information described under "Available Information" and in the "Prospectus Summary" and "Risks" sections before you make an investment decision.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider before investing in our common stock or other securities. You should read the entire prospectus carefully, including the section entitled "Risks".

Except as otherwise indicated, the terms:

- *"we", "us", "our", "Medley Capital" and the "Company" refer to Medley Capital Corporation, a Delaware corporation, and its subsidiaries for the periods after our consummation of the formation transaction described elsewhere in this prospectus and to Medley Capital BDC LLC, a Delaware limited liability company, for the periods prior to our consummation of the formation transaction described elsewhere in this prospectus;*
- *"MCC Advisors" and the "Adviser" refer to MCC Advisors LLC, our investment adviser; MCC Advisors is a wholly owned subsidiary of Medley LLC, which is controlled by Medley Management Inc., a publicly traded asset management firm ("MDLY"), which in turn is controlled by Medley Group LLC, an entity wholly-owned by the senior professionals of Medley LLC; and*
- *"Medley" refers, 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

Medley Capital Corporation 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. We have elected, and intend 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 pursuant to an investment management agreement.

Our investment objective is to generate current income and capital appreciation by lending directly to privately held middle market companies, primarily through directly originated transactions, to help these companies expand their businesses, refinance and make acquisitions. Our investment portfolio generally consists of senior secured first lien term loans and senior secured second lien term loans. In connection with some of our investments, we receive warrants or other equity participation features, which we believe will increase the total investment returns.

We believe the middle-market private debt market is undergoing structural shifts that are creating significant opportunities for non-bank lenders and investors. The underlying drivers of these structural changes include: reduced participation by banks in the private debt markets, particularly within the middle-market, and demand for private debt created by committed and uninvested private equity capital. We focus on taking advantage of this structural shift by lending directly to companies that are underserved by the traditional banking system and generally seek to avoid broadly marketed investment opportunities. We source investment opportunities primarily through direct relationships with financial sponsors, as well as financial intermediaries such as investment banks and commercial banks. As a leading provider of private debt, Medley is often sought out as a preferred financing partner.

Our investment activities are managed by our investment adviser, MCC Advisors, which is registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). MCC Advisors is an affiliate of Medley and is based in New York. Our Investment Team, which is provided for by MCC Advisors, is responsible for sourcing investment opportunities, conducting industry research, performing diligence on potential investments, structuring our investments and monitoring our portfolio companies on an ongoing basis. MCC Advisors' team draws on its expertise in lending to predominantly privately held borrowers in a range of sectors, including industrials, transportation, energy and natural resources, financials and real estate. In addition, MCC Advisors seeks to diversify our portfolio of loans by company type, asset type, transaction size, industry, and geography.

Our Investment Team has on average over 20 years of experience in the credit business, including originating, underwriting, principal investing and loan structuring. The Adviser, through Medley, has access to over 70 employees, including investment, origination and credit management professionals, and operations, marketing and distribution professionals, each with extensive experience in their respective disciplines. We believe that MCC Advisors' disciplined and consistent approach to origination, portfolio construction and risk management should allow it to achieve compelling risk-adjusted returns for Medley Capital.

MCC Advisors also serves as our administrator and furnishes us with office space, equipment and other office services. The responsibilities of our administrator include overseeing our financial records, preparing reports to our stockholders and reports filed with the SEC and generally monitoring the payment of our expenses and the performance of administrative and professional services rendered to us by others.

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP, a Delaware limited partnership ("SBIC LP"), 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. In anticipation of receiving an SBIC license, on November 16, 2012, we obtained an exemptive order from the SEC to permit us to exclude the debt of 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 SBIC license allowed 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 SBIC LP's assets over our stockholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

SBIC LP received a letter (the "Letter") from the SBA, dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP's outstanding SBIC debentures. The Letter stated that SBIC LP has until March 29, 2019, fifteen (15) days from the date of the Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA. On March 28, 2019, the SBA agreed to extend the cure period until April 19, 2019. SBIC LP's management has submitted an orderly wind-down plan to the SBA and is in active dialogue with the SBA to finalize the details for prepaying approximately $135 million of outstanding SBIC debentures. As part of the wind-down plan, on March 29, 2019, SBIC LP agreed to retire $50 million of outstanding SBIC debentures with available cash currently at SBIC LP and expects to finalize the plan to retire the remainder of the SBIC debentures through refinancing and/or assets sales to third parties or affiliates of the SBIC. The Company believes the wind-down plan, if approved, would not have a material impact on the Company's net investment income per share. In addition, the Company believes a wind-down would have no adverse impact on the Company's other operations. The Company has received the necessary consents and waivers under its merger agreement with Sierra Income Corporation ("Sierra"), dated as of August 9, 2018, to permit the repayment of the $50 million of outstanding SBIC debentures.

For the quarter ended December 31, 2018, our total return based on net asset value ("NAV") per share was (1.91)% and our total return based on stock price was (29.11)%. For the quarter ended December 31, 2017, our total return based on NAV was (6.05)% and our total return based on stock price was (22.70)%. Total return based on NAV is the change in ending NAV per share plus dividends (distributed from net investment income) per share paid during the period assuming participation in the Company's dividend reinvestment plan divided by the beginning NAV per share. Total return based on stock price is the change in the ending stock price of the Company's common stock plus dividends (distributed from net investment income) paid during the period assuming participation in the Company's dividend reinvestment plan divided by the beginning stock price of the Company's common stock. While these two numbers reflect fund expenses, they do not reflect any sales load that may be paid by investors.

Corporate Information

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Formation Transaction" for a discussion of our formation.

Our administrative and executive offices are located at 280 Park Avenue, 6th Floor East, New York, NY 10017, and our telephone number is (212) 759-0777. We maintain a website at *http://www.medleycapitalcorp.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

Risks

Investing in us involves a high degree of risk. See "Risks" beginning on page 8 of this prospectus for a more detailed discussion of the material risks you should carefully consider before deciding to invest in our common stock or other securities.

Recent Developments

On February 10, 2019, our board of directors declared a quarterly dividend of $0.05 per share, payable on March 12, 2019, to stockholders of record at the close of business on February 22, 2019. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099 after the end of the calendar year.

OFFERINGS

We may offer, from time to time, in one or more offerings or series, up to $700,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus.

The securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of the securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of the securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Set forth below is additional information regarding the offerings:

Use of Proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities to provide debt financing to portfolio companies in accordance with our investment objective and for general corporate purposes. Pending such use, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less. These securities may have lower yields than the types of investments we would typically make in accordance with our investment objective and, accordingly, may result in lower distributions, if any, during such period. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See "Use of Proceeds."
New York Stock Exchange symbol	"MCC"
Distributions on common stock	We intend to distribute quarterly dividends to holders of our common stock out of profits legally available for distribution. Our quarterly distributions, if any, will be determined by our board of directors.
Taxation	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, we generally do not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually 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. See "Price Range of Common Stock and Distributions" and "Tax Matters."
Borrowing	We expect to continue to use leverage to make investments. As a result, we may continue to be exposed to the risks of leverage, which include that leverage may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested and therefore increases the risks associated with investing in our securities.
Investment Management Agreement	We have entered into an investment management agreement with MCC Advisors, under which MCC Advisors, subject to the overall supervision of our board of directors, manages our day- to-day operations and provides investment advisory services to us. On December 3, 2015, MCC Advisors recommended and, in consultation with our board of directors, 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 new fee structure is described more fully below.

	For providing these services, MCC Advisors receives a base management fee from us at an annual rate of 1.75% (0.4375% per quarter) of up to $1.0 billion of our gross assets (which is defined as all the assets of Medley Capital, including those acquired using borrowings for investment purposes), and 1.50% (0.375% per quarter) of any amount over $1.0 billion of our gross assets (which is defined as all the assets of Medley Capital, including those acquired using borrowings for investment purposes), and is payable quarterly in arrears. The investment management agreement also provides that MCC Advisors will be entitled to an incentive fee of 20.0%. 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 was 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 NAV 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 base management fee but excluding any incentive fee on Pre-Incentive Fee net investment income or on the Company’s capital gains. See “The Adviser - Investment Management Agreement.” The investment management agreement also provides that we will reimburse MCC Advisors for certain costs and expenses incurred by MCC Advisors. See “The Adviser - Investment Management Agreement.”
Administrator	Under a separate administration agreement, MCC Advisors also serves as our administrator. As administrator, MCC Advisors oversees our financial records, prepares reports to our stockholders and reports filed with the SEC, furnishes us with office space, provides us with equipment and office services and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. We reimburse MCC Advisors for its costs in providing these services.
Trading at a discount	Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV. The possibility that our shares may trade at a discount to our NAV is separate and distinct from the risk that our NAV per share may decline. This risk may have a greater effect on investors expecting to sell their shares soon after completion of an offering, and our shares may be more appropriate for long-term investors than for investors with shorter investment horizons. We cannot predict whether our shares will trade above, at or below NAV.

Custodian and Transfer Agent for Common Stock	U.S. Bank National Association serves as our Custodian and American Stock Transfer & Trust Company serves as our Transfer Agent for our Common Stock. See "Custodian and Transfer Agent."
License Agreement	We have entered into a license agreement with Medley Capital LLC, under which Medley Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name "Medley." For a description of the license agreement, see "The Adviser - License Agreement."
Dividend Reinvestment Plan	We have adopted an "opt out" dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you "opt out" of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our plan administrator. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan."
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See "Description of Our Capital Stock."
Risks	An investment in our common stock or other securities is subject to risks including the following, among others: - Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations. - There are numerous risks relating to our business, including credit losses on our investments, the risk of loss associated with leverage, illiquidity and valuation uncertainties in our investments, possible lack of appropriate investments, the lack of experience of the Adviser and our dependence on such investment adviser. - There are also numerous risks relating to our investments, including the risky nature of the securities in which we invest, our potential lack of control over our portfolio companies, and non-portfolio companies, such as the joint venture, our limited ability to invest in public companies and the potential incentives to the Adviser to invest more speculatively than it would if it did not have an opportunity to earn incentive fees. - We also have various risks relating to our status as a BDC, including limitations on raising additional capital, failure to qualify as a BDC and loss of tax treatment as a RIC. See "Risks" beginning on page 8 of this prospectus for a more detailed discussion of these and other material risks you should carefully consider before deciding to invest in shares of our common stock or other securities.
Available Information	We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available on the SEC's website at http://www.sec.gov. We maintain a website at http://www.medleycapitalcorp.com and all of our annual, quarterly and current reports, proxy statements and other publicly filed information are available, free of charge, on or through our website. You may also obtain such information by contacting us at 280 Park Avenue, 6th Floor East, New York, NY 10017, or by calling us at (212) 759-0777. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "us" or "Medley Capital," or that "we" will pay fees or expenses, our common stockholders will indirectly bear such fees or expenses.

Stockholder transaction expenses:	
Sales load borne by us (as a percentage of offering price)	—% [(1)]
Offering expenses borne by us (as a percentage of offering price)	—% [(2)]
Dividend reinvestment plan expenses	None [(3)]
Total stockholder transaction expenses (as a percentage of offering price)	—% [(2)]
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	3.72% [(4)]
Incentive fees payable under our Investment Management Agreement	—% [(5)]
Interest payments on borrowed funds	7.02% [(6)]
Other expenses (estimated)	3.79% [(7)]
Total annual expenses	14.53%

EXAMPLES

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 138	$ 377	$ 572	$ 919

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return resulting entirely from net realized capital gains (all of which is subject to our incentive fee on capital gains)	$ 157	$ 429	$ 651	$ 1,045

(1) In the event that the shares of common stock to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load and the "Example" will be updated accordingly.

(2) The prospectus supplement corresponding to each offering will disclose the applicable offering expenses and total stockholder transaction expenses.

(3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) Our base management fee under the Investment Management Agreement is based on our gross assets, which is defined as all the assets of Medley Capital, including those acquired using borrowings for investment purposes, and are estimated by assuming the base management fee remains consistent with fees incurred for the three months ended December 31, 2018 as a percentage of our average net assets for the period. See "The Adviser - Investment Management Agreement."

(5) Estimated assuming that annual incentive fees earned by our investment adviser, MCC Advisors, remain consistent with the incentive fees earned by MCC Advisors for the three months ended December 31, 2018 as a percentage of our average net assets for the period. The incentive fee consists of two parts:

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 was 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 NAV 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 base management fee but excluding any incentive fee on Pre-Incentive Fee net investment income or on the Company's capital gains.

For a more detailed discussion of the calculation of this fee, see "The Adviser - Investment Management Agreement".

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with any outstanding borrowings are indirectly born by our investors. The table assumes: (i) that we borrow for investment purposes up to an amount equal to 54.7% of our average total assets (average borrowing of $419.9 million out of average total assets of $767.7 million for the three months ended December 31, 2018) and (ii) that the interest expense, the unused fee and the one-year portion of the aggregate structuring fee is $23.8 million. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) "Other expenses" are based on the estimated amounts incurred for the three months ended March 31, 2018, as a percentage of our average net assets for the period, annualized, and include our overhead expenses, including payments under our Administration Agreement based on our allocable portion of overhead and other expenses incurred by MCC Advisors in performing its obligations under the Administration Agreement. See "The Adviser - Administration Agreement."

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The example assumes that the 5% annual return will be generated entirely through the realization of capital gains on our assets and, as a result, will trigger the payment of "Incentive Fee Capital Gains" under our investment management agreement. The "Pre-Incentive Fee Net Investment Income" under our investment management agreement, which, assuming a 5% annual return, would either not be payable or have a de minimis effect, is nonetheless included in the example for illustrative purposes based upon the estimated annual expenses relating thereto as set forth above. If we achieve sufficient returns on our investments to trigger a "Pre-Incentive Fee Net Investment Income" of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all cash dividends and other cash distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the greater of (i) NAV per share, and (ii) 95% of the market price per share of our common stock at the close of regular trading on the NYSE on the payment date fixed by our board of directors for such distribution. The market price per share on that date shall be the closing price for such shares on the NYSE or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

RISKS

Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this Form prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. The risks described below, as well as additional risks and uncertainties presently unknown by us or currently not deemed significant could negatively affect our business, financial condition and results of operations. In such case, our NAV and the trading price of our common stock or other securities could decline, and you may lose all or part of your investment.

RISK RELATING TO OUR BUSINESS AND STRUCTURE

Certain Risks in the Current Environment

Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.

As a BDC, we must maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities.

The U.S. and global capital markets experienced extreme volatility and disruption that began in mid-2007, and the U.S. economy was in recession for several consecutive calendar quarters during the same period, as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and globally, including instability in the financial markets, may contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. In recent years, financial markets have been affected at times by a number of global macroeconomic and political events, including the following: large sovereign debts and fiscal deficits of several countries in Europe and in emerging markets jurisdictions, levels of non-performing loans on the balance sheets of European banks, the potential effect of any European country leaving the Eurozone, the potential effect of the United Kingdom leaving the European Union, the potential effect of Scotland leaving the United Kingdom, and market volatility and loss of investor confidence driven by political events, including the general elections in the United Kingdom in June 2017 and in Germany in September 2017 and referenda in the United Kingdom in June 2016 and Italy in December 2016. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In August 2015, Chinese authorities sharply devalued China's currency. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union ("Brexit"), and, subsequently, on March 29, 2017, the U.K. government began the formal process of leaving the European Union. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union, and this uncertainty and instability may last indefinitely. Because the U.K. Parliament rejected Prime Minister Theresa May's proposed Brexit deal with the European Union in January 2019, there is increased uncertainty on the outcome of Brexit. There is also continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries.

The Republican Party currently controls the executive and the Senate portion of the legislative branches of government, which we believe increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Reform Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. For example, in March 2018, the U.S. Senate passed a bill that eased financial regulations and reduced oversight for certain entities. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the duration of the effects related to these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Any further disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition. In addition, the BDC market may be more sensitive to changes in interest rates or other factors and to the extent the BDC market trades down, our shares might likewise be affected. If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act. Any such failure would affect our ability to issue securities, including borrowings, and pay distributions, which could materially impair our business operations. Our liquidity could be impaired further by an inability to access the capital markets or to consummate new borrowing facilities to provide capital for normal operations, including new originations. In recent years, reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers.

Difficult market and political conditions may adversely affect our business in many ways, including by reducing the value or hampering the performance of the investments made by our funds, each of which could materially and adversely affect our business, results of operations and financial condition.

Our business is materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to our taxation, taxation of our investors, the possibility of changes to tax laws in either the United States or any non-U.S. jurisdiction and regulations on asset managers), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors are outside of our control and may affect the level and volatility of asset prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. While market conditions have largely recovered from the unprecedented turmoil in the global capital markets and the financial services industry in late 2008 and early 2009, there have been continuing periods of volatility, some lasting longer than others. There can be no assurance that these market conditions will not repeat themselves or worsen in the future. These and other conditions in the global financial markets and the global economy may result in adverse consequences for our funds and their respective investee companies, which could restrict such funds' investment activities and impede such funds' ability to effectively achieve their investment objectives. In addition, because the fees we earn under our investment management agreements are based in part on the market value of our assets under management and in part on investment performance, if any of these factors cause a decline in our assets under management or result in non-performance of loans by investee companies, it would result in lower fees earned, which could in turn materially and adversely affect our business and results of operations.

The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact our liquidity, financial condition and earnings.

U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the United States. The impact of any further downgrades to the U.S. government's sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

In December 2018, the Federal Reserve raised the federal funds rate, which was the fourth such interest rate hike in 2018, to a range between 2.25% to 2.50%, and the Federal Reserve has announced its intention to continue to raise the federal funds rate over time. However, if key economic indicators, such as the unemployment rate or inflation, do not progress at a rate consistent with the Federal Reserve's objectives, the target range for the federal funds rate may increase and cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Any continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

A failure or the perceived risk of a failure to raise the statutory debt limit of the United States could have a material adverse effect on our business, financial condition and results of operations.

Although U.S. lawmakers passed legislation to raise the federal debt ceiling until March 1, 2019, in the future, the U.S. government may not be able to meet its debt payments unless the federal debt ceiling is raised. If, prior to such date, legislation increasing the debt ceiling is not enacted and the debt ceiling is reached, the federal government may stop or delay making payments on its obligations. A failure by Congress to raise the debt limit to the extent necessary would increase the risk of default by the United States on its obligations, as well as the risk of other economic dislocations. If the U.S. government fails to complete its budget process or to provide for a continuing resolution before the expiration of the current continuing resolution, another federal government shutdown may result. Such a failure or the perceived risk of such a failure, consequently, could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. It could also limit our ability and the ability of our portfolio companies to obtain financing, and it could have a material adverse effect on the valuation of our portfolio companies. Consequently, the continued uncertainty in the general economic environment and potential debt ceiling implications, as well in specific economies of several individual geographic markets in which our portfolio companies operate, could adversely affect our business, financial condition and results of operations.

Risks Related to Our Business

We may suffer credit losses.

Private debt in the form of secured loans to corporate and asset-based borrowers is highly speculative and involves a high degree of risk of credit loss, and therefore an investment in our securities may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during an economic recession, such as the economic recession or downturn that the United States and many other countries have recently experienced or are experiencing.

Because we use borrowed funds to make investments or fund our business operations, we are exposed to risks typically associated with leverage which increase the risk of investing in us.

We have borrowed funds, including through the issuance of $89.8 million, $74.0 million, and $121.3 million in aggregate principal amount of 6.125% unsecured notes due March 30, 2023 (the "2023 Notes"), 6.50% unsecured notes due January 30, 2021 (the "2021 Notes"), and 5.05% Series A Notes due February 27, 2024 (the "2024 Notes" together with the 2023 Notes and the 2021 Notes, the "Notes"), which is generally considered a speculative investment technique. As of December 31, 2018, our Term Loan Facility and Revolving Credit Facility had no outstanding balances and we had $135.0 million SBA-guaranteed debentures outstanding, before netting out debt issuance costs. In addition, although the Revolving Credit Facility has been terminated, we may replace the facility with another revolving or other credit facility. As a result:

- our common shares may be exposed to an increased risk of loss because a decrease in the value of our investments may have a greater negative impact on the value of our common shares than if we did not use leverage;

- if we do not appropriately match the assets and liabilities of our business, adverse changes in interest rates could reduce or eliminate the incremental income we make with the proceeds of any leverage;

- our ability to pay distributions on our common stock may be restricted if our asset coverage ratio with respect to each of our outstanding senior securities representing indebtedness and our outstanding preferred shares, as defined by the 1940 Act, is not at least 200% and any amounts used to service indebtedness or preferred stock would not be available for such distributions;

- any credit facility to which the Company becomes a party may be subject to periodic renewal by our lenders, whose continued participation cannot be guaranteed;

- any credit facility to which the Company becomes a party may contain covenants restricting our operating flexibility;

- we, and indirectly our stockholders, bear the cost of issuing and paying interest or dividends on such securities; and

- any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common shares.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt securities or preferred stock and/or borrow money from banks and other financial institutions, which we collectively refer to as "senior securities", only in amounts such that our asset coverage ratio equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after each issuance of senior securities.

For a discussion of the terms of the Notes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources."

The lack of liquidity in our investments may adversely affect our business.

We anticipate that our investments generally will be made in private companies. Substantially all of these securities will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or MCC Advisors has material non-public information regarding such portfolio company.

A substantial portion of our portfolio investments will be recorded at fair value as determined in good faith by or under the direction of our board of directors and, as a result, there may be uncertainty regarding the value of our portfolio investments.

The debt and equity securities in which we invest for which market quotations are not readily available will be valued at fair value as determined in good faith by or under the direction of our board of directors. Most, if not all, of our investments (other than cash and cash equivalents) will be classified as Level 3 under Accounting Standards Codification Topic 820 - Fair Value Measurements and Disclosures. This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus 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 disclaimers materially reduces the reliability of such information. We have retained the services of independent valuation firms to review the valuation of these loans and securities. The types of factors that our board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these loans and securities existed. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such loans and securities.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. We also have not adopted any policy restricting the percentage of our assets that may be invested in a single portfolio company. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our income tax diversification requirements under Subchapter M of the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our independent directors and, in some cases, of the SEC. We are prohibited from buying or selling any security from or to any person who owns more than 25% of our voting securities or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) from or to any portfolio company of a private equity fund managed by our investment adviser or its affiliates without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us.

We may, however, co-invest with MCC Advisors and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may co-invest with such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that MCC Advisors, acting on our behalf and on behalf of other clients, negotiates no term other than price. We may also co-invest with our investment adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and MCC Advisors' allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by MCC Advisors and approved by our board of directors, including our independent directors. The allocation policy further provides that allocations among us and these other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by MCC Advisors. It is our policy to base our determinations as to the amount of capital available for investment based on such factors as the amount of cash on-hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts. However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

In addition, we have received an order from the SEC that permits us to negotiate the terms of co-investments with other funds managed by MCC Advisors or its affiliates subject to the conditions included therein. In situations where co-investment with other funds managed by MCC Advisors or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other MCC Advisors clients, MCC Advisors will need to decide which client will proceed with the investment. MCC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by MCC Advisors or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

We will be exposed to risks associated with changes in interest rates.

Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates and also could increase our interest expense, thereby decreasing our net income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

It is unclear how increased regulatory oversight and changes in the method for determining LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.

In the recent past, concerns have been publicized that some of the member banks surveyed by British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivative positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Accordingly, uncertainty as to the nature of such changes may adversely affect the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

Because we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

Because we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use our existing debt to finance our investments. In periods of rising interest rates, our cost of funds will increase to the extent we access any credit facility with a floating interest rate, which could reduce our net investment income to the extent any debt investments have fixed interest rates. We expect that our long-term fixed-rate investments will be financed primarily with issuances of equity and long-term debt securities. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

You should also be aware that a rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase of the amount of incentive fees payable to MCC Advisors.

If MCC Advisors is unable to manage our investments effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective will depend on our ability to manage our business, which will depend, in turn, on the ability of MCC Advisors to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result largely will be a function of MCC Advisors' investment process and, in conjunction with its role as our administrator, its ability to provide competent, attentive and efficient services to us.

MCC Advisors' senior management team is comprised of members of the senior management team for Medley LLC, and they manage other investment funds. They may also be required to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow our rate of investment. Any failure to manage our business effectively could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our periodic operating results.

We could experience fluctuations in our periodic operating results due to a number of factors, including the interest rates payable on the debt securities we acquire, the default rate on such securities, the level of our expenses (including the interest rates payable on our borrowings), the dividend rates payable on preferred stock we issue, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.

If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more onerous regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we may include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, such as PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, or increases in loan balances as a result of PIK arrangements are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to 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, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to raise cash from other sources, we may fail to qualify and maintain our status as a RIC and thus become subject to corporate-level U.S. federal income tax. See “Tax Matters - Taxation of the Company”.

We may be required to pay incentive fees on income accrued, but not yet received in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK, interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Consequently, we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against MCC Advisors.

We may not be able to pay you distributions and our distributions may not grow over time.

We intend to pay quarterly distributions 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 cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage requirement applicable to us as a BDC could limit our ability to pay distributions. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC tax treatment, compliance with applicable BDC regulations, restrictions on the payment of distributions under the its credit facilities, our SBIC subsidiary’s compliance with SBIC 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 distributions to our stockholders in the future.

Our SBIC subsidiary may be unable to make distributions to us that will enable us to meet or maintain RIC tax treatment, which could result in the imposition of a corporate-level U.S. federal income tax.

In order for us to continue to qualify for RIC tax treatment and to minimize corporate-level U.S. federal income taxes, we will be required to distribute substantially all of our net ordinary income and net capital gain income, including income from certain of our subsidiaries, which includes the income from our SBIC subsidiary. We are partially dependent on our SBIC subsidiary for cash distributions to enable us to meet the RIC distribution requirements. Our SBIC subsidiary may be limited by the Small Business Investment Act of 1958, and SBIC regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA’s restrictions for our SBIC subsidiary to make certain distributions to maintain our eligibility for RIC tax treatment. We cannot assure you that the SBA will grant such a waiver and if our SBIC subsidiary is unable to obtain a waiver, compliance with the SBIC regulations may result in loss of RIC tax treatment and a consequent imposition of a corporate-level U.S. federal income tax on us.

Pursuant to SBA regulations, a SBIC with outstanding debenture leverage may only distribute cumulative realized profits (less unrealized losses on investments). It may not return more than 2% of its outstanding capital in any fiscal year without SBA approval. Historically, the SBA has permitted payment in excess of 2% only pursuant to an approved wind up plan filed by our SBIC subsidiary pursuant to which SBA determines that repayment of our outstanding debentures is adequately assured.

Our SBIC subsidiary is subject to SBA regulations, and any failure to comply with SBA regulations could have an adverse effect on our operations.

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP ("SBIC LP"), received a Small Business Investment Company ("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 SBIC LP's assets over our stockholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or any transfers of the capital stock of a licensed SBIC. If our SBIC subsidiary fails to comply with applicable SBIC regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit it from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. Any failure to comply with SBA regulations could have an adverse effect on our operations.

SBA regulations limit the outstanding dollar amount of SBA guaranteed debentures that may be issued by an SBIC or group of SBICs under common control.

The SBA regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC to $150.0 million or to a group of SBICs under common control to $350.0 million. 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. Moreover, an SBIC may not borrow an amount in excess of two times (and in certain cases, up to three times) its regulatory capital. As of December 31, 2018, our SBIC subsidiary had $135.0 million in SBA-guaranteed debentures outstanding.

Moreover, the current status of our SBIC subsidiary as an SBIC does not automatically assure that our SBIC subsidiary will continue to receive SBA-guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon our SBIC subsidiary continuing to be in compliance with SBA regulations and policies and the availability of SBA funding. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiary.

The debentures guaranteed by the SBA have a maturity of ten years and require semi-annual payments of interest. Our SBIC subsidiary will need to generate sufficient cash flow to make required interest payments on the debentures. If our SBIC subsidiary is unable to meet their financial obligations under the debentures, the SBA, as a creditor, will have a superior claim to our SBIC subsidiary's assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under such debentures as the result of a default by us.

The highly competitive market in which we operate may limit our investment opportunities.

A number of entities compete with us to make the types of investments that we make. We compete with other BDCs and investment funds (including public and private funds, commercial and investment banks, commercial financing companies, other SBICs and, to the extent they provide an alternative form of financing, private equity funds). Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas in which they have not traditionally invested. As a result of these new entrants, competition for investment opportunities has intensified in recent years and may intensify further in the future. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions and valuation requirements that the 1940 Act imposes on us as a BDC and the tax consequences of qualifying as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. A significant part of our competitive advantage stems from the fact that the market for investments in mid-sized companies is underserved by traditional commercial banks and other financial institutions. A significant increase in the number and/or size of our competitors in this target market could force us to accept less attractive investment terms. Furthermore, many of our competitors have greater experience operating under the regulatory restrictions of the 1940 Act.

We depend upon senior management personnel of MCC Advisors for our future success, and if MCC Advisors is unable to retain qualified personnel or if MCC Advisors loses any member of its senior management team, our ability to achieve our investment objective could be significantly harmed.

We depend on MCC Advisors' investment management team, or the Investment Team, which is provided by MCC Advisors, for the identification, final selection, structuring, closing and monitoring of our investments. Our Investment Team is integral to our asset management activities and has critical industry experience and relationships that we will rely on to implement our business plan. Our future success depends on our Investment Team's continued service to MCC Advisors. The departure of any of the members of the Investment Team could have a material adverse effect on our ability to achieve our investment objective. As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. In addition, we can offer no assurance that MCC Advisors will remain our investment adviser or our administrator. Moreover, we also experience competition in attracting and retaining qualified personnel, particularly investment professionals, and we may be unable to maintain or grow our business if we cannot attract and retain such personnel.

MCC Advisors may not be able to achieve the same or similar returns as those achieved by our senior management and Investment Team while they were employed at prior positions.

The track record and achievements of the senior management and Investment Team of MCC Advisors are not necessarily indicative of future results that will be achieved by our investment adviser. As a result, MCC Advisors may not be able to achieve the same or similar returns as those achieved by our senior management and Investment Team while they were employed at prior positions.

Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms or at all.

We have elected and qualified to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we must meet certain requirements, including source-of-income, asset diversification and distribution requirements in order to not have to pay corporate-level U.S. federal income taxes on income we distribute to our stockholders as distributions, which allows us to substantially reduce or eliminate our corporate-level U.S. federal income tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) at the time we issue any debt or preferred stock. This requirement limits the amount of our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue common stock priced below NAV without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our NAV could decline.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results or value of our stock. Nevertheless, the effects could adversely affect our business and impact our ability to make distributions and cause you to lose all or part of your investment.

There are significant potential conflicts of interest that could affect our investment returns.

There may be times when MCC Advisors, its senior management and Investment Team, and members of its Investment Committee have interests that differ from those of our stockholders, giving rise to a conflict of interest. In particular, certain private investment funds managed by the senior members of MCC Advisors hold controlling or minority equity interests, or have the right to acquire such equity interests, in some of our portfolio companies. As a result, the senior members of MCC Advisors may face conflicts of interest in connection with making business decisions for these portfolio companies to the extent that such decisions affect the debt and equity holders in these portfolio companies differently. In addition, the senior members of MCC Advisors may face conflicts of interests in connection with making investment or other decisions, including granting loan waivers or concessions on our behalf with respect to these portfolio companies given that they also manage private investment funds that hold the equity interests in these portfolio companies.

There may be conflicts of interest related to obligations MCC Advisors' senior management and Investment Team and members of its Investment Committee have to other clients.

Senior management, the Investment Team, and the Investment Committee of MCC Advisors serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by MCC Advisors or its affiliates. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our stockholders. For example, members of the Investment Team have management responsibilities for other investment funds, accounts or other investment vehicles managed by affiliates of MCC Advisors, which gives rise to conflicts of interest.

Our investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, affiliates of MCC Advisors currently manage private funds and managed accounts that are seeking new capital commitments and will pursue an investment strategy similar to our strategy, and we may compete with these and other entities managed by affiliates of MCC Advisors for capital and investment opportunities. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by principals of, or affiliated with, MCC Advisors.

We have received an order from the SEC which permits us to co-invest with certain other investment funds managed by MCC Advisors or its affiliates, subject to the conditions included therein. In situations where we cannot co-invest with other investment funds managed by MCC Advisors or its affiliates, the investment policies and procedures of MCC Advisors generally require that such opportunities be offered to us and such other investment funds on an alternating basis. However, there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

MCC Advisors may, from time to time, possess material non-public information, limiting our investment discretion.

MCC Advisors and members of its senior management and the Investment Team and the Investment Committee may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, we could be prohibited for a period of time from purchasing or selling the securities of such companies by law or otherwise, and this prohibition may have an adverse effect on us.

Our incentive fee structure may create incentives for MCC Advisors that are not fully aligned with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to MCC Advisors. These fees are based on our gross assets. As a result, investors in our common stock will invest on a “gross” basis and receive distributions on a “net” basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our gross assets, MCC Advisors will benefit when we incur debt or use leverage. Additionally, under the incentive fee structure, MCC Advisors may benefit when capital gains are recognized and, because MCC Advisors determines when a holding is sold, MCC Advisors controls the timing of the recognition of such capital gains. Our board of directors is charged with protecting our interests by monitoring how MCC Advisors addresses these and other conflicts of interests associated with its management services and compensation. While they are not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review MCC Advisors’ services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, MCC Advisors or its affiliates may from time to time have interests that differ from those of our stockholders, giving rise to a conflict.

The part of the incentive fee payable to MCC Advisors that relates to our net investment income will be computed and paid on income that may include interest income that has been accrued but not yet received in cash. This fee structure may be considered to involve a conflict of interest for MCC Advisors to the extent that it may encourage MCC Advisors to favor debt financings that provide for deferred interest, rather than current cash payments of interest. MCC Advisors may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because MCC Advisors is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued.

Because we borrow money, the potential for loss on amounts invested in us will be magnified and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for loss on invested equity capital. If we continue to use leverage to partially finance our investments, which we have increasingly done over the years, you will experience increased risks of investing in our securities. We issued the Notes and may issue other debt securities or enter into other types of borrowing arrangements in the future. If the value of our assets decreases, leveraging would cause our NAV to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock distributions or scheduled debt payments. Leverage is generally considered a speculative investment technique and we only intend to use leverage if expected returns will exceed the cost of borrowing.

As of December 31, 2018, our Term Loan Facility and Revolving Credit Facility had no outstanding balances and we had $135.0 million SBA-guaranteed debentures outstanding and $198.0 million of outstanding Notes. Although each of the Revolving Credit Facility and the Term Loan Facility was subsequently repaid and terminated, the Notes require periodic payments of interest. The weighted average interest rate charged on our borrowings as of December 31, 2018 was 5.03% (exclusive of debt issuance costs). We will need to generate sufficient cash flow to make these required interest payments. In order for us to cover our annual interest payments on indebtedness, we must achieve annual returns on total assets of at least 0.86% as of December 31, 2018. If we are unable to meet the financial obligations under the Notes, the holders thereof will have the right to declare the principal amount and accrued and unpaid interest on the outstanding Notes to be due and payable immediately. If we are unable to meet the financial obligations under any credit facility it enters into, the lenders thereunder would likely have a superior claim to our assets over our stockholders.

We have received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from the definition of senior securities in the 200% asset coverage ratio we are required to maintain under the 1940 Act. Pursuant to such exemptive relief, we have the ability to incur leverage in excess of the amounts set forth in the 1940 Act by excluding the debt of our SBIC subsidiary. If we incur additional leverage in excess of the amounts set forth in the 1940 Act, our NAV will decline more sharply if the value of our assets declines than if we had not incurred such additional leverage and the effects of leverage described above will be magnified.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below.

Assumed Return on Our Portfolio(1)
(net of expenses)

	(10)%	(5)%	0%	5%	10%
Corresponding net return to common stockholder	(30.9)%	(19.2)%	(7.6)%	4.1%	15.8%

(1) Assumes $714.5 million in total assets, $407.0 million in debt outstanding, $305.7 million in net assets, and a weighted average interest rate of 5.68%. Actual interest payments may be different.

Our incentive fee may induce our investment adviser to make certain investments, including speculative investments.

The incentive fee payable by us to MCC Advisors may create an incentive for MCC Advisors to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to MCC Advisors is determined, which is calculated separately in two components as a percentage of the interest and other ordinary income in excess of a quarterly minimum hurdle rate and as a percentage of the realized gain on invested capital, may encourage MCC Advisors to use leverage or take additional risk to increase the return on our investments. The use of leverage may magnify the potential for gain or loss on amounts invested. The use of leverage is considered a speculative technique. If we borrow from banks or other lenders, we would expect that such lenders will seek recovery against our assets in the event of a default and these lenders likely will have claims on our assets that are superior to those of our equity holders. In addition, MCC Advisors receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no minimum level of gain applicable to the portion of the incentive fee based on net capital gains. As a result, MCC Advisors may have an incentive to invest more in investments that are likely to result in capital gains as compared to income producing securities. This practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, we will bear our ratable share of any such investment company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to MCC Advisors with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of MCC Advisors as well as indirectly bear the management and performance fees and other expenses of any investment companies in which we invest.

We may be obligated to pay our investment adviser incentive compensation even if we incur a loss and may pay more than 20% of our net capital gains because we cannot recover payments made in previous years.

MCC Advisors will be entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our net investment income for that quarter above a threshold return for that quarter. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay MCC Advisors incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. If we pay an incentive fee of 20% of our realized capital gains (net of all realized capital losses and unrealized capital depreciation on a cumulative basis) and thereafter experience additional realized capital losses or unrealized capital depreciation, we will not be able to recover any portion of the incentive fee previously paid.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

A substantial portion of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, our board of directors will determine the fair value of these securities in good faith pursuant to our valuation policy. In connection with that determination, investment professionals from MCC Advisors prepare portfolio company valuations based upon the most recent financial statements available and projected financial results of each portfolio company. In addition, certain members of our board of directors, including Brook Taube, Seth Taube and Jeff Tonkel, have a pecuniary interest in MCC Advisors. The participation of MCC Advisors' investment professionals in our valuation process, and the pecuniary interest in MCC Advisors by certain members of our board of directors, could result in a conflict of interest as the management fee that we will pay MCC Advisors is based on our gross assets.

Other arrangements with MCC Advisors may create conflicts of interest.

We utilize MCC Advisors' office space and pay to MCC Advisors our allocable portion of overhead and other expenses incurred by MCC Advisors in performing its obligations under the administration agreement, such as our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. This results in conflicts of interest that our board of directors must monitor.

The investment management agreement and administration agreement with MCC Advisors were not negotiated on an arm's length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

The investment management agreement and the administration agreement were negotiated between related parties. Consequently, their terms, including fees payable to MCC Advisors, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

Our ability to sell or otherwise exit investments in which affiliates of MCC Advisors also have an investment may be restricted.

We may be considered affiliates with respect to certain of our portfolio companies. Certain private funds advised by the senior members of MCC Advisors also hold interests in these portfolio companies and as such these interests may be considered a joint enterprise under applicable regulations. To the extent that our interests in these portfolio companies may need to be restructured in the future or to the extent that we choose to exit certain of these transactions, our ability to do so will be limited.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

The failure in cybersecurity systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

Cybersecurity refers to the combination of technologies, processes, and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. We are subject to cybersecurity risks. Information cybersecurity risks have significantly increased in recent years and, while we have not experienced any material losses relating to cyber-attacks or other information security breaches, we could suffer such losses in the future. Our computer systems, both internal and those provided by third-party service providers, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties, which could result in significant losses or reputational damage. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect our business, financial condition or results of operations. Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. We currently do not maintain insurance coverage relating to cybersecurity risks, and we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are not fully insured.

Third parties with which we do business may also be sources of cybersecurity or other technological risks. Cybersecurity failures or breaches by our investment adviser and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which we invest, also have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with our ability to calculate its NAV, impediments to trading, the inability of our stockholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputation damages, reimbursement of other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

We outsource certain functions and these relationships allow for the storage and processing of our information, as well as customer, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above.

Our business and operations could be negatively affected if we become subject to any securities litigation or stockholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been brought against that company. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or stockholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or stockholder activism. Securities litigation and stockholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and stockholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist stockholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and stockholder activism.

Risks Related to Our Investments

We may not realize gains from our equity investments.

When we make a debt investment, we may acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Our investments are very risky and highly speculative.

We invest primarily in senior secured first lien term loans and senior secured second lien term loans issued by private middle-market companies.

Senior Secured Loans There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

Equity Investments When we invest in senior secured first lien term loans or senior secured second lien term loans, we may receive warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. The warrants or equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our warrants or equity interests, and any gains that we do realize on the disposition of any warrants or equity interests may not be sufficient to offset any other losses we experience.

In addition, investing in private middle-market companies involves a number of significant risks. See "Our investments in private middle-market portfolio companies may be risky, and you could lose all or part of your investment" below.

Our investments in private middle-market portfolio companies may be risky, and you could lose all or part of your investment.

Investments in private middle-market companies involve a number of significant risks. Generally, little public information exists about these companies, and we are required to rely on the ability of the Investment Team to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Private middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, private middle-market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Private middle-market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and MCC Advisors may, in the ordinary course of business, be named as defendants in litigation arising from our investments in these types of companies.

We intend to invest primarily in secured debt issued by our portfolio companies. In the case of our senior secured first lien term loans, the portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with the debt securities in which we invest. With respect to our senior secured second lien term loans, the portfolio companies usually have, or may be permitted to incur, other debt that ranks above or equally with the debt securities in which we invest. In the case of debt ranking above the senior secured second lien term loans in which we invest, we would be subordinate to such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company and therefore the holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: (1) the ability to cause the commencement of enforcement proceedings against the collateral; (2) the ability to control the conduct of such proceedings; (3) the approval of amendments to collateral documents; (4) releases of liens on the collateral; and (5) waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

Continuation of the current decline in oil and natural gas prices for a prolonged period of time could have a material adverse effect on the Company.

As of December 31, 2018, approximately 5.8% of the our portfolio at fair value is invested in energy-related businesses. A decline in oil and natural gas prices would adversely affect the credit quality of these investments. A decrease in credit quality would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect the Company's financial position and results of operations. Should the current decline in oil and natural gas prices persist, it is likely that the Company's energy-related portfolio companies' abilities to satisfy financial or operating covenants imposed by the Company or other lenders will be adversely affected, thereby negatively impacting the Company's financial condition and their ability to satisfy their debt service and other obligations to the Company.

Our portfolio companies may prepay loans, which prepayment may reduce stated yields if capital returned cannot be invested in transactions with equal or greater expected yields.

Our loans to portfolio companies are callable at any time, and most of them at no premium to par. It is uncertain as to when each loan may be called. Whether a loan is called will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, this may be possible for each portfolio company. In the case of some of these loans, having the loan called early may reduce the achievable yield for us below the stated yield to maturity contained herein if the capital returned cannot be invested in transactions with equal or greater expected yields.

We may acquire indirect interests in loans rather than direct interests, which would subject us to additional risk.

We may make or acquire loans or investments through participation agreements. A participation agreement typically results in a contractual relationship only with the counterparty to the participation agreement and not with the borrower. MCC Advisors has adopted best execution procedures and guidelines to mitigate credit and counterparty risk when we acquire a loan through a participation agreement. In investing through participations, we will generally not have a right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and we may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, we will be exposed to the credit risk of both the borrower and the counterparty selling the participation. In the event of insolvency of the counterparty, we, by virtue of holding participation interests in the loan, may be treated as its general unsecured creditor. In addition, although we may have certain contractual rights under the loan participation that require the counterparty to obtain our consent prior to taking various actions relating to the loan, we cannot guarantee that the counterparty will seek such consent prior to taking various actions. Further, in investing through participation agreements, we may not be able to conduct the due diligence on the borrower or the quality of the loan with respect to which it is buying a participation that we would otherwise conduct if we were investing directly in the loan, which may result in us being exposed to greater credit or fraud risk with respect to the borrower or the loan than we expected when initially purchasing the participation. See "Risks Related to Our Business - There are significant potential conflicts of interest that could affect our investment returns" above.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio and our ability to make follow-on investments in certain portfolio companies may be restricted.

Following an initial investment in a portfolio company, provided that there are no restrictions imposed by the 1940 Act, we may make additional investments in that portfolio company as "follow-on" investments in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (3) attempt to preserve or enhance the value of our initial investment.

We have the discretion to make any follow-on investments, subject to the availability of capital resources. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Our failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make such follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, because we are inhibited by compliance with BDC requirements or because we desire to maintain our RIC tax status. We also may be restricted from making follow-on investments in certain portfolio companies to the extent that affiliates of ours hold interests in such companies.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a BDC, we are not permitted to acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than $250 million at the time of such investment. In addition, we may invest up to 30% of our portfolio in opportunistic investments which will be intended to diversify or complement the remainder of our portfolio and to enhance our returns to stockholders. These investments may include private equity investments, securities of public companies that are broadly traded and securities of non-U.S. companies. We expect that these public companies generally will have debt securities that are non-investment grade.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although it is anticipated that most of our investments will be denominated in U.S. dollars, our investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency may change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective. As a result, a change in currency exchange rates may adversely affect our profitability.

Hedging transactions may expose us to additional risks.

We may engage in currency or interest rate hedging transactions. If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

While we may enter into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek or be able to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

The disposition of our investments may result in contingent liabilities.

We currently expect that a significant portion of our investments will involve lending directly to private companies. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

If we invest in the securities and obligations of distressed and bankrupt issuers, we might not receive interest or other payments.

We may invest in the securities and obligations of distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. We may not realize gains from our equity investments.

Risks Related to Our Operations as a BDC and a RIC

Regulations governing our operation as a BDC may limit our ability to, and the way in which we raise additional capital, which could have a material adverse impact on our liquidity, financial condition and results of operations.

Our business requires a substantial amount of capital to operate and grow. We may acquire additional capital from the issuance of senior securities (including debt and preferred stock), the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. Additionally, we may only issue senior securities up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) after such issuance or incurrence. If our assets decline in value and we fail to satisfy this test, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales or repayment may be disadvantageous, which could have a material adverse impact on our liquidity, financial condition and results of operations.

- ***Senior Securities***. As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities, such securities would rank “senior” to common stock in our capital structure, resulting in preferred stockholders having separate voting rights and possibly rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.

- ***Additional Common Stock***. Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below NAV without first obtaining required approvals from our stockholders and our independent directors. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities at the relevant time. We may also make rights offerings to our stockholders at prices per share less than the NAV per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and such stockholders may experience dilution.

Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and may be subject to civil fines and criminal penalties. In addition, any change to the SBA’s current debenture SBIC program could have a significant impact on our ability to obtain lower-cost leverage, through our SBIC subsidiary, and therefore, our ability to compete with other finance companies.

The impact of recent financial reform legislation on us is uncertain.

The Dodd-Frank Reform Act became effective on July 21, 2010. Many provisions of the Dodd-Frank Reform Act have delayed effective dates or have required extensive rulemaking by regulatory authorities. However, the new presidential administration has announced its intention to repeal, amend, or replace certain portions of the Dodd-Frank Act and the regulations implemented thereunder. Given the uncertainty associated with the manner in which and whether the provisions of the Dodd-Frank Act will be implemented, repealed, amended, or replaced, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd-Frank Act or any changes to the regulations already implemented thereunder may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations or financial condition. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders.

We cannot predict how tax reform legislation will affect the Company, 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 the Company. 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. Department of the Treasury. In December 2017, Congress passed tax reform legislation, which the President 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 the Company to incur additional leverage.

The 1940 Act generally prohibits the Company 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, in March 2018, the SBCA 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 SBCA, the Company is allowed to increase its leverage capacity if our 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 SBCA 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 the SBCA, the Company may be able to increase its 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, our stockholders will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the NAV 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 NAV 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 the Company’s ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC, which would have a material adverse effect on our business, financial condition and results of operations.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See "Regulation". Our intent is that a substantial portion of the investments that we acquire will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to BDCs and possibly lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations.

We will become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a regulated investment company under Subchapter M of the Code or to satisfy regulatory investment company distribution requirements.

We have elected and qualified to be treated as a RIC under Subchapter M of the Code and intend to maintain such qualification for succeeding tax years. No assurance can be given that we will be able to qualify for and maintain our RIC tax treatment. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The distribution requirement for a RIC is satisfied if we distribute to our stockholders on an annual basis 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. Because we may use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.

- The income source requirement is satisfied if we obtain at least 90% of our income for each fiscal year from dividends, interest, gains from the sale of stock or securities or similar sources.

- The asset diversification requirement is satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other acceptable securities; and no more than 25% of the value of our assets can be invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain "qualified publicly traded partnerships." Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC tax treatment. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for RIC tax treatment for any reason or become subject to corporate-level U.S. federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on our results of operations and financial conditions, and thus, our stockholders.

Risks Relating to an Investment in Our Securities

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk and, therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

Shares of closed-end investment companies, including BDCs, may, at times, trade at a discount to their NAV.

Shares of closed-end investment companies, including BDCs, may, at times, trade at a discount from NAV. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common stock will trade at, above or below NAV.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of the companies;

- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to BDCs, SBICs or RICs;
- loss of our qualification as a RIC or BDC or our SBIC subsidiary's status as an SBIC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of MCC Advisors' or any of its affiliates' key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Certain provisions of the Delaware General Corporation Law and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Delaware General Corporation Law, our certificate of incorporation and our bylaws contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock.

The NAV per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current NAV per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

While we currently do not have the requisite stockholder approval to sell shares of our common stock at a price or prices below our then current NAV per share, we may seek such approval in the future. In addition, at our 2012 Annual Meeting of Stockholders, we received approval from our stockholders to authorize the Company, with the approval of our board of directors, to issue securities to, subscribe to, convert to, or purchase shares of the Company's common stock in one or more offerings, subject to certain conditions as set forth in the proxy statement. Such authorization has no expiration.

Any decision to sell shares of our common stock below its then current NAV per share or issue securities to subscribe for or convertible into shares of our common stock would be subject to the determination by our board of directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below its then current NAV per share, such sales would result in an immediate dilution to the NAV per share of our common stock. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

If we issue warrants or securities to subscribe for or convertible into shares of our common stock, subject to certain limitations, the exercise or conversion price per share could be less than NAV per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because we would incur expenses in connection with any issuance of such securities, such issuance could result in a dilution of the NAV per share at the time of exercise or conversion. This dilution would include reduction in NAV per share as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such issuance.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV per share, their voting power will be diluted. For example, if we sell an additional 10% of our shares of common stock at a 5% discount from NAV, a stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV.

The Notes are unsecured and therefore are effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes are not secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of December 31, 2018, before netting out debt issuance costs, our Term Loan Facility and Revolving Credit Facility had no outstanding balances and we had $135.0 million SBA-guaranteed debentures outstanding. The indebtedness under the SBA-guaranteed debentures are, and any borrowings under future credit facilities are likely to be, effectively senior to the Notes to the extent of the value of the assets securing such indebtedness.

The Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of the Company and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiary we may acquire or create in the future. Any assets of our subsidiaries will not be directly available to satisfy the claims of our creditors, including holders of the Notes. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Although our subsidiaries currently do not have any indebtedness outstanding, they may incur substantial indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture under which the 2023 Notes and the 2021 Notes were issued contains limited protection for holders of the 2023 Notes and the 2021 Notes.

The indenture under which the 2023 Notes and the 2021 Notes (the “U.S. Notes”) were issued offers limited protection to holders of the U.S. Notes. The terms of the indenture and the U.S. Notes do not restrict our or any of our subsidiaries’ ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the U.S. Notes. In particular, the terms of the indenture and the U.S. Notes place no restrictions on our or our subsidiaries’ ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the U.S. Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the U.S. Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the U.S. Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the U.S. Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, or any successor provisions. These provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings;

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the U.S. Notes, in each case other than dividends, purchases, redemptions or payments that would cause a violation of Section 18(a)(1)(B) of the 1940 Act, as modified by Section 61(a)(1) of the 1940 Act, or any successor provisions. These provisions generally prohibit us from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock if our asset coverage, as defined in the 1940 Act, is below 200% at the time of the declaration of the dividend or distribution or the purchase and after deducting the amount of such dividend, distribution or purchase;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

In addition, the indenture does not require us to offer to purchase the U.S. Notes in connection with a change of control or any other event.

Furthermore, the terms of the indenture and the U.S. Notes generally do not protect holders of the U.S. Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity other than as described under the indenture. Any changes, while unlikely, to the financial tests in the 1940 Act could affect the terms of the U.S. Notes.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the U.S. Notes may have important consequences for you as a holder of the U.S. Notes, including making it more difficult for us to satisfy our obligations with respect to the U.S. Notes or negatively affecting the trading value of the U.S. Notes. Other debt we issue or incur in the future could contain more protections for its holders than the indenture and the U.S. Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the U.S. Notes.

An active trading market for the Notes may not develop or be sustained, which could limit the market price of the Notes or your ability to sell them.

Although the Notes are listed on the NYSE under the symbols “MCV,” in the case of the 2023 Notes, and “MCX,” in the case of the 2021 Notes, and listed on the TASE in the case of the 2024 Notes, we cannot provide any assurances that an active trading market will develop or be sustained for the Notes or that you will be able to sell your Notes. At various times, the Notes may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. To the extent an active trading market is not sustained, the liquidity and trading price for the Notes may be harmed.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our indebtedness that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes and substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the debt that we may incur in the future to avoid being in default. If we breach our covenants under our debt and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under such debt, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations could proceed against the collateral securing the debt. Because any future credit facility will likely have customary cross-default provisions, if the indebtedness under the Notes or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due.

If we issue preferred stock, the NAV and market value of our common stock may become more volatile.

If we issue preferred stock, we cannot assure you that such issuance would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock would likely cause the NAV and market value of our common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of our common stock than if we had not issued preferred stock. Any decline in the NAV of our investments would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This greater NAV decrease would also tend to cause a greater decline in the market price for our common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of our common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of the board of directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of the board of directors at all times and in the event dividends become two full years in arrears, would have the right to elect a majority of our directors until such arrearage is completely eliminated. In addition, preferred stockholders would have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly would be able to veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies or the terms of any credit facility to which MCC is a party, might impair our ability to maintain our qualification as a RIC for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares.

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

Changes in market conditions may result in the underlying common shares purchasable upon exercise of the subscription right being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of subscription rights and investors who receive the subscription rights may find that there is no market to sell the rights if they do not wish to exercise. If investors exercise only a portion of the rights, the number of common shares issued may be reduced and the common shares may trade at less favorable prices than larger offerings for similar securities.

In addition, if the subscription price is less than the NAV per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any decrease in NAV is not predictable because it is not known at this time what the subscription price and NAV per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial. See “Risk Factors—Risks Relating to an Investment in Our Securities—The NAV per share of our common stock may be diluted if we sell shares of our common stock in one of more offerings at prices below the then current NAV per share of our common stock or securities to subscribe for or convertible into shares of our common stock” and “Sales of Common Stock Below Net Asset Value.”

RISKS RELATING TO THE MERGERS

On August 9, 2018, the Company entered into a definitive agreement to merge with Sierra. Pursuant to the Agreement and Plan of Merger, dated as of August 9, 2018, by and between the Company and Sierra (the “MCC Merger Agreement”), the Company will merge with and into Sierra, with Sierra as the surviving entity (the “Combined Company”) in the merger (the “MCC Merger”). Simultaneously, pursuant to the Agreement and Plan of Merger, dated as of August 9, 2018, by and among MDLY, Sierra, and Sierra Management, Inc., a newly formed Delaware corporation and a wholly owned subsidiary of Sierra (“Merger Sub”), MDLY will merge with and into Merger Sub, with Merger Sub as the surviving company in the Merger (the “MDLY Merger” together with the MCC Merger, the “Mergers”), and MDLY’s existing asset management business will continue to operate as a wholly owned subsidiary of the Combined Company. If the Mergers are successfully consummated, Sierra’s common stock will be listed on the NYSE under the symbol “SRA” and the TASE, with such listings expected to be effective as of the closing date of the Mergers. Upon completion of the Mergers, the investment portfolios of the Company and Sierra would be combined, Merger Sub, as a successor to MDLY, would be a wholly owned subsidiary of the Combined Company, and the Combined Company would be internally managed by its wholly controlled adviser subsidiary. Set forth below are certain risks relating to the Mergers. For more information, please refer to our proxy statement on Schedule 14A filed with the SEC on November 6, 2018.

There can be no assurances when or if the Mergers will be completed.

Although the Company, Sierra and MDLY expect to complete the Mergers as early as the fourth quarter of 2018 or the first quarter of 2019, there can be no assurances as to the exact timing of completion of the Mergers, or that the Mergers will be completed at all. The completion of the Mergers is subject to numerous conditions, including, among others, the continued effectiveness of the Registration Statement on Form N-14; the approval of Sierra’s common stock (including shares of Sierra’s common stock to be issued in the Mergers) for listing on the NYSE; receipt of requisite approvals of each of our stockholders, Sierra’s stockholders, and MDLY’s stockholders; receipt of required regulatory approvals, including from the SEC, the SBA, any necessary approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, amended, and, if applicable, state securities regulators; confirmation by the SEC that Merger Sub, as the successor to MDLY in the MDLY Merger, will be treated as a portfolio investment of the Combined Company and reflected in the Combined Company’s consolidated financial statements at fair value for accounting purposes (*i.e.*, not consolidated into the financial statements of the Combined Company); the relevant parties having taken all actions reasonably required in order to keep existing indebtedness outstanding following the Mergers (other than with respect to our credit facility, which has been terminated); receipt of necessary consents relating to joint ventures between us and Sierra; receipt of a specified level of consents from third-party advisory clients of MDLY; with respect to the MCC Merger, satisfaction (or appropriate wavier) of the conditions to closing of the MDLY Merger; with respect to the MDLY Merger, satisfaction (or appropriate waiver) of the conditions to closing of the MCC Merger; and other customary closing conditions.

The Company, Sierra and MDLY cannot assure their respective stockholders that the conditions required to complete the Mergers will be satisfied or waived on the anticipated schedule, or at all. If the Mergers are not completed, the resulting failure of the Mergers could have a material adverse impact on the Company’s, Sierra’s, and MDLY’s financial condition, results of operations, assets or business. In addition, if the Mergers are not completed, the Company, Sierra, and MDLY will have incurred substantial expenses for which no ultimate benefit will have been received. See “- If the Mergers do not close, we will benefit from the expenses incurred in its pursuit.” Moreover, if either the MCC Merger Agreement or the MDLY Merger Agreement is terminated under certain circumstances, the Company, Sierra, and MDLY may be obligated to pay the other party to the applicable merger agreement a termination fee. See “- Under certain circumstances, the Company, Sierra, or MDLY may be obligated to pay a termination fee upon termination of the MCC Merger Agreement or the MDLY Merger Agreement.” Any decision that our stockholders, Sierra’s stockholders, and MDLY’s stockholder make should be made with the understanding that the completion of the Mergers may not happen as scheduled, or at all.

If the Mergers are completed, certain additional risks regarding the Combined Company following the Mergers may be presented.

We may be targets of securities class action and derivative lawsuits, which could result in substantial costs and may delay or prevent the completion of the Mergers.

The Company may be a target of securities class action and derivative lawsuits. Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements in an effort to enjoin the merger or seek monetary relief from such companies. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. We cannot predict the outcome of these lawsuits, or others, if any, nor can we predict the amount of time and expense that will be required to resolve any such litigation. An unfavorable resolution of any such litigation surrounding the Mergers could delay or prevent their consummation. In addition, the costs defending the litigation, even if resolved in our favor, could be substantial and such litigation could distract us from pursuing the consummation of the Mergers and other potentially beneficial business opportunities.

If the Mergers do not close, we will not benefit from the expenses incurred in its pursuit.

The Mergers may not be completed. If the Mergers are not completed, we will have incurred substantial expenses for which no ultimate benefit will have been received. We have incurred out-of-pocket expenses in connection with the Mergers for investment banking, legal and accounting fees and financial printing and other costs and expenses, much of which will be incurred even if the Mergers are not completed. In addition, depending upon the circumstances surrounding termination of the MCC Merger Agreement or the MDLY Merger Agreement, as applicable, we may be obligated to pay a termination fee to the other party to the applicable merger agreement. See "- Under certain circumstances, the Company, Sierra, or MDLY may be obligated to pay a termination fee upon termination of the MCC Merger Agreement or the MDLY Merger Agreement."

Failure to complete the Mergers could negatively impact the business, financial results, and ability to pay dividends and distributions, if any or at its current level, to our stockholders, and negatively impact our stock prices.

If the Mergers are not completed, our ongoing business may be adversely affected. We may experience negative reactions from the financial markets and from their respective customers if the anticipated benefits of the Mergers are not able to be realized. Such anticipated benefits include, among others, the expected increase in distributions to the Combined Company's stockholders, the benefits of the larger balance sheet of the Combined Company and potential for greater scale, the fee earning potential of the asset management business, the enhanced market value of Sierra's common stock following the completion of the Mergers upon listing on the NYSE and TASE, and the benefits of operational efficiencies, cost savings, and synergies. If the Mergers are not consummated, we cannot assure our stockholders that the risks described above will not negatively impact the business, financial results, and ability to pay dividends and distributions, if any or at its current level, to our stockholders, and negatively impact our stock prices.

Termination of the MCC Merger Agreement or the MDLY Merger Agreement or failure to otherwise complete the Mergers could negatively impact us.

Termination of the MCC Merger Agreement or the MDLY Merger Agreement or any failure to otherwise complete the Mergers may result in various consequences, including:

- our business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Mergers, without realizing any of the anticipated benefits of completing the Mergers;

- the market price of our common stock and MDLY's class A common stock may decline to the extent that the market price prior to termination reflects a market assumption that the Mergers will be completed;

- we may not be able to find a party willing to pay an equivalent or more attractive price than the price Sierra has agreed to pay in the MCC Merger and the MDLY Merger, respectively; and

- the payment of any termination fee, if required under the circumstances, could adversely affect our financial condition and liquidity.

Under certain circumstances, we may be obligated to pay a termination fee upon termination of the MCC Merger Agreement or the MDLY Merger Agreement.

The MCC Merger Agreement provides for the payment by us or Sierra to the other party a termination fee of $6,000,000 in cash if the MCC Merger Agreement is terminated by us or Sierra under certain circumstances.

The MDLY Merger Agreement provides for the payment by Sierra or MDLY to the other party a termination fee of $5,350,000 in cash if the MDLY Merger Agreement is terminated by Sierra or MDLY under certain circumstances.

The MCC Merger Agreement limits our ability to actively pursue alternatives to the MCC Merger and to accept a superior proposal.

The MCC Merger Agreement contains provisions that limit the Company's ability to actively solicit, discuss or negotiate competing third-party proposals for strategic transactions. Although these provisions, which are customary for transactions of this type, allows us to engage in negotiations regarding, and to ultimately accept, a "MCC Merger Superior Proposal" (as such term is defined in the MCC Merger Agreement), in certain circumstances, subject to the payment of a termination fee, such provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of the Company from considering or proposing a MCC Merger Superior Proposal to us, or might result in a potential competing acquiror proposing to pay a lower price to acquire us than it might otherwise have proposed to pay.

Certain persons related to us have interests in the Mergers that differ from the interests of our stockholders.

Certain of our directors and executive officers have financial interests in the Mergers that are different from, or in addition to, the interests of our stockholders. Our special committee and, acting on the recommendation of our special committee, our board of directors were aware of and considered these interests, among other matters, in evaluating the MCC Merger Agreement, including the MCC Merger, and in recommending to our stockholders to approve the adoption of the MCC Merger Agreement.

We will be subject to business uncertainties and contractual restrictions while the Mergers are pending.

Uncertainty about the effect of the Mergers may have an adverse effect on us and, consequently, on the Combined Company, following completion of the Mergers. These uncertainties could cause those that deal with us to seek to change their existing business relationships with us. In addition, each of the MCC Merger Agreement and the MDLY Merger Agreement restricts us from taking actions that it might otherwise consider to be in its respective best interests. These restrictions may prevent us from pursuing certain business opportunities that may arise prior to the completion of the Mergers.

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus constitute forward-looking statements, which relate to future events or our performance or financial condition. In addition to factors previously identified elsewhere in this prospectus, including the "Risks" section of this prospectus, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- 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 our investment adviser;
- the impact of increased competition;
- the impact of future acquisitions and divestitures;
- our business prospects and the prospects of our portfolio companies;
- limitations on entering into transactions with our affiliates in the absence of regulatory relief;
- 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;
- the unfavorable resolution of legal proceedings; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

This prospectus, and other statements that we may make, may contain forward-looking statements with respect to future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend", "opportunity", "pipeline", "believe", "comfortable", "expect", "anticipate", "current", "intention", "estimate", "position", "assume", "potential", "outlook", "continue", "remain", "maintain", "sustain", "seek", "achieve" and similar expressions, or future or conditional verbs such as "will", "would", "should", "could", "may" or similar expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and we assume no duty to and do not undertake to update forward-looking statements. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our common stock or other securities pursuant to this prospectus to provide debt financing to portfolio companies in accordance with our investment objective and for general corporate purposes. We may also use the net proceeds from future offerings to repay outstanding indebtedness under any credit facility to which we become a party. We anticipate that substantially all of the net proceeds from any offering of our securities will be used for the above purposes within six to twelve months after the particular offering, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. The management fee payable by us to MCC Advisors will not be reduced while our assets are invested in such securities. We cannot assure you that we will achieve our targeted investment pace.

Pending investments in accordance with our investment objective and policies, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less, or "temporary investments", as appropriate. These securities may have lower yields than the types of investments we would typically make in accordance with our investment objective and, accordingly, may result in lower distributions, if any, by us during such period. See "Regulation - Temporary Investments" and "The Adviser Investment Management Agreement."

The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Price Range

Our common stock began trading on January 20, 2011, and is currently traded on the NYSE and TASE under the symbol “MCC”. The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of NAV, and quarterly dividends per share since shares of our common stock began being regularly quoted on the NYSE.

Period	NAV(1)	Closing Sales Price High	Closing Sales Price Low	Premium/Discount of High Sales Price to NAV(2)	Premium/Discount of Low Sales Price to NAV(2)	Declared Dividends(3)
Fiscal year ended September 30, 2019						
First quarter	$ 5.61	$ 3.95	$ 2.66	(29.59)%	(52.58)%	0.10
Second quarter	$ *	$ 3.60	$ 2.62	*	*	0.05
Third quarter (through April 4, 2019)	$ *	$ 3.18	$ 3.10	*	*	*
Fiscal year ended September 30, 2018						
First quarter	$ 7.71	$ 6.10	$ 5.09	(20.88)%	(33.98)%	$ 0.16
Second quarter	$ 7.02	$ 5.34	$ 3.98	(23.93)%	(43.30)%	$ 0.16
Third quarter	$ 6.43	$ 4.37	$ 3.39	(32.04)%	(47.28)%	$ 0.10
Fourth quarter	$ 5.90	$ 4.03	$ 3.38	(31.69)%	(42.71)%	$ 0.52
Fiscal year ended September 30, 2017						
First quarter	$ 9.39	$ 7.87	$ 6.96	(16.19)%	(25.88)%	$ 0.22
Second quarter	$ 8.94	$ 8.00	$ 7.40	(10.51)%	(17.23)%	$ 0.22
Third quarter	$ 8.84	$ 7.84	$ 5.96	(11.31)%	(32.58)%	$ 0.16
Fourth quarter	$ 8.45	$ 6.57	$ 5.79	(22.25)%	(31.48)%	$ 0.16
Fiscal year ended September 30, 2016						
First quarter	$ 10.01	$ 8.16	$ 7.01	(18.48)%	(29.97)%	$ 0.30
Second quarter	$ 9.80	$ 7.74	$ 5.37	(21.02)%	(45.20)%	$ 0.30
Third quarter	$ 9.76	$ 6.95	$ 6.26	(28.79)%	(35.86)%	$ 0.30
Fourth quarter	$ 9.49	$ 7.77	$ 7.05	(18.12)%	(25.71)%	$ 0.22
Fiscal year ended September 30, 2015						
First quarter	$ 11.74	$ 11.79	$ 8.84	0.43%	(24.70)%	$ 0.37
Second quarter	$ 11.68	$ 9.72	$ 8.70	(16.78)%	(25.51)%	$ 0.30
Third quarter	$ 11.53	$ 9.53	$ 8.85	(17.35)%	(23.24)%	$ 0.30
Fourth quarter	$ 11.00	$ 9.19	$ 7.41	(16.45)%	(32.64)%	$ 0.30
Fiscal year ended September 30, 2014						
First quarter	$ 12.68	$ 14.64	$ 13.38	15.46%	5.52%	$ 0.37
Second quarter	$ 12.69	$ 14.72	$ 13.41	16.00%	5.67%	$ 0.37
Third quarter	$ 12.65	$ 13.83	$ 12.30	9.33%	(2.77)%	$ 0.37
Fourth quarter	$ 12.43	$ 13.29	$ 11.78	6.92%	(5.23)%	$ 0.37
Fiscal year ended September 30, 2013						
First quarter	$ 12.69	$ 14.62	$ 12.99	15.21%	2.36%	$ 0.36
Second quarter	$ 12.73	$ 16.15	$ 14.46	26.87%	13.59%	$ 0.36
Third quarter	$ 12.65	$ 15.65	$ 13.06	23.72%	3.24%	$ 0.37
Fourth quarter	$ 12.70	$ 14.65	$ 13.04	15.35%	2.68%	$ 0.37
Fiscal year ended September 30, 2012						
First quarter	$ 12.57	$ 10.56	$ 8.96	(15.99)%	(28.72)%	$ 0.28
Second quarter	$ 12.63	$ 11.86	$ 10.17	(6.10)%	(19.48)%	$ 0.31
Third quarter	$ 12.60	$ 12.04	$ 10.72	(4.44)%	(14.92)%	$ 0.36
Fourth quarter	$ 12.52	$ 12.36	$ 11.91	(1.28)%	(4.87)%	$ 0.36
Fiscal year ended September 30, 2011						
Second quarter(4)	$ 12.48	$ 12.18	$ 11.85	(2.40)%	(5.05)%	$ 0.16
Third quarter	$ 12.55	$ 12.24	$ 11.00	(2.47)%	(12.35)%	$ 0.21
Fourth quarter	$ 12.57	$ 11.73	$ 9.65	(6.68)%	(23.23)%	$ 0.25

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV and subtracting 1.

(3) Represents the cash dividend declared for the specified quarter.

(4) From January 20, 2011 (IPO) to March 31, 2011

The last reported price for our common stock on April 4, 2019 was $3.18 per share. As of April 4, 2019 we had 11 stockholders of record.

Distributions

Our dividends, if any, are determined by the board of directors. We have elected, and intend to qualify annually, to be treated as a RIC under Subchapter M of the U.C. Code. To maintain RIC tax treatment, we must timely distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long- term capital losses, if any. We will be subject to a 4% nondeductible U.S. federal excise tax on our undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income (both long-term and short-term) for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in preceding years and on which we did not pay U.S. federal income tax.

The following table reflects the cash distributions, including dividends and returns of capital per share that we have declared on our common stock since completion of our initial public offering.

Dividends Declared

Record Dates	Payment Dates	Per Share	
Fiscal year ended September 30, 2011			
June 1, 2011	June 15, 2011	$	0.16
September 1, 2011	September 15, 2011		0.21
Total		$	0.37
Fiscal year ended September 30, 2012			
December 15, 2011	December 30, 2011	$	0.25
February 24, 2012	March 15, 2012		0.28
May 25, 2012	June 15, 2012		0.31
August 24, 2012	September 14, 2012		0.36
Total		$	1.20
Fiscal year ended September 30, 2013			
November 23, 2012	December 14, 2012	$	0.36
February 27, 2013	March 15, 2013		0.36
May 27, 2013	June 14, 2013		0.36
August 23, 2013	September 13, 2013		0.37
Total		$	1.45
Fiscal year ended September 30, 2014			
November 22, 2013	December 13, 2013	$	0.37
February 26, 2014	March 14, 2014		0.37
May 28, 2014	June 13, 2014		0.37
August 27, 2014	September 12, 2014		0.37
Total		$	1.48
Fiscal year ended September 30, 2015			
November 26, 2014	December 12, 2014	$	0.37
February 25, 2015	March 13, 2015		0.30
May 20, 2015	June 12, 2015		0.30
August 19, 2015	September 11, 2015		0.30
Total		$	1.27
Fiscal year ended September 30, 2016			
November 25, 2015	December 18, 2015	$	0.30
February 24, 2016	March 18, 2016		0.30
May 25, 2016	June 24, 2016		0.30
August 24, 2016	September 23, 2016		0.22
Total		$	1.12

Dividends Declared

Record Dates	Payment Dates	Per Share
Fiscal year ended September 30, 2017		
November 23, 2016	December 23, 2016	$ 0.22
February 22, 2017	March 24, 2017	0.22
May 24, 2017	June 23, 2017	0.16
August 23, 2017	September 22, 2017	0.16
Total		$ 0.76
Fiscal year ended September 30, 2018		
November 22, 2017	December 22, 2017	$ 0.16
February 21, 2018	March 23, 2018	0.16
June 6, 2018	June 21, 2018	0.10
September 5, 2018	September 20, 2018	0.10
Total		$ 0.52
Fiscal year ended September 30, 2019		
December 5, 2018	December 20, 2018	$ 0.10
February 22, 2019	March 12, 2019	0.05
Total		$ 0.15

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. See "Dividend Reinvestment Plan."

SELECTED FINANCIAL AND OTHER DATA

We have derived the selected financial data below from our audited consolidated financial statements for the fiscal years ended September 30, 2018, 2017, 2016, 2015, and 2014, which have been audited by Ernst & Young LLP, our independent registered public accounting firm. The selected financial data for the three months ended December 31, 2018 is derived from the unaudited consolidated financial statements. In the opinion of management, the selected financial data for the three months ended December 31, 2018 reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim period. The selected financial data for the three months ended December 31, 2018 may not be indicative of the results that may be expected for the year ending September 31, 2019 or for any other period. Historical financial data is not necessarily indicative of our future results of operations or financial position.

The following selected financial data should be read together with our financial statements and the related notes and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	For the three months ended December 31,	For the years ended September 30,				
	2018	2018	2017	2016	2015	2014
Statement of Operations data:						
($ in thousands)						
Total investment income	14,202	66,820	96,256	120,749	149,196	139,390
Base management fees	3,185	14,724	17,773	19,470	22,450	17,684
Incentive fees	—	—	896	11,492	18,234	18,667
All other expenses	9,258	40,072	41,309	39,843	35,576	28,371
Management fee waiver	—	(380)	(48)	(143)	—	—
Incentive fee waiver	—	—	(44)	(3,504)	—	—
Net investment income	1,760	12,404	36,370	53,591	72,936	74,668
Net realized gain/(loss) on investments	(56,722)	(89,221)	(73,086)	(39,383)	(60,910)	356
Net unrealized appreciation/(depreciation) on investments	45,008	(32,194)	21,644	(42,257)	(26,723)	(21,274)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	474	1,092	87)	(61)	(1,592)
Loss on extinguishment of debt	(123)	(2,237)	(1,097)	—	—	—
Net increase/(decrease) in net assets resulting from operations	(10,077)	(110,924)	(15,077)	(27,962)	(14,758)	52,158
Per share data:						
Net asset value per common share at period end	5.61	5.90	8.45	9.49	11.00	12.43
Market price at period end	2.66	3.82	5.97	7.63	7.44	11.81
Net investment income	0.03	0.23	0.67	0.97	1.27	1.58
Net realized and unrealized loss on investments	(0.21)	(2.23)	(0.94)	(1.47)	(1.52)	(0.45)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	0.01	0.02	—)	(0.01)	(0.03)
Loss on extinguishment of debt	—	(0.04)	(0.02)	—	—	—
Net increase/(decrease) in net assets resulting from operations	(0.18)	(2.04)	(0.28)	(0.50)	(0.26)	1.10
Dividends paid	0.10	0.52	0.76	1.12	1.27	1.48
Statement of Assets and Liabilities data:						
Total investments at fair value	642,879	655,430	836,991	914,184	1,216,092	1,245,538
Cash and cash equivalents	62,695	75,666	108,572	104,485	15,714	36,731
Other assets[2]	8,896	10,500	13,997	12,211	12,276	30,189
Total assets	714,470	741,596	959,560	1,030,880	1,244,082	1,312,458
Total liabilities	408,816	420,417	499,131	513,961	624,162	582,601
Total net assets	305,654	321,179	460,429	516,919	619,920	729,857
Other data:						
Weighted average annual yield on debt investments[1]	9.6%	9.9%	10.8%	11.8%	12.3%	12.6%
Total return based on net asset value[3]	(1.91)%	(21.29)%	(0.68)%	0.42%	1.76%	9.73%
Total return based on market value[4]	(29.11)%	(27.82)%	(12.73)%	19.37%	(27.56)%	(3.98)%
Number of investments at period end	62	67	64	58	72	79

(1) The weighted average yield is based upon original cost on our income bearing debt investments.

(2) On January 1, 2016, we adopted Accounting Standards Update ("ASU") 2015-03, which requires that debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability rather than as an asset. Adoption of ASU 2015-03 requires the changes to be applied retrospectively.

(3) 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.

(4) 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.

Selected Quarterly Financial Data (Unaudited)
(in thousands, except per share data)

The following tables set forth certain quarterly financial information for the quarter ended December 31, 2018 and for each of the quarters for the fiscal years ended September 30, 2018 and 2017. This information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Consolidated Statement of Operations data:				
Total investment income	$ —	$	$ —	$ 14,202
Net investment income	—		—	1,759
Net realized and unrealized gain/(loss)	—	—	—	(11,837)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	—	—	—	—
Loss on extinguishment of debt	—		—	(123)
Net increase/(decrease) in net assets resulting from operations	—	—	—	(10,077)
Earnings per share	—	—	—	(0.18)
Net asset value per common share at period end	$ —	$ —	$ —	$ 5.61

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Consolidated Statement of Operations data:				
Total investment income	$ 15,210	$ 13,945	$ 17,035	$ 20,631
Net investment income	741	904	3,580	7,179
Net realized and unrealized gain/(loss)	(23,059)	(27,753)	(31,391)	(39,213)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	—	194	190	90
Loss on extinguishment of debt	(1,218)	(11)	(1,158)	—
Net increase/(decrease) in net assets resulting from operations	(23,536)	(26,666)	(28,779)	(31,944)
Earnings per share	(0.43)	(0.49)	(0.53)	(0.59)
Net asset value per common share at period end	$ 5.90	$ 6.43	$ 7.02	$ 7.71

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Consolidated Statement of Operations data:				
Total investment income	$ 22,147	$ 23,696	$ 24,357	$ 26,056
Net investment income	8,624	9,569	8,042	10,135
Net realized and unrealized gain/(loss)	(20,446)	(7,353)	(19,834)	(3,809)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	309	783	—	—
Loss on extinguishment of debt	(640)	—	(456)	—
Net increase/(decrease) in net assets resulting from operations	(12,153)	2,999	(12,248)	6,326
Earnings per share	(0.22)	0.06	(0.22)	0.12
Net asset value per common share at period end	$ 8.45	$ 8.84	$ 8.94	$ 9.39

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 prospectus as well as the important factors set forth under “Risks” and “Forward-Looking Statements.” . 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 prospectus constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in this prospectus 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,” “position,” “assume,” “potential,” “outlook,” “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve,” and similar expressions, or future or 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 SEC on December 7, 2017, and elsewhere in this prospectus.

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 Securities and Exchange Commission (“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 has elected 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 $121.3 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 the 2024 Notes, we 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 the 1940 Act, 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. In addition, to maintain our RIC tax treatment, 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.

Agreements and Plan of Mergers

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, dated as of August 9, 2018, by and between the Company and Sierra (the “MCC Merger Agreement”), the Company will, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving entity (the “Combined Company”) in the merger (the “MCC Merger”). Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive 0.8050 shares of the Sierra’s common stock. Simultaneously, pursuant to the Agreement and Plan of Merger (the “MDLY Merger Agreement”), dated as of August 9, 2018, by and among Medley Management Inc. (“MDLY”), Sierra, and Sierra Management, Inc., a newly formed Delaware corporation and a wholly owned subsidiary of Sierra (“Merger Sub”), MDLY will, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the Merger (the “MDLY Merger” together with the MCC Merger, the “Mergers”), and MDLY’s existing asset management business will continue to operate as a wholly owned subsidiary of the Combined Company. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive (i) 0.3836 shares of Sierra’s common stock; plus (ii) cash in an amount equal to $3.44 per share. In addition, MDLY’s stockholders will have the right to receive certain dividends and/or other payments. If the Mergers are successfully consummated, Sierra’s common stock will be listed on the New York Stock Exchange (“NYSE”) under the symbol “SRA” and the TASE, with such listings expected to be effective as of the closing date of the Mergers. Upon completion of the Mergers, the investment portfolios of the Company and Sierra would be combined, Merger Sub, as a successor to MDLY, would be a wholly owned subsidiary of the Combined Company, and the Combined Company would be internally managed by MCC Advisors, its wholly controlled adviser subsidiary. Set forth below are certain risks relating to the Mergers.

The Mergers are subject to the satisfaction or waiver of closing conditions, including, but not limited to: (a) the approval of the MCC Merger and the MDLY Merger by the Sierra’s stockholders by the affirmative vote of at least a majority of all its stockholders, the approval of the adoption of the MCC Merger Agreement by our stockholders, and the approval of the adoption of the MDLY Merger Agreement by MDLY’s stockholders, voting separately at their respective special meetings; (b) the receipt of an exemptive order from the SEC, an exemptive application for which has been filed by Sierra, the Company and MDLY and certain of their subsidiaries; and (c) the approval by the SBA relating to the transfer of MCC’s SBIC license. No assurance can be given that such SEC exemptive order will be issued or SBA approval will be received or that any of the other closing conditions will be satisfied or waived.

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);
- 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 December 31, 2018 and September 30, 2018, our portfolio had a fair market value of approximately $642.9 million and $655.4 million, respectively. The following table summarizes our portfolio and investment activity during the three months ended December 31, 2018 and 2017 (dollars in thousands):

	For the three months ended December 31	
	2018	2017
Investments made in new portfolio companies	$ 648	$ 68,496
Investments made in existing portfolio companies	38,474	14,199
Aggregate amount in exits and repayments	(43,797)	(47,859)
Net investment activity	$ (4,675)	$ 34,836
Portfolio Companies, at beginning of period	67	64
Number of new portfolio companies	2	6
Number of exited portfolio companies	(7)	(2)
Portfolio companies, at end of period	62	68
Number of investments in existing portfolio companies	14	10

The following table summarizes the amortized cost and the fair value of our average portfolio company investment, including the equity investment in the MCC Senior Loan Strategy JV I LLC ("MCC JV"), and largest portfolio company investment, excluding the equity investment in the MCC JV, as of December 31, 2018 and September 30, 2018 (dollars in thousands):

	December 31, 2018		September 30, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company investment	$ 11,405	$ 10,369	$ 11,413	$ 9,783
Largest portfolio company investment	31,469	31,469	31,469	31,469

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2018 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 452,249	64.0%	$ 392,307	61.0%
Senior Secured Second Lien Term Loans	37,460	5.3	36,462	5.7
Senior Secured First Lien Notes	20,000	2.8	19,268	3.0
Unsecured Debt	3,313	0.5	3,313	0.5
MCC Senior Loan Strategy JV I LLC	78,575	11.1	75,919	11.8
Equity/Warrants	115,529	16.3	115,610	18.0
Total	$ 707,126	100.0%	$ 642,879	100.0%

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

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 475,801	62.2%	$ 395,015	60.3%
Senior Secured Second Lien Term Loans	49,162	6.4	48,890	7.5
Senior Secured First Lien Notes	20,000	2.6	19,268	2.9
Unsecured Debt	26,108	3.4	3,381	0.5
MCC Senior Loan Strategy JV I LLC	78,575	10.3	78,371	11.9
Equity/Warrants	115,040	15.1	110,505	16.9
Total	$ 764,686	100.0%	$ 655,430	100.0%

As of December 31, 2018, our income-bearing investment portfolio, which represented 72.5% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 9.6%, and 79.6% of our income-bearing investment portfolio bore interest based on floating rates, such as the London Interbank Offering Rate ("LIBOR"), while 20.4% of our income-bearing investment portfolio bore interest at fixed rates. As of December 31, 2018, the weighted average yield based upon cost of our total portfolio was approximately 6.5%. 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 Rating	Definition
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 December 31, 2018 and September 30, 2018 (dollars in thousands):

	December 31, 2018		September 30, 2018	
Investment Performance Rating	**Fair Value**	**Percentage**	**Fair Value**	**Percentage**
1	$ 89,788	14.0%	$ 50,245	7.7%
2	386,510	60.1	448,240	68.4
3	122,223	19.0	106,236	16.2
4	503	0.1	503	0.1
5	43,855	6.8	50,206	7.6
Total	$ 642,879	100.0%	$ 655,430	100.0%

Results of Operations

Operating results for the three months ended December 31, 2018 and 2017 are as follows (dollars in thousands):

	For the three months ended December 31	
	2018	**2017**
Total investment income	$ 14,202	$ 20,631
Total expenses, net	12,442	13,318
Net investment income before excise taxes	1,760	7,313
Excise tax expense	—	(134)
Net investment income	1,760	7,179
Net realized gains/(losses) from investments	(56,722)	(21)
Net unrealized appreciation/(depreciation) on investments	45,008	(39,192)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	90
Loss on extinguishment of debt	(123)	—
Net increase/(decrease) in net assets resulting from operations	$ (10,077)	$ (31,944)

Operating results for the years ended September 30, 2018, 2017 and 2016 are as follows (dollars in thousands):

	For the years ended September 30		
	2018	2017	2016
Total investment income	$ 66,820	$ 96,256	$ 120,749
Total expenses, net	54,258	59,619	67,158
Net investment income before excise taxes	12,562	36,637	53,591
Excise tax expense	(158)	(267)	—
Net investment income	12,404	36,370	53,591
Net realized gains/(losses) from investments	(89,221)	(73,086)	(39,383)
Net unrealized appreciation/(depreciation) on investments	(32,194)	21,644	(42,257)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	474	1,092	87
Loss on extinguishment of debt	(2,387)	(1,097)	—
Net increase in net assets resulting from operations	$ (110,924)	$ (15,077)	$ (27,962)

Investment Income

For the three months ended December 31, 2018, investment income totaled $14.2 million, of which $13.7 million was attributable to portfolio interest and dividend income, and $0.5 million to fee income.

For the three months ended December 31, 2017, investment income totaled $20.6 million, of which $18.8 million was attributable to portfolio interest and dividend income, and $1.8 million to fee income.

For the year ended September 30, 2018, investment income totaled $66.8 million, of which $62.3 million was attributable to portfolio interest and dividend income, and $4.5 million to fee income.

For the year ended September 30, 2017, investment income totaled $96.3 million, of which $89.7 million was attributable to portfolio interest and dividend income, and $6.6 million to fee income.

For the year ended September 30, 2016, investment income totaled $120.7 million, of which $113.2 million was attributable to portfolio interest and dividend income, and $7.5 million to fee income.

Operating Expenses

Operating expenses for the three months ended December 31, 2018 and 2017 are as follows (dollars in thousands):

	For the three months ended December 31	
	2018	2017
Base management fees	$ 3,185	$ 4,068
Incentive fees	—	—
Interest and financing expenses	6,009	6,759
Professional fees	1,201	586
Administrator expenses	1,032	868
General and administrative	604	757
Directors fees	292	147
Insurance	119	133
Expenses before management and incentive fee waivers	12,442	13,318
Management fee waiver	—	—
Incentive fee waiver	—	—
Expenses, net of management and incentive fee waivers	$ 12,442	$ 13,318

For the three months ended December 31, 2018, total operating expenses before management and incentive fee waivers decreased by $0.9 million, or 6.6%, compared to the three months ended December 31, 2017.

Operating expenses for the years ended September 30, 2018, 2017 and 2016 are as follows (dollars in thousands):

	For the years ended September 30		
	2018	**2017**	**2016**
Base management fees	$ 14,724	$ 17,773	$ 19,470
Incentive fees	—	896	11,492
Interest and financing expenses	27,918	31,403	30,277
Professional fees	4,430	2,192	2,277
Administrator expenses	3,582	3,848	3,915
General and administrative	2,171	2,555	2,336
Directors fees	1,271	647	544
Insurance	542	397	494
Expenses before management and incentive fee waivers	54,638	59,711	70,805
Management fee waiver	(380)	(48)	(143)
Incentive fee waiver	—	(44)	(3,504)
Expenses, net of management and incentive fee waivers	$ 54,258	$ 59,619	$ 67,158

For the year ended September 30, 2018, total operating expenses before management and incentive fee waivers decreased by $5.1 million, or 8.5%, compared to the year ended September 30, 2017.

For the year ended September 30, 2017, total operating expenses before management and incentive fee waivers decreased by $11.1 million, or 15.7%, compared to the year ended September 30, 2016.

Interest and Financing Expenses

Interest and financing expenses for the three months ended December 31, 2018 decreased by $0.8 million, or 11.1%, compared to the three months ended December 31, 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 voluntary satisfaction and termination of the Senior Secured Revolving Credit Facility (the "Revolving Credit Facility"), the redemption of $13.0 million and $12.0 million of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes") on March 12, 2018 and December 31, 2018, respectively, and the $15.0 million repayment of the SBA-guaranteed debentures (the "SBA Debentures") on September 1, 2018, partially offset by the issuance of the 2024 Notes.

Interest and financing expenses for the year ended September 30, 2018 decreased by $3.5 million, or 11.1%, compared to the year ended September 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 repayment of the 7.125% unsecured notes (the "2019 Notes") in February 2017, the redemption of $13.0 million of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes"), and the $15.0 million repayment of the SBA-guaranteed debentures (the "SBA Debentures"), partially offset by an increase in LIBOR rates and the pricing of the 2024 Notes.

Interest and financing expenses for the year ended September 30, 2017 increased by $1.1 million, or 3.7%, compared to the year ended September 30, 2016. The increase in interest and financing expenses was primarily due to the increase in LIBOR rates, the issuance of an additional $39.4 million of the 2023 Notes as well as an acceleration of debt issuance costs in the amount of $1.3 million related to the reduction of the Revolving Credit Facility commitment to $200.0 million from $343.5 million, offset by the repayment of the 2019 Notes in February 2017.

Base Management Fees and Incentive Fees

Base management fees for the three months ended December 31, 2018 decreased by $0.9 million, or 21.7%, compared to the three months ended December 31, 2017 due to the decline in the portfolio in the period. The company did not incur incentive fees for the three months ended December 31, 2018 and 2017.

Base management fees for the year ended September 30, 2018 decreased by $3.0 million, or 17.2%, compared to the year ended September 30, 2017 due to the decline in the portfolio in the period. Incentives fees for the year ended September 30, 2018 decreased by $0.9 million, or 100%, compared to the year ended September 30, 2017 due to the decrease in pre-incentive fee net investment income.

Base management fees for the year ended September 30, 2017 decreased by $1.7 million, or 8.7%, compared to the year ended September 30, 2016 due to the decline in the portfolio in the period. Incentives fees for the year ended September 30, 2017 decreased by $10.6 million, or 92.2%, compared to the year ended September 30, 2016 due to the decrease in pre-incentive fee net investment income. Additionally, both base management and incentive fees declined due to the effect of the Fee Waiver Agreement described in "The Adviser – Investment Management Agreement".

Professional Fees and Other General and Administrative Expenses

Professional fees and general and administrative expenses for the three months ended December 31, 2018 increased by $0.8 million, or 30.4%, compared to the three months ended December 31, 2017 primarily due to an increase in legal expenses, directors expenses, and administrative expenses in connection with the Mergers, offset by a decrease in valuation expenses, general administrative expenses, and insurance expenses.

Professional fees and general and administrative expenses for the year ended September 30, 2018 increased by $2.4 million, or 24.4%, compared to the year ended September 30, 2017 primarily due to an increase in legal expenses, directors expenses, insurance expenses, and audit expenses, in connection with the Mergers, offset by a decrease in general administrative expenses, administrator expenses, and valuation expenses.

Professional fees and general and administrative expenses for the year ended September 30, 2017 increased by $0.1 million, or 0.8%, compared to the year ended September 30, 2016 primarily due to an increase in legal expenses, directors expenses and general administrative expenses offset by a decrease in audit expenses, administrator expenses, insurance expenses and valuation 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 months ended December 31, 2018, we recognized $56.7 million of realized losses on our portfolio investments. The realized losses were primarily due to the write off of certain investments in two of our portfolio companies.

During the three months ended December 31, 2017, we recognized $21,476 of realized loss on our portfolio investments. The realized loss was primarily due to the partial sale of one of our investments, offset by a realized gain from liquidation proceeds received on a realized investment.

During the year ended September 30, 2018, we recognized $89.2 million of realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring transactions of three investments, as well as the sale of one of our investments.

During the year ended September 30, 2017, we recognized $73.1 million of realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring transactions of three investments, the liquidation of one investment as well as the write off of certain investments offset by the non-cash exchange of one equity investment.

During the year ended September 30, 2016, we recognized $39.4 million of realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring transactions of two investments and the write off of one investment offset by a realized gain on the sale of one equity investment.

Net 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 months ended December 31, 2018, the Company recognized a net loss on extinguishment of debt of $0.1 million, which is comprised of $0.2 million loss on extinguishment of debt from the $13.0 million partial redemption of the 2023 Notes, offset by a $0.1 million gain on extinguishment of debt from the repurchase and retirement of $1.1 million of the 2024 Notes. The Company did not recognize a loss on extinguishment of debt for the three months ended December 31, 2017.

During the year ended September 30, 2018, we recognized a loss on extinguishment of debt of $2.4 million from the payment of the remaining $102.0 million outstanding under the Term Loan Facility, the $13.0 million partial redemption of the 2023 Notes, the $15.0 million repayment of the SBA Debentures, and the voluntary satisfaction and termination of our Revolving Credit Facility in accordance with its terms.

During the year ended September 30, 2017, we recognized a loss on extinguishment of debt of $1.1 million from the redemption of the 2019 Notes as well as the paydown of the Term Loan Facility.

There was no loss on extinguishment of debt during the year ended September 30, 2016.

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 months ended December 31, 2018, we had $45.0 million of net unrealized appreciation on investments. For the three months ended December 31, 2017, we had $39.2 million of net unrealized depreciation on investments. For the year ended September 30, 2018, we had $32.2 million of net unrealized depreciation on investments. For the year ended September 30, 2017, we had $21.6 million of net unrealized appreciation on investments. For the years ended September 30, 2016, we had $42.3 million of net unrealized depreciation on investments.

Provision for Deferred Taxes on Unrealized Depreciation 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 months ended December 31, 2018, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments. For the three months ended December 31, 2017, the change in provision for deferred taxes on the unrealized depreciation on investments was $0.1 million. For the years ended September 30, 2018, 2017 and 2016, the change in provision for deferred taxes on the unrealized depreciation on investments was $0.5 million, $1.1 million and $0.1 million, respectively.

Changes in Net Assets from Operations

For the three months ended December 31, 2018, we recorded a net decrease in net assets resulting from operations of $10.1 million compared to a net decrease in net assets resulting from operations of $31.9 million for the three months ended December 31, 2017 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the three months ended December 31, 2018 and 2017, our per share net decrease in net assets resulting from operations was $0.18 and $0.59 for three months ended December 31, 2018 and 2017, respectively.

For the year ended September 30, 2018, we recorded a net decrease in net assets resulting from operations of $110.9 million compared to a net decrease in net assets resulting from operations of $15.1 million for the year ended September 30, 2017, and a net decrease in net assets resulting from operations of $28.0 million for the year ended September 30, 2016 as a result of the factors discussed above. Based on 54,474,211, 54,474,211, and 55,399,646 weighted average common shares outstanding for the years ended September 30, 2018, 2017 and 2016, respectively, our per share net decrease in net assets resulting from operations was $2.04, $0.28 and $0.50 for the years ended September 30, 2018, 2017, and 2016, respectively.

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 December 31, 2018, we had $62.7 million in cash and cash equivalents, of which $32.3 million was held by Medley SBIC LP (“SBIC LP”). 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, pursuant to the 1940 Act, certain requirements are met). This requirement limits the amount that we may borrow.

Credit Facilities

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

The Revolving Credit Facility had a revolving period that was to end 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.

On September 28, 2018, the Company voluntarily satisfied and terminated the commitments under the Revolving Credit Facility in accordance with its terms. The termination was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $1.0 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

Unsecured Notes

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 resulted in a realized loss of $0.4 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On December 31, 2018, the Company redeemed $12.0 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 resulted in a realized loss of $0.2 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 $121.3 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 5.55% 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.

During the three months ended December 31, 2018, the Company exchanged $1.0 million United States Dollars to New Israeli Shekels at a rate of 3.73 USD/NIS in order to repurchase the 2024 Notes on the TASE. As the 2024 Notes were trading below par at the time of the repurchase, and the USD/NIS (foreign currency) spot rate was higher than the fixed exchange rate agreed upon in the Deed of Trust, the Company was able to repurchase and retire 3,812,000 units, which resulted in $1,119,201 aggregate principal amount of the 2024 Notes being retired. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized gain of $0.1 million and was recorded on the Consolidated Statements of Operations as a gain on extinguishment of debt which was netted against the $0.2 million loss on extinguishment of debt we realized from the 2023 Notes mentioned above.

SBA Debentures

On March 26, 2013, our wholly-owned subsidiary, 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 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.

On September 1, 2018, the Company repaid $15.0 million in aggregate principal amount of the SBA Debentures. The repayment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

As of December 31, 2018, SBIC LP had $75.0 million in regulatory capital and had $135.0 million SBA Debentures outstanding that mature between March 2024 and September 2025.

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 December 31, 2018 and September 30, 2018, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

As of December 31, 2018 and September 30, 2018, we had commitments under loan and financing agreements to fund up to $19.8 million to 16 portfolio companies and $36.1 million to 17 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 December 31, 2018 and September 30, 2018 is shown in the table below (dollars in thousands):

	December 31, 2018	December 31, 2017
Dynamic Energy Services International LLC - Revolver	$ 3,331	$ —
Accupac, Inc. - Delayed Draw Term Loan	2,612	2,612
DataOnline Corp. - Revolver	1,890	1,890
Barry's Bootcamp Holdings, LLC - Revolver	1,760	2,200
1888 Industrial Services, LLC - Revolver	1,617	719
Barry's Bootcamp Holdings, LLC - Delayed Draw Term Loan	1,271	1,271
SFP Holding, Inc. - Delayed Draw Term Loan	1,257	2,765
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	1,057
Redwood Services Group, LLC - Revolver	1,050	1,750
Alpine SG, LLC - Revolver	1,000	1,000
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Black Angus Steakhouses, LLC - Revolver	848	625
Manna Pro Products, LLC - Delayed Draw Term Loan	429	429
Path Medical, LLC - Delayed Draw Term Loan C	295	—
RMS Holding Company, LLC - Revolver	225	2,327
Central States Dermatology Services, LLC - Delayed Draw Term Loan	137	137
Access Media Holdings, LLC - Series AAA Preferred Equity	101	173
SavATree, LLC - Delayed Draw Term Loan	73	123
Impact Group, LLC - Delayed Draw Term Loan	—	8,567
Redwood Services Group, LLC - Delayed Draw Term Loan	—	4,839
SMART Financial Operations, LLC - Delayed Draw Term Loan	—	2,400
Brook & Whittle Holding Corp. - Delayed Draw Term Loan	—	310
Total	$ 19,846	$ 36,087

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 December 31, 2018 (dollars in thousands):

	Payment Due by Period				
	Total	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
2021 Notes	74,013	—	74,013	—	—
2023 Notes	77,847	—	—	77,847	—
2024 Notes	120,156	—	—	—	120,156
SBA Debenture	135,000	—	—	—	135,000
Total contractual obligations	$ 407,016	$ —	$ 74,013	$ 77,847	$ 255,156

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 December 31, 2018, MCC JV has drawn approximately $179.3 million on the JV Facility. As of December 31, 2018, MCC JV had total investments at fair value of $248.8 million. As of December 31, 2018, MCC JV’s portfolio was comprised of senior secured first lien term loans to 57 different borrowers. As of December 31, 2018, MCC JV did not have any investments 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 tax treatment, 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.

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 three months ended December 31, 2018:

Date Declared	Record Date	Payment Date	Amount Per Share
11/16/2018	12/5/2018	12/20/2018	$ 0.10
			$ 0.10

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.

On August 9, 2018, the Company entered into the MCC Merger Agreement pursuant to which the Company will, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving company in the MCC Merger Agreement. Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive 0.8050 shares of the Sierra's common stock. In addition, pursuant to the MDLY Merger Agreement, MDLY will, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the MDLY Merger Agreement. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to $3.44 per share. In addition, MDLY's stockholders will have the right to receive certain dividends and/or other payments. The Mergers will occur simultaneously and, as a result of the foregoing, the investment management function relating to the operation of the Sierra, as the surviving company in the Mergers, will be internalized. The Mergers are subject to the satisfaction or waiver of closing conditions, including, but not limited to: (a) the approval of the MCC Merger and the MDLY Merger by the Sierra's stockholders by the affirmative vote of at least a majority of all its stockholders, the approval of the adoption of the MCC Merger Agreement by our stockholders, and the approval of the adoption of the MDLY Merger Agreement by MDLY's stockholders, voting separately at their respective special meetings; (b) the receipt of an exemptive order from the SEC, an exemptive application for which has been filed by Sierra, the Company and MDLY and certain of their subsidiaries; and (c) the approval by the SBA relating to the transfer of MCC's SBIC license. No assurance can be given that such SEC exemptive order will be issued or SBA approval will be received or that any of the other closing conditions will be satisfied or waived.

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 "Current 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. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates submitted an exemptive application to the SEC for an exemptive order that would supersede the Current Exemptive Order (the "Superseding Exemptive Order") and would permit Sierra to participate in negotiated co- investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the board of directors determines that it would be in Sierra's best interest to participate in the transaction. The Current Exemptive Order will remain in effect unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. 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.

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, when applicable, 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

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, effective on October 1, 2018 using the modified retrospective method. Substantially all revenue streams are excluded from the scope of the new standard and the adoption of the standard had no material impact on the Company's consolidated financial statements.

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. As of December 31, 2018, certain investments in eight portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $48.3 million, or 7.5% of the fair value of our portfolio. As of September 30, 2018, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $48.1 million, or 7.3% 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. 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 February 10, 2019, the Company's board of directors declared a quarterly dividend of $0.05 per share, payable on March 12, 2019, to stockholders of record at the close of business on February 22, 2019. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099 after the end of the calendar year.

SENIOR SECURITIES
(dollar amounts in thousands, except per share data)

Information about our senior securities (including debt securities and other indebtedness) is shown in the following tables as of December 31, 2018 and as of the fiscal years ended September 30, 2018, 2017, 2016, 2015, 2014, 2013, 2012 and 2011.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage Per Unit[2]	Involuntary Liquidating Preference Per Unit[3]	Average Market Value Per Unit
Revolving Facility				
September 30, 2011	$ —	—	N/A(4)	N/A(5)
September 30, 2012	$ 15,000	3,630	N/A(4)	N/A(5)
September 30, 2013	$ 2,500	3,256	N/A(4)	N/A(5)
September 30, 2014	$ 146,500	2,732	N/A(4)	N/A(5)
September 30, 2015	$ 192,700	2,318	N/A(4)	N/A(5)
September 30, 2016	$ 14,000	2,414	N/A(4)	N/A(5)
September 30, 2017	$ 68,000	2,327	N/A(4)	N/A(5)
September 30, 2018	$ —	—	N/A(4)	N/A(5)
September 30, 2019 (through December 31, 2018)	$ —	—	N/A(4)	N/A(5)
Term Loan Facility				
September 30, 2011	$ —	—	N/A(4)	N/A(5)
September 30, 2012	$ 55,000	3,630	N/A(4)	N/A(5)
September 30, 2013	$ 120,000	3,256	N/A(4)	N/A(5)
September 30, 2014	$ 171,500	2,732	N/A(4)	N/A(5)
September 30, 2015	$ 174,000	2,318	N/A(4)	N/A(5)
September 30, 2016	$ 174,000	2,414	N/A(4)	N/A(5)
September 30, 2017	$ 102,000	2,327	N/A(4)	N/A(5)
September 30, 2018	$ —	—	N/A(4)	N/A(5)
September 30, 2019 (through December 31, 2018)	$ —	—	N/A(4)	N/A(5)
2019 Notes				
September 30, 2011	$ —	—	N/A(4)	$ —
September 30, 2012	$ 40,000	3,630	N/A(4)	$ 25.47
September 30, 2013	$ 40,000	3,256	N/A(4)	$ 25.61
September 30, 2014	$ 40,000	2,732	N/A(4)	$ 25.62
September 30, 2015	$ 40,000	2,318	N/A(4)	$ 25.26
September 30, 2016	$ 40,000	2,414	N/A(4)	$ 25.44
September 30, 2017	$ —	—	N/A(4)	$ 25.39
September 30, 2018	$ —	—	N/A(4)	$ N/A(5)
September 30, 2019 (through December 31, 2018)	$ —	—	N/A(4)	N/A(5)
2021 Notes				
September 30, 2011	$ —	—	N/A(4)	$ —
September 30, 2012	$ —	—	N/A(4)	$ —
September 30, 2013	$ —	—	N/A(4)	$ —
September 30, 2014	$ —	—	N/A(4)	$ —
September 30, 2015	$ —	—	N/A(4)	$ —
September 30, 2016	$ 74,013	2,414	N/A(4)	$ 25.48
September 30, 2017	$ 74,013	2,327	N/A(4)	$ 25.80
September 30, 2018	$ 74,013	2,126	N/A(4)	$ 25.48
September 30, 2019 (through December 31, 2018)	$ 74,013(6)	2,124	N/A(4)	$ 25.07

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[(1)]	Asset Coverage Per Unit[(2)]	Involuntary Liquidating Preference Per Unit[(3)]	Average Market Value Per Unit
2023 Notes				
September 30, 2011	$ —	—	N/A(4)	$ —
September 30, 2012	$ —	—	N/A(4)	$ —
September 30, 2013	$ 63,500	3,256	N/A(4)	$ 23.74
September 30, 2014	$ 63,500	2,732	N/A(4)	$ 24.76
September 30, 2015	$ 63,500	2,318	N/A(4)	$ 24.79
September 30, 2016	$ 63,500	2,414	N/A(4)	$ 25.19
September 30, 2017	$ 102,847	2,327	N/A(4)	$ 25.18
September 30, 2018	$ 89,847	2,126	N/A(4)	$ 25.02
September 30, 2019 (through December 31, 2018)	$ 77,847(6)	2,124	N/A(4)	$ 24.69
2024 Notes				
September 30, 2011	$ —	—	N/A(4)	$ —
September 30, 2012	$ —	—	N/A(4)	$ —
September 30, 2013	$ —	—	N/A(4)	$ —
September 30, 2014	$ —	—	N/A(4)	$ —
September 30, 2015	$ —	—	N/A(4)	$ —
September 30, 2016	$ —	—	N/A(4)	$ —
September 30, 2017	$ —	—	N/A(4)	$ —
September 30, 2018	$ 121,276	2,126	N/A(4)	$ 273.95
September 30, 2019 (through December 31, 2018)	$ 120,156(6)	2,124	N/A(4)	$ 259.16
SBA Debentures				
September 30, 2011	$ —	—	N/A(4)	N/A(5)
September 30, 2012	$ —	—	N/A(4)	N/A(5)
September 30, 2013	$ 30,000	3,256	N/A(4)	N/A(5)
September 30, 2014	$ 100,000	2,732	N/A(4)	N/A(5)
September 30, 2015	$ 150,000	2,318	N/A(4)	N/A(5)
September 30, 2016	$ 150,000	2,414	N/A(4)	N/A(5)
September 30, 2017	$ 150,000	2,327	N/A(4)	N/A(5)
September 30, 2018	$ 135,000	2,126	N/A(4)	N/A(5)
September 30, 2019 (through December 31, 2018)	$ 135,000(6)	2,124	N/A(4)	N/A(5)

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Information that the SEC expressly does not require to be disclosed for certain types of senior securities.

(5) Not applicable as these classes of securities are not registered for public trading.

(6) As of April 4, 2019, there was $77.8 million, $74.0 million, and $120.2 million in aggregate principal amount of the 2023 Notes, 2021 Notes, and the 2024 Notes, respectively, and $85.0 million in SBA debentures were outstanding (unaudited).

BUSINESS

The Company is a non-diversified closed end management investment company incorporated in Delaware that has elected to be regulated as a BDC under the 1940 Act. We completed our 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 RIC under Subchapter M of the Code. We are externally managed and advised by our investment adviser, MCC Advisors, pursuant to an investment management agreement.

Our investment objective is to generate current income and capital appreciation by lending directly to privately held middle market companies, primarily through directly originated transactions to help these companies expand their business, refinance and make acquisitions. Our investment portfolio generally consists of senior secured first lien term loans and senior secured second lien term loans. In connection with some of our investments, we receive warrants or other equity participation features which we believe will increase the total investment returns.

We believe the middle-market private debt market is undergoing structural shifts that are creating significant opportunities for non-bank lenders and investors. The underlying drivers of these structural changes include: reduced participation by banks in the private debt markets, particularly within the middle-market, and demand for private debt created by committed and uninvested private equity capital. We focus on taking advantage of this structural shift by lending directly to companies that are underserved by the traditional banking system and generally seek to avoid broadly marketed investment opportunities. We source investment opportunities primarily through direct relationships with financial sponsors, as well as financial intermediaries such as investment banks and commercial banks. As a leading provider of private debt, Medley is often sought out as a preferred financing partner.

Our Advisor

Our investment activities are managed by our investment adviser, MCC Advisors, which is registered with the SEC as an investment adviser registered under the Advisers Act. MCC Advisors is an affiliate of Medley and is based in New York. Our Investment Team, which is provided for by MCC Advisors, is responsible for sourcing investment opportunities, conducting industry research, performing diligence on potential investments, structuring our investments and monitoring our portfolio companies on an ongoing basis. MCC Advisors' team draws on its expertise in lending to predominantly privately held borrowers in a range of sectors, including industrials, and transportation, energy and natural resources, financials and real estate. In addition, MCC Advisors seeks to diversify our portfolio of loans by company type, asset type, transaction size, industry and geography.

Our Investment Team has on average over 20 years of experience in the credit business, including originating, underwriting, principal investing and loan structuring. The Adviser, through Medley, has access to over 70 employees, including investment, origination and credit management professionals, and operations, marketing and distribution professionals, each with extensive experience in their respective disciplines. We believe that MCC Advisors' disciplined and consistent approach to origination, portfolio construction and risk management should allow it to achieve compelling risk-adjusted returns for Medley Capital.

MCC Advisors also serves as our administrator and provides us with office space, equipment and other office services. The responsibilities of our administrator include overseeing our financial records, preparing reports to our stockholders and reports filed with the SEC and generally monitoring the payment of our expenses and the performance of administrative and professional services rendered to us by others.

As a BDC, we are required to comply with regulatory requirements, including limitations on our use of debt. We are permitted to, and expect to continue to, finance our investments through borrowings. However, as a BDC, we are only generally allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (or 150% if certain requirements under the 1940 Act are met) after such borrowing. The amount of leverage that we employ will depend on our assessment of market conditions and other factors at the time of any proposed borrowing.

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 "Current 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 Current Exemptive Order are otherwise substantially similar to the Exemptive Order. Co-investment under the Current 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 to 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 situations where co-investment with other funds managed by MCC Advisors or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other MCC Advisors clients, MCC Advisors will need to decide which client will proceed with the investment. MCC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by MCC Advisors or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP, a Delaware limited partnership, 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 SBIC license allowed 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 SBIC LP's assets over our stockholders in the event we liquidate SBIC LP or the SBA exercises its remedies under the SBA-guaranteed debentures issued by SBIC LP upon an event of default.

SBIC LP received the Letter from the SBA, dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP's outstanding SBIC debentures. The Letter stated that SBIC LP has until March 29, 2019, fifteen (15) days from the date of the Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA. On March 28, 2019, the SBA agreed to extend the cure period until April 19, 2019. SBIC LP's management has submitted an orderly wind-down plan to the SBA and is in active dialogue with the SBA to finalize the details for prepaying approximately $135 million of outstanding SBIC debentures. As part of the wind-down plan, on March 29, 2019, SBIC LP agreed to retire $50 million of outstanding SBIC debentures with available cash currently at SBIC LP and expects to finalize the plan to retire the remainder of the SBIC debentures through refinancing and/or assets sales to third parties or affiliates of the SBIC. The Company believes the wind-down plan, if approved, would not have a material impact on the Company's net investment income per share. In addition, the Company believes a wind-down would have no adverse impact on the Company's other operations. The Company has received the necessary consents and waivers under the MCC Merger Agreement to permit the repayment of the $50 million of outstanding SBIC debentures.

SBA regulations currently limit the amount that 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 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 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 us to borrow, through SBIC LP, up to $150 million more than we would otherwise be able to absent the receipt of this exemptive order.

On January 26, 2018, the Company priced a debt offering in Israel of $121.3 million of 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 TASE and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to us. The 2024 Notes have not been and will not be registered under the Securities Act, 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, the Company has dual listed its common stock on TASE.

The deed of trust governing the 2024 Notes includes certain customary covenants, including minimum net assets of $275 million and a maximum debt to total assets ratio of 70%. If the Company fails to satisfy these financial covenants for two consecutive quarters, it is an event of default under the deed of trust governing the 2024 Notes. However, the Company has the right to request the trustee to appoint an emergency committee of the noteholders for the purpose of obtaining a one-quarter extension of time to comply with the financial covenants.

In addition to a failure to comply with the financial covenants as described above, the events of default also include a change of control of the Company (defined in the deed of trust as MCC Advisors' ceasing to provide investment management or advisory services to the Company) that is coupled with the Company's failing to publish a tender offer for the purchase of all of the 2024 Notes within 45 days, the Company's failure to pay any amount due and payable to the holders of the 2024 Notes within seven business days after the payment due date, certain insolvency and receivership events with respect to the Company or with respect to all or substantially all of its assets, and the 2024 Notes being delisted from the TASE or the TASE's suspension of trading of the 2024 Notes for more than 60 days.

If an event of default occurs under the deed of trust governing the 2024 Notes, there is no automatic acceleration or mandatory redemption of the 2024 Notes. Rather, the Trustee is required to convene a meeting of the noteholders for a vote on whether to accelerate the 2024 Notes. Noteholders holding at least 50% of the principal amount of the 2024 Notes must be present at the meeting for a quorum to exist, and if a quorum exists, then the vote of a majority of the noteholders present at the meeting controls.

The 2024 Notes include certain trigger events that result in an increase in the interest rate on the 2024 Notes, including a failure of the Company to have net assets of at least $285 million and a failure of the Company to satisfy the 70% maximum debt to total assets covenant. If the Company fails to satisfy either of these tests, then the interest rate on the 2024 Notes increases by one-half percent (0.50%) per annum. The effective date of the increase is the date that the Company publishes its financial statements indicating the non-compliance, and the rate increase continues until the next publication date of the Company's financial statement demonstrating compliance with the foregoing tests.

The foregoing description of the terms of 2024 Notes and the deed of trust does not purport to be complete and is qualified in its entirety by reference to the full text of the deed of trust attached as an exhibit to this registration statement of which this prospectus is a part.

On June 5, 2018, the Company announced that, on June 1, 2018, our board of directors authorized us to repurchase and retire up to $20 million of the 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 the holders of the 2024 Notes.

Our principal executive office is located at 280 Park Avenue, 6th Floor East, New York, NY 10017 and our telephone number is (212) 759-0777.

Formation Transactions

Medley Capital BDC LLC (the "LLC"), a Delaware limited liability company, was formed on April 23, 2010.

Prior to the pricing 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, 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, a Delaware limited liability company ("MOF I BDC") 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.

On January 18, 2011, the LLC converted into Medley Capital Corporation, a Delaware corporation. As a result, 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 January 20, 2011, the Company filed an election to be regulated as a BDC under the 1940 Act.

On January 20, 2011, we priced our IPO and sold 11,111,112 shares of common stock at $12.00 per share. On February 24, 2011, an additional 450,000 shares of our common stock were issued at a price of $12.00 per share pursuant to the partial exercise of the underwriters' over-allotment option. Net of underwriting fees and estimated offering costs, the Company raised a total of approximately $129.6 million. Our shares began trading on January 20, 2011 on the New York Stock Exchange under the symbol "MCC."

Investment Strategy

We believe that a well-structured portfolio of private debt transactions can generate equity-like returns with the risk profile of secured debt. Private debt combines attractive elements of both equity and fixed-income investments because transactions are generally structured as secured loans with equity upside in the form of options, warrants, cash flow sharing, co-investment rights or other participation features. As a result, we believe our private debt strategy offers upside potential, similar to mezzanine and private equity investments, and downside protection, similar to bank loans.

We believe that private debt offers an attractive investment opportunity for the following reasons:

Attractive Yield Opportunity. We believe our ability to work directly with borrowers to create customized financing solutions enables us to deliver attractive yields to investors while eliminating intermediaries who extract fees for their services. Addressing complex situations that are generally underserved by traditional lenders enables us to generate excess returns. Private debt transactions have either a fixed or variable coupon payment due periodically, typically monthly or quarterly, and usually include (but are not limited to) PIK interest exit fees and warrants. We target investments with an annual gross internal rate of return of 9 - 14% on an unleveraged basis consisting of cash interest, PIK interest and warrants or other forms of upside participation. Furthermore, while equity holders typically receive no cash or other periodic payments on their investments until a liquidity event occurs, regular interest payments on private debt transactions, combined with amortization payments, reduce the overall level of risk for the private debt investor.

Downside Protection. We generally structure our transactions as secured loans supported by a security interest in the portfolio company's assets, as well as a pledge of the portfolio company's equity. We believe our secured debt position and corresponding covenant package should provide priority of return and also control over any asset sales, capital raises, dividend distributions, insurance proceeds and restructuring processes. We also focus on transaction opportunities in which we can target lower first lien debt/EBITDA ratios, lower loan-to-value ("LTV") ratios and higher coverage ratios, all of which we believe further reduces the risk of principal loss. We typically target first-lien debt/EBITDA of less than 3.5x, LTVs of lower than 65% and interest coverage ratios of 1.5x or higher. We believe that the current supply and demand imbalance in the private debt market enables us to employ a conservative strategy that seeks to protect investor capital.

Predictability of Returns. We develop potential exit strategies upon origination of each transaction and will continually monitor potential exits throughout the life of the transaction. We structure our transactions as secured loans with a covenant package that will provide for repayment upon the completion of asset sales and restructurings. Because we structure these private debt transactions with contractually binding periodic payments of principal and interest, they are generally less likely to depend on the existence of robust M&A or public equity markets to deliver returns. We believe, as a result, that we can achieve our target returns even if public markets remain challenging for a long period of time.

Market Opportunity

We believe the credit crises that began in 2007 and the subsequent exit of traditional lending sources have created a compelling opportunity for skilled debt providers in the middle-market. We expect to take advantage of the following favorable trends in private lending:

Reduced Competition Leads to Higher Quality Deal Flow. Traditional sources of liquidity have declined considerably. Commercial banks and other leveraged financial institutions have curtailed their lending activities in the current environment. Similarly, hedge funds and other opportunistic leverage providers' access to capital have decreased, thus reducing their ability to provide capital. Finally, we believe continuing bank consolidation has resulted in larger financial institutions that have shifted product offerings away from the middle market in favor of larger corporate clients. We believe that the relative absence of competition facilitates higher quality deal flow and allows for greater selectivity throughout the investment process.

Lack of Liquidity Creates Attractive Pricing. We believe that a meaningful gap exists between public and private market debt spreads, primarily due to the fact that liquidity has not been returning to the private lending markets in the same way it has been returning to the public debt markets. As such, we believe that lenders to private middle-market companies in particular will continue to benefit from attractive pricing. We believe that gross internal rates of return of 9 - 14% are available for private debt investments in the current market via cash interest, PIK interest and equity participations.

Competitive Advantages

We believe that the Company represents an attractive investment opportunity for the following reasons:

Experienced Team. Our Advisor's Investment Team has on average over 20 years of experience in the credit business, including origination, underwriting, principal investing and loan structuring. MCC Advisors, through Medley, has access to over 70 employees, including investment, origination and credit management professionals, and operations, marketing and distribution professionals, each with extensive experience in their respective disciplines. Medley employs an integrated and collaborative investment process that leverages the skills and knowledge of its investment and credit management professionals. Medley believes that this is an important competitive advantage, which has allowed it to deliver attractive risk-adjusted returns to its investors over time.

Focus on Direct Origination. We focus on lending directly to portfolio companies that are underserved by the traditional banking system and seek to avoid broadly marketed and syndicated deals. While we may source transactions via the private equity sponsor channel, most of our efforts focus on originating transactions directly to middle-market borrowers. We target assets and borrowers with enterprise or asset values between $25 and $250 million, a market which we believe is the most opportune for our private debt activities. The challenging credit environment has further increased the number of potential transactions available to us, as traditional sources of credit have disappeared or diminished. We believe reduced competition among lenders and increased deal flow should allow us to be even more selective in our underwriting process.

Extensive Deal Flow Sourcing Network and National Presence. Medley's experience and reputation in the market has enabled it to consistently generate attractive private debt opportunities. As a seasoned provider of private debt, Medley is often sought out as a preferred partner, both by portfolio companies and other financing providers. Historically, as much as half of Medley's annual origination volume has been derived from repeat and referral channels. We leverage Medley's offices on both coasts to maximize our national origination capabilities and direct calling efforts. Medley filters through as many as 1,300 transactions annually through its origination efforts and targets between 20 and 40 transactions per year for execution.

Finally, Medley has a broad network of relationships with national, regional and local bankers, lawyers, accountants and consultants that plays an important role in the origination process.

Risk Management. We intend to continue the asset management process employed by Medley over the last ten years. In particular, our investment transactions will vary by asset type, transaction size, industry and geography. We utilize a systematic underwriting process involving rigorous due diligence, third-party reports and multiple Investment Committee approvals. Following the closing of each transaction, MCC Advisors implements a proprietary, dynamic monitoring system for regularly updating issuer financial, legal, industry and exit analysis, along with other relevant information. At the same time, checks and balances to the asset management process will be provided by third parties, including, as applicable, the following: valuation specialists, legal counsel and loan servicers.

Restructuring and Workout Experience. MCC Advisors' Investment Combined Team has worked on over 100 restructurings, liquidations and bankruptcies prior to Medley. This experience provides valuable assistance to the Company in the initial structuring of transactions and throughout the asset management process.

Investment Process Overview

We view our investment process as consisting of three distinct phases described below:

Sourcing and Origination MCC Advisors sources investment opportunities through access to a network of contacts developed in the financial services and related industries by Medley. It is MCC Advisor's responsibility to identify specific opportunities, to refine opportunities through rigorous due diligence of the underlying facts and circumstances while remaining flexible and responsive to client's needs. With investment professionals based in New York involved in sourcing and origination for MCC Advisors, each investment professional is able to maintain long-standing relationships and responsibility for a specified market. Each quarter, these origination efforts attract hundreds of inquiries from potential middle market borrowers.

An investment pipeline is maintained to manage all prospective investment opportunities and is reviewed weekly by the Investment Committee of MCC Advisors ("Investment Committee"). The purpose of the investment pipeline, which is comprised of all prospective investment opportunities at various stages of due diligence and approval, is to evaluate, monitor and approve all of our investments, subject to the oversight of our Investment Committee.

Credit Evaluation We utilize a systematic, consistent approach to credit evaluation developed by Medley, with a particular focus on determining the value of a business in a downside scenario. The key criteria that we consider and attributes that we seek include: (i) strong and resilient underlying business fundamentals; (ii) a substantial equity cushion in the form of capital ranking junior in the right of payment to our investment; (iii) sophisticated management teams with a minimum operating history of two years; (iv) a conclusion that overall downside risk is manageable; (v) collateral support in the form of accounts receivable, inventory, machinery, equipment, real estate, IP, overall enterprise value and other assets; and (vi) limited requirements for future financing beyond the proposed commitment. The first review of an opportunity is conducted using the above-mentioned analysis to determine if the opportunity meets MCC Advisors general investment criteria. The next three reviews performed by the Investment Committee include the following: (1) an Early Read Memo, (2) a Green Light Memo, and (3) Investment Committee approval memo. MCC Advisors maintains a rigorous in-house due diligence process. Prior to making each investment, MCC Advisors subjects each potential portfolio company to an extensive credit review process, including analysis of market and operational dynamics as well as both historical and projected financial information. Areas of additional focus include management or sponsor experience, industry and competitive dynamics, and tangible asset values. Background checks and tax compliance checks are typically required on all portfolio company management teams.

Our due diligence process typically entails:

- negotiation and execution of a term sheet;
- on-site visits;
- interviews with management, employees, customers and vendors;
- review of loan documents and material contracts, as applicable;
- obtaining background checks on all principals/partners/founders;
- completing customer and supplier calls;
- review of tax and accounting issues related to a contemplated capital structure;
- developing a financial model with sensitivity analysis that includes a management case, expected case and downside case;
- receiving third party reports such as environmental, appraisal and consulting reports, as applicable.

Monitoring MCC Advisors views active portfolio monitoring as a vital part of our investment process. MCC Advisors utilizes a best-practice investment management system called Black Mountain ("BMS"), which maintains a centralized, dynamic electronic reporting system which houses, organizes and archives all portfolio data by investment. This is the primary system that tracks all changes to investment terms and conditions. On a quarterly basis, the asset management team produces a report from BMS for each investment within the portfolio by summarizing the investment's general information, terms and structure, financial performance, covenant package, and business updates. This feature enables MCC Advisors to track the history of every investment, while maintaining access to the most recent reporting information available, ensuring accurate reporting of the investment.

MCC Advisors will typically require portfolio companies to adhere to certain affirmative covenants requiring the following reports:

- monthly financial statements
- monthly covenant certificates
- monthly management discussion & analysis
- monthly bank statements
- annual insurance certificates
- annual audits and management letters
- quarterly industry updates
- quarterly customer and supplier concentration updates
- quarterly backlog/pipeline reports
- annual budgets and forecasts.

MCC Advisors holds quarterly portfolio reviews where the Investment Committee reviews each transaction in detail and reassesses the risk rating presently assigned.

Rating Criteria In addition to external risk management research and internal monitoring tools, we use an investment rating system to characterize and monitor the credit profile and our expected level of returns on each investment in our portfolio. We use a five-level numeric rating scale. The following is a description of the conditions associated with each investment rating:

Credit Rating	Definition
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.

Investment Committee

The purpose of the Investment Committee, which is comprised of a minimum of three members selected from senior members of MCC Advisors' Investment Team, is to evaluate and approve all of our investments. The Investment Committee process is intended to bring the diverse experience and perspectives of the committee's members to the analysis and consideration of each investment. The Investment Committee serves to provide investment consistency and adherence to our core investment philosophy and policies. The Investment Committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, Investment Committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and deal flow are reviewed on a regular basis. Members of the investment team are encouraged to share information and views on credits with the Investment Committee early in their analysis. We believe this process improves the quality of the analysis and assists the investment team members to work more efficiently.

Each transaction is presented to the Investment Committee in a formal written report. All of our new investments and the exit or sale of an existing investment must be approved by a majority vote of the Investment Committee, although unanimous agreement is sought.

Investment Structure

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure.

We structure our investments, which typically have maturities of three to seven years, as follows:

Senior Secured First Lien Term Loans We structure these investments as senior secured loans. We obtain security interests in the assets of the portfolio companies that serve as collateral in support of the repayment of such loans. This collateral generally takes the form of first-priority liens on the assets of the portfolio company borrower. Our senior secured loans may provide for amortization of principal with the majority of the amortization due at maturity.

Senior Secured Second Lien Term Loans We structure these investments as junior, secured loans. We obtain security interests in the assets of these portfolio companies that serves as collateral in support of the repayment of such loans. This collateral generally takes the form of second-priority liens on the assets of a portfolio company. These loans typically provide for amortization of principal in the initial years of the loans, with the majority of the amortization due at maturity.

Senior Secured First Lien Notes We structure these investments as senior secured loans. We obtain security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of such loans. This collateral generally takes the form of priority liens on the assets of a portfolio company. These loans typically have interest-only payments (often representing a combination of cash pay and payment-in-kind, or ("PIK") interest), with amortization of principal due at maturity. PIK interest represents contractually deferred interest added to the loan balance that is generally due at the end of the loan term and recorded as interest income on an accrual basis to the extent such amounts are expected to be collected.

Warrants and Minority Equity Securities In some cases, we may also receive nominally priced warrants or options to buy a minority equity interest in the portfolio company in connection with a debt investment. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure such warrants to include provisions protecting our rights as a minority-interest holder, as well as a "put," or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

Unitranche Loans We structure our unitranche loans, which combine the characteristics of traditional senior secured first lien term loans and subordinated notes as senior secured loans. We obtain security interests in the assets of these portfolio companies that serve as collateral in support of the repayment of these loans. This collateral generally takes the form of first-priority liens on the assets of a portfolio company. Unitranche loans typically provide for amortization of principal in the initial years of the loans, with the majority of the amortization due at maturity.

Unsecured Debt We structure these investments as unsecured, subordinated loans that provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically have interest-only payments (often representing a combination of cash pay and payment-in-kind, or PIK interest), with amortization of principal due at maturity. Subordinated notes generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. Subordinated notes are generally more volatile than secured loans and may involve a greater risk of loss of principal. Subordinated notes often include a PIK feature, which effectively operates as negative amortization of loan principal.

We tailor the terms of each investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its operating results. We seek to limit the downside potential of our investments by:

- selecting investments that we believe have a low probability of loss of principal;

- requiring a total return on our investments (including both interest and potential equity appreciation) that we believe will compensate us appropriately for credit risk; and

- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with the preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or rights to a seat on the board of directors under some circumstances.

We expect to hold most of our investments to maturity or repayment, but we may realize or sell some of our investments earlier if a liquidity event occurs, such as a sale or recapitalization transaction, or the worsening of the credit quality of the portfolio company.

Managerial Assistance

As a BDC, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. MCC Advisors provides such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse MCC Advisors, as our administrator, for its allocated costs in providing such assistance, subject to the review and approval by our board of directors, including our independent directors.

Leverage

Through any credit facility that we may enter into in the future, we may borrow funds to make additional investments, a practice known as “leverage,” to attempt to increase return to our stockholders. The amount of leverage that we employ at any particular time will depend on the Adviser’s and our board of directors’ assessments of market and other factors at the time of any proposed borrowing. We are also subject to certain regulatory requirements relating to our borrowings. For a discussion of such requirements, see “Regulation — Senior Securities” and “Regulation — Small Business Investment Company Regulations.”

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material.

Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are currently located at 280 Park Avenue, 6th Floor East, New York, NY 10017. Our administrator furnishes us office space and we reimburse it for such costs on an allocated basis.

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 January 25, 2019, two purported class actions were commenced in the Supreme Court of the State of New York, County of New York, by alleged stockholders of the Company, captioned, respectively, Helene Lax v. Brook Taube, et al., Index No. 650503/2019, and Richard Dicristino, et al. v. Brook Taube, et al., Index No. 650510/2019 (together with the Lax Action, the “New York Actions”). Named as defendants in each complaint are Brook Taube, Seth Taube, Jeffrey Tonkel, Arthur S. Ainsberg, Karin Hirtler-Garvey, John E. Mack, Mark Lerdal, Richard T. Allorto, Jr., the Company, MDLY, Sierra and Merger Sub. The complaints in each of the New York Actions allege that the individuals named as defendants breached their fiduciary duties in connection with the proposed merger of the Company with and into Sierra, and that the other defendants aided and abetted those alleged breaches of fiduciary duties. Compensatory damages in unspecified amounts are sought. On February 27, 2019, the Court entered a stipulated scheduling order requiring that defendants respond to the complaints 45 days following the later of (a) the stockholder vote on the proposed merger and (b) plaintiffs’ filing of a consolidated, amended complaint. A preliminary conference is scheduled to take place on April 16, 2019. The defendants believe the claims asserted in the New York Actions are without merit and they intend to defend these lawsuits vigorously.

On February 11, 2019, a purported stockholder class action was commenced in the Court of Chancery of the State of Delaware by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd., captioned FrontFour Capital Group LLC, et al. v. Brook Taube, et al., Case No. 2019-0100 against Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, MDLY, the Company, Sierra, MCC Advisors, Medley Group LLC (“Medley Group”), and Medley LLC. The complaint, as amended on February 12, 2019, alleged that the individuals named as defendants breached their fiduciary duties to the Company’s stockholders in connection with the proposed merger of the Company with and into Sierra, and that MDLY, Sierra, MCC Advisors, Medley Group, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. The complaint seeks to enjoin the vote of the Company’s stockholders on the proposed merger and enjoin enforcement of certain provisions of the MCC Merger Agreement. The Court held a trial on the plaintiffs’ claims on March 6-7, 2019 and issued a Memorandum Opinion (the “Decision”) on March 11, 2019. The Court denied the plaintiffs’ requests to (i) permanently enjoin the proposed merger and (ii) require the Company to conduct a “shopping process” for the Company on terms proposed by the plaintiffs in their complaint. The Court held that the Company’s directors breached their fiduciary duties in entering into the proposed merger, but rejected the plaintiffs’ claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered the defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company’s stockholders on the proposed merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information. The defendants are currently considering all available options, including appeal, with respect to the Decision.

On March 1, 2019, Marilyn Adler, a former employee who served as a Managing Director of Medley Capital LLC, filed suit in the New York Supreme Court, Commercial Part, against Medley Capital LLC, MCC Advisors, Medley SBIC GP, LLC, the Company, MDLY, as well as Brook Taube, and Seth Taube, individually. The action is captioned Marilyn S. Adler v. Medley Capital LLC et al. (Supreme Court of New York, March 2019). Ms. Adler alleges that she is due in excess of $6.5 million in compensation based upon her role with Medley's SBIC Fund. Her claims are for breach of contract, unjust enrichment, conversion, tortious interference, as well as a claim for an accounting of funds maintained by the defendants. The lawsuit is in its very initial stages. The Company believes the claims are without merit, intends to vigorously defend them, and is contemplating counterclaims against Ms. Adler.

On March 20, 2019, a purported stockholder class action was commenced by Stephen Altman against Brook Taube, Seth Taube, Jeff Tonkel, Arthur S. Ainsberg, Karin Hirtler-Garvey, Mark Lerdal, and John E. Mack in the Court of Chancery of the State of Delaware, captioned Altman v. Taube, Case No. 2019-0219. The complaint alleges that the defendants breached their fiduciary duties to stockholders of the Company, including by (i) adjourning the vote of the Company's stockholders on the MCC Merger scheduled for March 8, 2019, and (ii) issuing false or misleading disclosures regarding the reasons for the adjournment of the meeting. The complaint seeks (a) an order enjoining the defendants from adjourning the Company's stockholder meeting to vote on the proposed merger, (b) an order compelling defendants to provide complete and accurate disclosures concerning the reasons for any prior or future adjournments of the stockholder meeting, and (c) damages in an unspecified amount. Mr. Altman also moved, simultaneously with the filing of his complaint, for his claims to be expedited. On March 28, 2019, Mr. Altman agreed to withdraw, without prejudice, his motion for expedition. On April 8, 2019, the Court granted a stipulation consolidating Mr. Altman's action with the aforementioned action captioned FrontFour Capital Group LLC, et al. v. Brook Taube, et al., Case No. 2019-0100, and making the complaint filed on February 12, 2019 in the FrontFour action the operative complaint.

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.

The Company, Medley LLC, MDLY, Medley Opportunity Fund II LP, 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 the Company 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"). Medley Opportunity Fund II LP and the Company were also named as defendants, along with various other parties, in a putative class action lawsuit captioned John Glatt, Sonji Grandy, Heather Ball, Dashawn Hunter, and Michael Corona v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed August 9, 2018 in the United States District Court, Eastern District of Virginia, Newport News Division, as Case No. 4:18-cv-101 ("Class Action 3") (together with Class Action 1 and Class Action 2, the "Virginia Class Actions"). Medley Opportunity Fund II LP was also named as a defendant, along with various other parties, in a putative class action lawsuit captioned Christina Williams and Michael Stermel v. Red Stone, Inc. (as successor in interest to MacFarlane Group, Inc.), Medley Opportunity Fund II LP, Mark Curry, Brian McGowan, Vincent Ney, and John Doe entities and individuals, filed June 29, 2018 and amended July 26, 2018, in the United States District Court for the Eastern District of Pennsylvania, as Case No. 2:18-cv-2747 (the "Pennsylvania Class Action") (together with the Virginia Class Actions, 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, the Company, MDLY, Medley Group, LLC, Brook Taube, and Seth Taube (in Class Action 1, as amended); Medley Opportunity Fund II LP and the Company (in Class Action 2 and Class Action 3); and Medley Opportunity Fund II LP (in the Pennsylvania Class Action), allege that those defendants in each respective action exercised control over, or improperly derived income from, and/or obtained an improper interest in, 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. In Class Action 3, the alleged class plaintiff representatives claim to have received loans from American Web Loan at various times from February 2015 through April 2018. In the Pennsylvania Class Action, the alleged class plaintiff representatives claim to have received loans from American Web Loan in 2017. By orders dated August 7, 2018 and September 17, 2018, the Court presiding over the Virginia Class Actions consolidated those cases for all purposes. On October 12, 2018, Plaintiffs in Class Action 3 filed a notice of voluntary dismissal of their claims, without prejudice, against Medley Opportunity Fund II, LP and the Company. On October 22, 2018, the parties to Class Action 2 settled. On October 29, 2018, the plaintiffs in Class Action 2 stipulated to the dismissal of their claims against all defendants in Class Action 2 (including Medley Opportunity Fund II LP and the Company), with prejudice. Medley LLC, the Company, MDLY, 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. The Company, Medley Opportunity Fund II LP, Medley LLC, MDLY, 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. The Company, Medley Opportunity Fund II LP, Medley LLC, MDLY, 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.

Competition

Our primary competitors to provide financing to private middle-market companies are public and private funds, commercial and investment banks, commercial finance companies, other BDCs, SBICs and private equity and hedge funds. Some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or to the distribution and other requirements we must satisfy to maintain our favorable RIC tax treatment.

Employees

We do not have any employees. Our day-to-day investment operations are managed by our Adviser. MCC Advisors employs investment professionals, including its principals. In addition, we reimburse our administrator for the allocable portion of overhead and other expenses incurred by it in performing its obligations under an administration agreement, including the compensation of our chief financial officer and chief compliance officer, and their staff.

Administration

We have entered into an administration agreement, pursuant to which MCC Advisors furnishes us with office facilities, equipment and clerical, bookkeeping, recordkeeping and other administrative services at such facilities. Under our administration agreement, MCC Advisors performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC.

Merger Agreements

On August 9, 2018 the Company entered into a definitive agreement to merge with Sierra. Pursuant to the MCC Merger Agreement by and between Sierra and the Company, the Company will, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving entity in the merger. Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive 0.8050 shares of Sierra’s common stock.

Simultaneously, pursuant to the MDLY Merger Agreement by and among Sierra, MDLY and Merger Sub, MDLY will, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into the Merger Sub, and MDLY’s existing asset management business will continue to operate as a wholly owned subsidiary of Sierra in the merger. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive (i) 0.3836 shares of Sierra’s common stock; plus (ii) cash in an amount equal to $3.44 per share. In addition, MDLY’s stockholders will have the right to receive certain dividends and/or other payments.

As a condition to closing, Sierra’s common stock will be listed to trade on the NYSE and the TASE. The Mergers are cross conditioned upon each other and are subject to approval by the stockholders of the Company, Sierra and MDLY, regulators, including the SEC, other customary closing conditions and third party consents.

In light of the Decision in the Delaware Action, with which the Company and our special committee disagree, the Company is considering all available options, including appeal. At this time, the Company cannot provide any assurance whether the Mergers, or any other transaction involving the parties, will be consummated.

INVESTMENTS

We have built a diverse portfolio that includes senior secured first lien term loans, senior secured second lien term loans, unitranche, senior secured first lien notes, subordinated notes and warrants and minority equity securities by investing approximately $10 million to $50 million of capital, on average, in the securities of middle-market companies.

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

	Fair Value	Percentage
Services: Business	$ 95,021	14.5%
Construction & Building	92,850	14.2
Multisector Holdings	78,371	12.0
High Tech Industries	65,662	10.0
Healthcare & Pharmaceuticals	46,020	7.0
Energy: Oil & Gas	45,584	7.0
Aerospace & Defense	36,714	5.6
Hotel, Gaming & Leisure	32,487	5.0
Containers, Packaging & Glass	24,219	3.7
Banking, Finance, Insurance & Real Estate	22,587	3.4
Wholesale	18,515	2.8
Services: Consumer	16,940	2.6
Consumer goods: Durable	15,307	2.3
Automotive	13,027	2.0
Capital Equipment	12,944	2.0
Metals & Mining	8,814	1.3
Consumer goods: Non-durable	6,252	0.9
Retail	5,802	0.9
Media: Broadcasting & Subscription	5,703	0.9
Chemicals, Plastics & Rubber	4,078	0.6
Environmental Industries	3,283	0.5
Media: Advertising, Printing & Publishing	2,750	0.4
Forest Products & Paper	2,500	0.4
Total	$ 655,430	100.0%

The following table shows the portfolio composition by industry grouping at fair value at December 31, 2018 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 111,758	17.4%
Construction & Building	94,804	14.7
Multisector Holdings	75,919	11.8
High Tech Industries	63,290	9.8
Healthcare & Pharmaceuticals	45,099	7.0
Energy: Oil & Gas	37,273	5.8
Aerospace & Defense	36,563	5.7
Hotel, Gaming & Leisure	32,285	5.0
Containers, Packaging & Glass	28,783	4.5
Wholesale	20,438	3.2
Banking, Finance, Insurance & Real Estate	15,408	2.4
Consumer goods: Durable	15,308	2.4
Automotive	12,031	1.9
Capital Equipment	11,188	1.7
Services: Consumer	10,158	1.6
Metals & Mining	6,948	1.1
Consumer goods: Non-durable	6,104	1.0
Media: Broadcasting & Subscription	5,775	0.9
Chemicals, Plastics & Rubber	3,993	0.6
Environmental Industries	3,782	0.6
Media: Advertising, Printing & Publishing	2,644	0.4
Forest Products & Paper	2,628	0.4
Retail	700	0.1
Total	$ 642,879	100.0%

The following table sets forth certain information as of December 31, 2018, for each portfolio company in which we had an investment. Other than these investments, our only formal relationship with our portfolio companies is the managerial assistance that we provide upon request and the board observer or participation rights we may receive in connection with our investment.

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	6/16/2023	$ 17,281,250	$ 17,281,250	$ 17,281,250	5.7%
				17,281,250	17,281,250	17,281,250	
Accupac, Inc.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[13][19]	9/14/2023	9,764,074	9,764,074	9,635,359	3.2%
				9,764,074	9,764,074	9,635,359	
Alpine SG, LLC[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	13,398,750	13,398,750	13,398,750	4.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	6,617,630	6,617,630	6,617,630	2.2%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	—	—	—	0.0%
				20,016,380	20,016,380	20,016,380	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/25/2023	4,387,500	4,387,500	4,294,924	1.4%
				4,387,500	4,387,500	4,294,924	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	6/17/2020	13,799,076	13,799,076	13,776,997	4.5%
				13,799,076	13,799,076	13,776,997	
Barry's Bootcamp Holdings, LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	7,628,570	7,628,570	7,554,700	2.5%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	7/14/2022	2,640,000	2,640,000	2,603,040	0.9%
				10,268,570	10,268,570	10,157,740	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				—	416,250	—	
Black Angus Steakhouses, LLC[7]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	7,444,196	7,444,196	7,296,631	2.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14][17]	4/24/2020	44,643	44,643	44,643	0.0%
				7,488,839	7,488,839	7,341,274	
Brook & Whittle Holding Corp.	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	1,316,971	1,316,971	1,316,971	0.4%
		Senior Secured First Lien Incremental Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	4,646,016	4,646,016	4,646,016	1.5%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	309,726	309,726	309,726	0.1%
				6,272,713	6,272,713	6,272,713	
Central States Dermatology Services, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13]	4/20/2022	1,073,602	1,073,602	1,059,216	0.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13][19]	4/20/2022	270,307	270,307	264,854	0.1%
				1,343,909	1,343,909	1,324,070	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/28/2025	4,010,025	3,992,618	3,959,900	1.3%
				4,010,025	3,992,618	3,959,900	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/30/2019	12,690,000	12,690,000	12,676,041	4.2%
		Equity - 350 Common Units		—	700,000	658,858	0.2%
				12,690,000	13,390,000	13,334,899	
CT Technologies Intermediate Holdings, Inc.[12]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	6,967,500	2.3%
				7,500,000	7,500,000	6,967,500	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
DataOnline Corp.[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	7/31/2025	15,960,000	15,960,000	15,960,000	5.2%
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14][17]	7/31/2024	—	—	—	0.0%
				15,960,000	15,960,000	15,960,000	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (10.00% Cash)	10/1/2019	2,270,747	2,270,747	2,270,747	0.7%
		Preferred Equity (8.00% PIK)		3,944,707	3,944,707	3,944,707	1.3%
				6,215,454	6,215,454	6,215,454	
Dynamic Energy Services International LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[10][16]	6/30/2019	21,800,729	18,674,779	2,478,743	0.8%
		Revolving Credit Facility (12.00% Cash)	6/30/2019	468,686	468,686	468,686	0.2%
				22,269,415	19,143,465	2,947,429	
FKI Security Group, LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	3/30/2020	11,187,500	11,187,500	11,187,500	3.7%
				11,187,500	11,187,500	11,187,500	
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		6,825,174	6,825,174	6,825,174	2.2%
		Equity - 150 Common Units		—	—	2,080,811	0.7%
				6,825,174	6,825,174	8,905,985	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor)[14]	9/26/2019	10,560,000	10,560,000	10,560,000	3.5%
				10,560,000	10,560,000	10,560,000	
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	2/7/2023	9,898,354	9,898,354	9,898,354	3.2%
				9,898,354	9,898,354	9,898,354	
Global Accessories Group, LLC[12]	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.1%
				—	151,337	151,339	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)[8]	10/15/2019	20,000,000	20,000,000	19,268,000	6.3%
				20,000,000	20,000,000	19,268,000	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor)[13]	6/21/2023	3,000,000	2,963,851	2,644,200	0.9%
				3,000,000	2,963,851	2,644,200	
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	3,448,654	3,448,654	3,448,654	1.1%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	9,991,829	9,991,829	9,991,829	3.3%
				13,440,483	13,440,483	13,440,483	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2022	13,875,000	13,875,000	12,874,613	4.2%
				13,875,000	13,875,000	12,874,613	
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	2/15/2022	19,107,574	19,107,574	19,229,862	6.3%
				19,107,574	19,107,574	19,229,862	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 1.01% of Outstanding Equity[18]	2/19/2024	—	955,680	—	0.0%
				—	955,680	—	
Manna Pro Products, LLC[7]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	12/8/2023	5,439,833	5,439,833	5,308,733	1.7%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13][19]	12/8/2023	670,363	670,363	643,878	0.2%
				6,110,196	6,110,196	5,952,611	
Midcoast Energy, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	8/1/2025	1,289,768	1,277,379	1,251,074	0.4%
				1,289,768	1,277,379	1,251,074	
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 11.50% PIK, 0.75% LIBOR Floor)[10][14]	12/31/2018	22,788,654	19,741,264	6,948,261	2.3%
				22,788,654	19,741,264	6,948,261	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[10][16]	7/8/2020	2,103,712	2,103,712	1,051,856	0.3%
		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	1,051,856	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt[22]	7/31/2020	761,905	761,905	761,905	0.2%
		Unsecured Debt[22]	7/31/2021	761,905	761,905	761,905	0.2%
				1,523,810	1,523,810	1,523,810	
Redwood Services Group, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,007,313	6,007,313	5,928,617	1.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,209,066	6,209,066	6,127,727	2.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	6/6/2023	700,000	700,000	700,000	0.2%
				12,916,379	12,916,379	12,756,344	
RMS Holding Company, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	15,231,240	15,231,240	15,231,240	5.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	2,440,079	2,440,079	2,384,383	0.8%
				17,671,319	17,671,319	17,615,623	
SavATree, LLC[7]	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	6/2/2022	1,854,151	1,854,151	1,838,206	0.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14][19]	6/2/2022	93,117	93,117	91,685	0.0%
				1,947,268	1,947,268	1,929,891	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)	8/31/2019	850,000	850,000	850,000	0.3%
				850,000	850,000	850,000	
Seotowncenter, Inc.	Services: Business	Equity - 3,249.697 Common Units		—	500,000	1,169,891	0.4%
				—	500,000	1,169,891	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
SFP Holding, Inc.[7]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	9/1/2022	9,714,830	9,714,830	9,714,830	3.2%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][17]	9/1/2022	2,510,897	2,510,897	2,510,897	0.8%
		Equity - 1.42% Company Interest		—	736,905	736,905	0.2%
				12,225,727	12,962,632	12,962,632	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[10][14]	7/31/2020	7,330,098	7,136,156	3,512,583	1.2%
				7,330,098	7,136,156	3,512,583	
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		—	700,000	700,000	0.2%
				—	700,000	700,000	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	2/17/2022	7,368,750	7,368,750	7,368,750	2.4%
				7,368,750	7,368,750	7,368,750	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,815	274,367	0.1%
				—	263,815	274,367	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2025	2,000,000	1,973,530	1,952,600	0.6%
				2,000,000	1,973,530	1,952,600	
Trans-Fast Remittance LLC[7]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	3,567,857	3,567,857	3,542,882	1.2%
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	1,875,000	1,875,000	1,864,875	0.6%
				5,442,857	5,442,857	5,407,757	
Vail Holdco Corp	Wholesale	Equity - 11,044 Shares of Series A Preferred Stock (12.50% PIK)[8]		11,044,000	10,618,214	10,712,680	3.5%
		Equity - 7,700 Shares of Junior Convertible Preferred Stock		7,700,000	7,700,000	9,145,290	3.0%
		Warrants - 0.4875% of Outstanding Equity		—	425,787	580,416	0.2%
				18,744,000	18,744,001	20,438,386	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor)[14]	4/28/2023	808,000	736,970	708,697	0.2%
		Equity - 5,441 Class A Units		—	302,464	302,464	0.1%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	361,667	0.1%
				808,000	1,401,101	1,372,828	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	9/26/2024	13,807,500	13,807,500	13,807,500	4.5%
		Equity - 1,500 Common Units		—	1,500,000	1,500,000	0.5%
				13,807,500	15,307,500	15,307,500	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[9]		—	518,283	97,955	0.0%
				—	518,283	97,955	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	2/12/2024	4,215,300	4,215,300	4,215,300	1.4%
				4,215,300	4,215,300	4,215,300	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 406,304,628**	**$ 407,062,466**	**$ 372,306,244**	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Affiliated Investments:							
1888 Industrial Services, LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	$ 8,984,232	$ 8,984,232	$ 8,984,232	2.9%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	22,330,717	20,060,891	17,158,923	5.6%
		Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14][17]	9/30/2021	2,695,270	2,695,270	2,695,270	0.9%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				34,010,219	31,740,393	28,838,425	
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK)[10]	7/22/2020	9,303,803	8,446,385	5,876,282	1.9%
		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		971,200	971,200	(100,800)	0.0%
		Equity - 16 Common Units		—	—	—	0.0%
				12,675,003	11,817,585	5,775,482	
Brantley Transportation LLC[12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	13,218,291	9,000,000	2,882,909	0.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[13]	8/2/2017	503,105	503,105	503,105	0.2%
		Equity - 7.5 Common Units		—	—	—	0.0%
				13,721,396	9,503,105	3,386,014	
Caddo Investors Holdings 1 LLC	Forest Products & Paper	Equity - 6.15% Membership Interest		—	2,520,842	2,628,230	0.9%
				—	2,520,842	2,628,230	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		31,468,755	31,468,755	31,468,755	10.3%
		Preferred Equity - A-1 Preferred (3.00% PIK)		4,072,311	4,072,311	4,072,311	1.3%
		Equity - 57,300 Class B Units		—	57,300	10,956,906	3.6%
				35,541,066	35,598,366	46,497,972	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,166,292	1,166,292	1,166,292	0.4%
		Equity - 129,588 Class B Units		—	129,588	685,520	0.2%
				1,166,292	1,295,880	1,851,812	
Path Medical, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% PIK, 1.00% LIBOR Floor)[14]	10/11/2021	8,704,410	8,390,417	8,245,688	2.7%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% PIK, 1.00% LIBOR Floor)[14]	10/11/2021	2,998,977	2,998,977	2,840,931	0.9%
		Senior Secured First Lien Term Loan C (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	688,926	688,926	688,926	0.2%
		Warrants - 7.68% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				12,392,313	12,578,071	11,775,545	
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	6,670,000	6,670,000	6,670,000	2.2%
		Equity - 33,300 Preferred Units		—	3,330,000	3,330,000	1.1%
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				**$ 116,176,289**	**$ 115,054,242**	**$ 110,753,480**	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Controlled Investments:[5]							
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	$ 31,394,070	$ 20,846,571	$ 12,698,901	4.2%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	14,117,777	9,686,866	5,710,641	1.9%
		Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[14]	9/25/2020	2,327,346	2,327,346	2,327,346	0.8%
		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%
				47,839,193	33,260,798	20,736,888	
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	78,575,000	75,919,273	24.8%
				—	78,575,000	75,919,273	
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13]	11/9/2020	4,005,990	4,005,990	4,005,990	1.3%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	12,305,096	12,305,096	12,305,096	4.0%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[10][13]	11/9/2020	7,846,937	7,570,053	7,109,325	2.3%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				24,158,023	33,432,061	23,420,411	
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 0.00% Cash)[15]	12/31/2019	383,085	383,085	383,085	0.1%
		Unsecured Debt (10.00% Cash)[20]		292,310	292,310	292,310	0.1%
		Unsecured Debt (1.00% Cash)[21]		646,996	646,996	646,996	0.2%
		Equity - 35 Class B Units		—	2,670,154	2,670,154	0.9%
				1,322,391	3,992,545	3,992,545	
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor)[14]	5/2/2022	16,259,393	16,259,393	16,259,393	5.3%
		Preferred Equity (12.00% PIK)		6,552,890	6,552,890	6,552,890	2.1%
		Equity - 397,466 Common Units		—	12,936,879	12,937,518	4.2%
				22,812,283	35,749,162	35,749,801	
Subtotal Controlled Investments				**$ 96,131,890**	**$ 185,009,566**	**$ 159,818,918**	
Total Investments, December 31, 2018				**$ 618,612,807**	**$ 707,126,274**	**$ 642,878,642**	210.3%

Overview of Portfolio Companies

Set forth below is a brief description of the business of our portfolio companies as of December 31, 2018.

Portfolio Company	Brief Description of Portfolio Company
1888 Industrial Services, LLC	1888 Industrial Services, LLC (“1888”) provides field support services to oil and gas independent producers, drilling companies and midstream companies in the Denver-Julesburg Basin, with headquarters in the heart of the Wattenberg region in Greeley, CO. 1888 builds, repairs, modifies and maintains oil and gas production equipment, sites, wells and pipelines.
3SI Security Systems, Inc.	3SI Security Systems, Inc., headquartered in Malvern, PA, provides, monitors and services a comprehensive range of technologically-advanced asset tracking and tracing solutions primarily for financial institutions, retail and law enforcement organizations.
Access Media Holdings, LLC	Access Media Holdings, LLC (d/b/a Access Media 3, Inc.) headquartered in Oak Brook, IL, is a triple-play provider of digital satellite television, high speed internet and voice services to the residential multi-dwelling unit market in the United States.
Accupac, Inc.	Accupac, Inc., headquartered in Mainland, PA, is a contract manufacturer and packager of liquids, lotions, gels, and creams selling to the over-the counter and prescription markets.
Alpine SG, LLC	Alpine SG, LLC (“Alpine SG”) is an aggregator of niche, vertically oriented software businesses. Each acquired business operates independently with oversight from the Alpine SG management team. The platform at close includes the following five companies: CSF, Aerialink, Minute Menu, Bill4Time, and Exym.
American Dental Partners, Inc.	American Dental Partners, Inc., founded in 1995 and headquartered in Wakefield, MA, provides dental groups with critical administrative functions, enabling dentists to focus on clinical care.
Autosplice, Inc.	Autosplice, Inc. (“Autosplice”), founded in 1954 and headquartered in San Diego, CA, is a global supplier of highly engineered, mission-critical electrical interconnectors to OEMs and Tier 1 suppliers. Autosplice serves a wide variety of end-markets, providing the automotive, industrial, telecommunications, medical, transportation, consumer, and other applications.
Barry’s Bootcamp Holdings, LLC	Barry’s Bootcamp Holdings, LLC, founded in 1998 and headquartered in Los Angeles, CA, is a leading boutique fitness studio operator offering hour-long workouts that focus on high-intensity interval training, cardio, and strength training.
Be Green Packaging, LLC	Be Green Packaging, LLC, founded in 2007 and headquartered in Thousand Oaks, CA, designs and manufactures sustainable, tree-free, molded fiber products and packaging for the food service and consumer packaged goods end markets.
Black Angus Steakhouses, LLC	Black Angus Steakhouses, LLC, founded in 1964 and headquartered in Los Altos, CA, operates restaurants across six states including California, Arizona, Alaska, New Mexico, Washington, and Hawaii.
Brantley Transportation LLC	Brantley Transportation LLC, (“Brantley”) based in Monahans, TX, was founded more than 50 years ago and is a provider of mission-critical transportation services to energy producers and drilling companies in the upstream and midstream energy markets. Brantley leverages its fleet of trucks, trailers, cranes and related specialized heavy equipment to provide its customers with customized services involving drilling rig transportation and field services, which includes the disassembly, transportation, and reassembly of drilling rigs and related equipment as well as production services.

Portfolio Company	Brief Description of Portfolio Company
Brook & Whittle Holding Corp.	Brooke & Whittle Holding Corp. (“B&W”), founded in 1996 and based in North Branford, Connecticut, provides printing and packaging solutions in North America. B&W produces and supplies pressure sensitive labels and shrink film packaging products for personal care, beverage, food, and household industry sectors.
Caddo Investors Holdings LLC	Caddo Investors Holdings LLC (d/b/a TexMark Timber Treasury, L.P.), consists of ~1.1 million acres of high quality and relatively young timber lands located in East Texas.
Capstone Nutrition	Capstone Nutrition (“Capstone”) which is headquartered in Ogden, UT is a pure-play developer and manufacturer in the nutrition industry. Since 1992, Capstone has been developing, producing, and packaging capsule, tablet, and powder products for a variety of customers in the United States and Internationally.
Central States Dermatology Services, LLC	Central States Dermatology Services, LLC, headquartered in Dayton, OH, serves dermatology clinics throughout Ohio.
CPI International, Inc.	CPI International, Inc., headquartered in Palo Alto, CA. develops and manufactures microwave, radio frequency, power, and control products for critical communications, defense and medical applications.
Crow Precision Components, LLC	Crow Precision Components, LLC is a Fort Worth, TX based forger of aluminum and steel used for mission critical aircraft components, among other end markets.
CT Technologies Intermediate Holdings, Inc.	CT Technologies Intermediate Holdings, Inc, founded in 1976 and located in Alpharetta, GA, is a provider of outsourced release-of-information services, which involves the interaction between healthcare providers, who possess protected medical information, and authorized requestors, who are entitled to receive that information for various commercial, legal, or personal purposes.
DataOnline Corp.	DataOnline Corp. (“DataOnline”) is a global provider of M2M solutions specifically for the monitoring of both fixed and mobile remote industrial assets. DataOnline specializes in robust and reliable devices & sensors, remote data collection, global wireless communications & web-based applications.
Dream Finders Homes, LLC	Dream Finders Homes, LLC (“DFH”), founded in 2009 and headquartered in Jacksonville, FL, is a residential homebuilder currently operating in the greater Jacksonville, FL market. DFH builds both single-family homes and townhomes, and is developing and building units in a number of attractive communities across Clay County, St. John’s County, and Nassau County.
Dynamic Energy Services International LLC	Dynamic Energy Services International LLC, headquartered in Wayne, PA, is a provider of full-service fabrication, construction and maintenance services to a broad range of worldwide markets including oil and gas, industrial and petrochemical markets.
FKI Security Group, LLC	FKI Security Group, LLC, founded in 1951 and headquartered in New Albany, IN, is a global manufacturer and national service provider of security, safety and asset protection products used in a variety of industries, including the financial services, government, retail, education, and medical end markets.

Portfolio Company	Brief Description of Portfolio Company
Footprint Acquisition, LLC	Footprint Acquisition, LLC, headquartered in Lisle, IL, is a provider of in store merchandising and logistics solutions to major retailers and consumer packaged goods manufacturers.
Freedom Powersports, LLC	Freedom Powersports, LLC, headquartered in Weatherford, TX and founded in 2013, is a powersports dealer with locations in Texas, Georgia and Alabama.
Friedrich Holdings, Inc.	Friedrich Holdings, Inc., founded in 1883 and headquartered in San Antonio, TX, engineers and manufactures high-performance in-room air conditioning products.
Global Accessories Group, LLC	Global Accessories Group, LLC, headquartered in New York City, designs, manufactures, and sells custom-themed jewelry and accessory collections. These collections are tailored to leading retailers in the specialty, department store, off-price and juniors markets.
Heligear Acquisition Co.	Heligear Acquisition Co. (d/b/a Northstar Aerospace, Inc.) headquartered in Bedford Park, IL is an independent manufacturer of flight-critical aerospace gears and power transmission systems for domestic and international military and commercial aircraft applications.
Imagine! Print Solutions, LLC	Imagine! Print Solutions LLC., founded in 1988 and headquartered in Minneapolis, MN, is a provider of in-store marketing solutions in North America providing comprehensive in-store, point-of-purchase / point of sale marketing campaigns.
Impact Sales, LLC	Impact Sales, LLC is a Boise, Idaho based sales and marketing agency providing outsourced sales, marketing and merchandising services to consumer packaged goods manufacturers.
InterFlex Acquisition Company, LLC	InterFlex Acquisition Company, LLC, headquartered in Wilkesboro, NC, is a comprehensive provider of specialized printed and converted flexible packaging solutions for food and consumer packaged goods producers throughout the USA and UK.
JFL-NGS Partners, LLC	JFL-NGS Partners, LLC (d/b/a NorthStar Group Services, Inc.), is a one-stop provider of demolition and environmental remediation services including demolition, asset & scrap recovery, abatement of asbestos, lead, and mold, and disaster response.
JFL-WCS Partners, LLC	JFL-WCS Partners, LLC (d/b/a Waste Control Specialists LLC), headquartered in Dallas, Texas, operates a state-of-the-art facility for the processing, treatment, storage and disposal of LLRW, hazardous waste, and mixed hazardous and radioactive wastes.
L & S Plumbing Partnership, Ltd.	L & S Plumbing Partnership, Ltd, founded in 1984 and headquartered in Richardson, TX, is a provider of plumbing, electrical and HVAC installation services for new single family home development in Texas.
Lighting Science Group Corporation	Lighting Science Group Corporation (“LSG”), headquartered in Satellite Beach, FL, is one of the world’s light emitting diode (“LED”) lighting technology companies. LSG designs, develops and markets general illumination products that exclusively use LEDs as their light source. The LSG’s broad product portfolio includes LED-based retrofit lamps (replacement bulbs) used in existing light fixtures as well as purpose-built LED-based luminaires (light fixtures).
Manna Pro Products, LLC	Manna Pro Products, LLC (“Manna Pro”), founded in 1985 and headquartered in Chesterfield, MO, is a manufacturer and distributor of pet nutrition and care products. Manna Pro targets five core animal end markets: dog & cat, horse, backyard chicken, other backyard pets and deer.

Portfolio Company	Brief Description of Portfolio Company
MCC Senior Loan Strategy JV I LLC	MCC Senior Loan Strategy JV I LLC commenced operations on July 15, 2015 and generates current income and capital appreciation by investing primarily in the debt of privately-held middle market companies in the United States with a focus on senior secured first lien term loans (see Note 3 "Investments" in Item 8. "Consolidated Financial Statements and Supplementary Data").
Midcoast Energy, LLC	Midcoast Energy, LLC is a full-service natural gas and natural gas liquid midstream business headquartered in Houston, Texas.
NVTN LLC	NVTN LLC (d/b/a "Dick's Last Resort"), established in 1985 and headquartered in Nashville, TN, operates company owned restaurants and earns a licensing fee on licensed restaurants located throughout the United States. Dick's Last Resort has developed an identifiable brand for its unique casual dining restaurant concept that targets tourists and business travelers in high foot traffic locations.
Oxford Mining Company, LLC	Oxford Mining Company, LLC (d/b/a Westmoreland Resource Partners, L.P.), headquartered in Columbus, OH, is a producer of high-value thermal coal and surface-mined coal.
Path Medical, LLC	Path Medical, LLC, founded in 1993, is a provider of fully-integrated acute trauma treatment and diagnostic imaging solutions to patients injured in automobile and non-work related accidents throughout Florida.
Point.360	Point.360 (OTC: PTSX) headquartered in Los Angeles, CA is a publicly traded, full-service content management company with several facilities strategically located throughout Los Angeles supporting all aspects of postproduction.
RateGain Technologies, Inc.	RateGain Technologies, Inc. provides hospitality and travel technology solutions for revenue management decision support, rate intelligence, electronic distribution and brand engagement helping customers across the world in streamlining their operations and sales.
Redwood Services Group, LLC	Redwood Services Group, LLC is a group of regional IT managed service providers that provide fully outsourced IT services to small and medium sized businesses.
RMS Holding Company, LLC	RMS Holding Company, LLC, founded in 2003 and headquartered in La Mesa, CA, provides employment administration and risk management services to banks, private fiduciaries and state programs.
SavATree, LLC	SavATree, LLC, headquartered in Bedford Hills, NY, is a leading provider of residential tree and shrub maintenance, professional lawn care, and outdoor residential services with over twenty branches throughout the Eastern and Midwestern regions of the United States.
Sendero Drilling Company, LLC	Sendero Drilling Company, LLC, founded in 2010 as a wholly owned subsidiary of Pioneer Natural Resources, is a land drilling contractor headquartered in San Angelo, TX.
Seotowncenter, Inc.	Seotowncenter, Inc., founded in 2009 and based in Lehi, UT, is a tech-enabled business services company that delivers white label search engine optimization and local search and digital campaign fulfillment to the small and midsize business market.

Portfolio Company	Brief Description of Portfolio Company
SFP Holding, Inc.	SFP Holdings, Inc., founded in 1999 and headquartered in St. Paul, MN, is a provider of fire and life safety security systems.
Ship Supply Acquisition Corporation	Ship Supply Acquisition Corporation, founded in 1968 and headquartered in Miami, FL, is a logistics services business that provides products and maritime services for commercial and military marine vessels through four segments: (i) global logistics services, (ii) comprehensive husbandry services, (iii) full service vessel management to large passenger-carrying vessels, and (iv) fuel broker services.
SMART Financial Operations, LLC	SMART Financial Operations, LLC, headquartered in Orlando, FL, is a specialty retail platform initially comprised of three distinct retail pawn store chains and a pawn industry consulting firm.
SRS Software, LLC	SRS Software, LLC, founded in 1997 and headquartered in Montvale, NJ, is a leading provider of electronic health record and health information technology to high volume, specialty physicians.
Stancor, Inc.	Stancor, Inc., founded in 1985 and based out of Monroe, CT, is a designer and manufacturer of electric submersible pumps, control, accessories, and parts.
Starfish Holdco, LLC	Starfish Holdco, LLC (d/b/a Syncsort) through its subsidiaries will be a global software company specializing in Big Data, high speed sorting products, data protection, data quality and integration software and services, for mainframe, power systems and open system environments to enterprise customers.
TPG Plastics LLC	TPG Plastics LLC (“TPG”), founded in 1997 and based in Willowbrook, IL, is a full-service manufacturer of blow molded plastic components and systems for a targeted set of growing applications and end markets. TPG operates two complementary businesses: a custom business serving original equipment manufacturer customers and a proprietary line of consumer products sold through retailers and distributors.
Trans-Fast Remittance LLC	Trans-Fast Remittance LLC, founded in 1988 and based in New York, NY, is a cross-border money remittance provider.
URT Acquisition Holdings Corporation	URT Acqusition Holdings Corporation (d/b/a United Road Towing or “URT”) headquartered in Moneka, IL is an integrated towing company in the United States. URT provides a complete range of towing, vehicle storage and vehicle auction services.
US Multifamily, LLC	US Multifamily, LLC (“US Multifamily”) is a real estate private equity firm headquartered in Atlantic Beach, FL, with offices in Atlanta, Georgia and Charlotte, North Carolina. US Multifamily is focused on distressed multifamily assets primarily located in the Southeastern region of the United States.
Vail Holdco Corp	Vail Holdco Corp (d/b/a Avantor Performance Materials Holdings, LLC) is a leading supplier of high quality specialty materials used in a variety of end markets with strict regulatory and performance specifications; primarily serves the life sciences end market, including biopharma, biomaterials, and research & diagnostics.
Velocity Pooling Vehicle, LLC	Velocity Pooling Vehicle, LLC, headquartered in Indianapolis, IN, is a manufacturer comprised of a group of highly recognizable brands serving nearly all product categories in the powersports aftermarket industry and a distributor of proprietary and sourced brands to a variety of dealers and retailers.
Walker Edison Furniture Company LLC	Walker Edison Furniture Company LLC (“Walker Edison”) is an e-commerce furniture platform exclusively selling through the websites of top online retailers. Walker Edison operates a data-driven business model to sell a variety of home furnishings in the discount category including TV stands, bedroom furniture, chairs & tables, desks and other.
Watermill-QMC Midco, Inc.	Watermill-QMC Midco, Inc. (d/b/a Quality Metalcraft, Inc.), founded in 1964 and headquartered in Livonia, MI, is a provider of complex assemblies for specialty automotive production, prototype and factory assist applications.
Xebec Global Holdings, LLC	Xebec Global Holdings, LLC, founded in 2006 and headquartered in McLean, VA, primarily assists various intelligence agency operatives in the field with gathering intelligence, planning missions and performing mission assessments, among other services.

THE ADVISER

MCC Advisors serves as our investment adviser and is registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our board of directors, MCC Advisors manages the day-to-day operations of, and provides investment advisory and management services to us pursuant to an investment management agreement by and between the Company and MCC Advisors.

Investment Committee

The purpose of MCC Advisors' investment committee, which is comprised of a minimum of three members selected from senior members of MCC Advisors' investment team, is to evaluate and approve all of our investments. The investment committee process is intended to bring the diverse experience and perspectives of the investment committee members to the analysis and consideration of every investment. The MCC Advisors' investment committee also serves to provide investment consistency and adherence to MCC Advisors' investment philosophies and policies. MCC Advisors' investment committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, MCC Advisors' investment committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and deal flow are also reviewed on a regular basis. Members of MCC Advisors' investment team are encouraged to share information and views on credits with MCC Advisors' investment committee early in their analysis. This process improves the quality of the analysis and assists MCC Advisors' investment team members to work more efficiently.

Each transaction is presented to MCC Advisors' investment committee in a formal written report. All of the Company's new investments and the exit or sale of an existing investment must be approved by a majority vote of MCC Advisors' investment committee, although unanimous agreement is sought.

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 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.

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 will be 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 pro-rated. 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 Net Investment 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, at the end of each quarter, we 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.

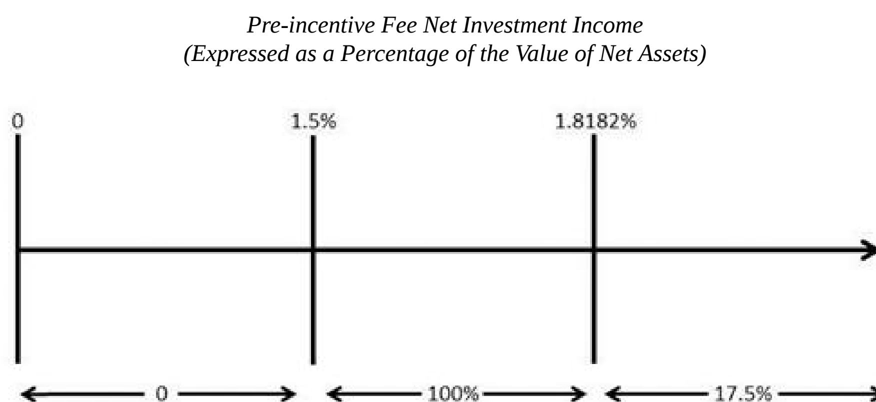
The second component of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment management agreement as of the termination date) and equals 20.0% of our cumulative aggregate realized capital gains less cumulative realized capital 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.

For the three months ended December 31, 2018, the Company incurred net base management fees payable to MCC Advisors of $3.2 million. For the three months ended December 31, 2018, the Company did not incur incentive fees related to pre-incentive fee net investment income.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee effective as of January 1, 2016 pursuant to the Fee Waiver Agreement:

Pre-incentive Fee Net Investment Income
(Expressed as a Percentage of the Value of Net Assets)



Examples of Quarterly Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee:

- Quarter 1
- Net Asset Value at the start of Quarter 1 = $100.0 million (1 million shares)
- Quarter 1 Ordinary Income = $5.0 million
- Quarter 1 Issue 1 million shares at $101 per share = $1.0 million
- Quarter 1 Capital Gain = $1.0 million
- Quarter 1 Hurdle Amount = $1.5 million (calculated based on a quarterly 1.5% hurdle rate)
- Quarter 1 Catchup Amount = $1.81818 million (calculated based on a quarterly 1.81818% rate)

- Quarter 2
- Net Asset Value at the start of Quarter 2 = $100.0 million (1 million shares)
- Quarter 2 Ordinary Income = $1.5 million
- Quarter 2 Capital Gain = $1.0 million
- Quarter 2 Hurdle Amount = $1.5 million (calculated based on a quarterly 1.5% hurdle rate)
- Quarter 2 Catchup Amount = $1.81818 million (calculated based on a quarterly 1.81818% rate)
- Quarter 3
- Net Asset Value at the start of Quarter 3 = $100.0 million (1 million shares)
- Quarter 3 Ordinary Income = $4.0 million
- Quarter 3 Repurchase 500,000 shares at $99 per share = $0.50 million
- Quarter 3 Capital Loss = ($8.0) million
- Quarter 3 Hurdle Amount = $1.5 million (calculated based on a quarterly 1.5% hurdle rate)
- Quarter 3 Catchup Amount = $1.81818 million (calculated based on a quarterly 1.81818% rate)
- Quarter 4
- Net Asset Value at the start of Quarter 4 = $100.0 million (1 million shares)
- Quarter 4 Ordinary Income = $4.0 million
- Quarter 4 Capital Gain = $3.0 million
- Quarter 4 Hurdle Amount = $1.5 million (calculated based on a quarterly 1.5% hurdle rate)
- Quarter 4 Catchup Amount = $1.81818 million (calculated based on a quarterly 1.81818% rate)

Determination of Incentive Fee Based on Income:

In Quarter 1, the Ordinary Income of $5.0 million exceeds the Hurdle Amount of $1.50 million and the Catchup Amount of $1.8182 million. There is $2 million of Net Capital Gains, including a capital gain of $1 million and accretion to the Company's net asset value of $1 million as a result of issuing shares at a transaction price that exceeds the net asset value per share. As a result, an Incentive Fee based on income of $875,000 ((100% of $318,182) + (17.5% of $3,181,818)) is payable to MCC Advisors for Quarter 1.

In Quarter 2, the Quarter 2 Ordinary Income of $1.50 million does not exceed the Quarter 2 Hurdle Amount of $1.50 million, but the aggregate Ordinary Income for the Trailing Twelve Quarters of $6.50 million exceeds the aggregate Hurdle Amount for the Trailing Twelve Quarters of $3.0 million and the aggregate Catchup Amount for the Trailing Twelve Quarters of $3.6364 million. There are no Net Capital Losses. As a result, an Incentive Fee based on income of $262,500 ($1,137,500 (100% of $636,364) + (17.5% of 2,863,636) minus $875,000 paid in Quarter 1) would be payable to MCC Advisors for Quarter 2.

In Quarter 3, the aggregate Ordinary Income of the Trailing Twelve Quarters of $10.5 million exceeds the aggregate Hurdle Amount for the Trailing Twelve Quarters of $4.5 million and the aggregate Catchup Amount for the Trailing Twelve Quarters of $5.4545 million. However, there is an aggregate Net Capital Loss of ($4.5) million for the Trailing Twelve Quarters. As a result, the Incentive Fee Cap would apply. The Incentive Fee Cap equals $(87,500), calculated as follows:

(17.5% x ($10.5 million minus $4.5 million)) minus $1,137,500 paid in Quarters 1 and 2. Because the Incentive Fee Cap is a negative value, there is no Incentive Fee based on income payable to the adviser for Quarter 3.

In Quarter 4, the aggregate Ordinary Income of the Trailing Twelve Quarters of $14.50 million exceeds the aggregate Hurdle Amount for the Trailing Twelve Quarters of $6.0 million and the aggregate Catchup Amount for the Trailing Twelve Quarters of $7.2727 million. The calculation of the Incentive Fee based on income would be $1.40 million ($2,537,500 (100% of $1,272,727) + (17.5% of $7,227,272) minus $1,137,500 million paid in Quarters 1 and 2). However, there is an aggregate Net Capital Loss of $(1.50) million for the Trailing Twelve Quarters. As a result, the Incentive Fee Cap would apply. The Incentive Fee Cap equals $1,137,500 calculated as follows:

(17.5% X ($14.5 million minus $1.5 million)) minus $1,137,500. Because the Incentive Fee Cap is positive but less than the Incentive Fee based on Income of $1.40 million calculated prior to the Incentive Fee Cap, an Incentive Fee based on Income of $1,137,500 is payable to MCC Advisors for Quarter 4.

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

Year 1: $20 million investment made in Company A ("Investment A"), and $30 million investment made in Company B ("Investment B")
Year 2: Investment A sold for $50 million and fair market value, or FMV, of Investment B determined to be $32 million
Year 3: FMV of Investment B determined to be $25 million
Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee would be:

Year 1: None
Year 2: Capital gains incentive fee of $6.0 million ($30 million realized capital gains on sale of Investment A multiplied by 20.0%)
Year 3: None; $5.0 million (20.0% multiplied by ($30 million cumulative capital gains less $5 million cumulative capital depreciation)) less $6.0 million (previous capital gains fee paid in Year 2) (the $1.0 million difference would not be deducted from future capital gains incentive fees)
Year 4: Capital gains incentive fee of $200,000; $6.2 million ($31 million cumulative realized capital gains multiplied by 20.0%) less $6.0 million (capital gains fee paid in Year 2)

Alternative 2:

Assumptions

Year 1: $20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B") and $25 million investment made in Company C ("Investment C")
Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
Year 4: FMV of Investment B determined to be $35 million
Year 5: Investment B sold for $20 million

The capital gains portion of the incentive fee would be:

Year 1: None
Year 2: Capital gains incentive fee of $5.0 million; 20.0% multiplied by $25 million ($30 million realized capital gains on Investment A less $5 million unrealized capital depreciation on Investment B)
Year 3: Capital gains incentive fee of $1.4 million; $6.4 million (20.0% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation on Investment B)) less $5.0 million capital gains fee received in Year 2
Year 4: None
Year 5: None; $5.0 million of capital gains incentive fee (20.0% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) less $6.4 million cumulative capital gains fee paid in Year 2 and Year 3 (the $1.4 million difference would not be deducted from future capital gains incentive fees)

As noted above, in order to ensure that the Company will pay MCC Advisors a lesser base management fee and incentive fee on net investment income on a cumulative basis, as calculated beginning January 1, 2016, the Company 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 the Fee Waiver Agreement, and pay lesser of those two amounts. Set forth below is a description of the base management fee and the incentive fee on net investment income payable to MCC Advisors prior to the Fee Waiver Agreement.

Base Management Fee — Prior to Fee Waiver Agreement

The base management fee was calculated at an annual rate of 1.75% of our gross assets, and is payable quarterly in arrears. The base management fee is 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

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, the 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, the 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 payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash.

Payment of Our Expenses

All investment professionals and staff of MCC Advisors, when, and to the extent, engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of such personnel allocable to such services, is provided and paid for by MCC Advisors. 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);
- expenses, including travel expense, incurred by MCC Advisors or payable to third parties performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt incurred to finance our investments;
- the costs of all offerings of common shares and other securities;
- the base management fee and any incentive management fee;
- distributions on our shares;
- administration fees payable under our administration agreement;
- the allocated costs incurred by MCC Advisors as our administrator 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;
- all registration and listing fees;
- U.S. federal, state and local taxes;
- independent directors' 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).

We reimburse MCC Advisors for costs and expenses incurred for office space rental, office equipment and utilities allocable to the performance by MCC Advisors of its duties under the administration agreement, as well as any costs and expenses incurred relating to any non-investment advisory, administrative or operating services provided to us or in the form of managerial assistance to portfolio companies that request it.

From time to time, MCC Advisors pays amounts owed by us to third party providers of goods or services. We subsequently reimburse MCC Advisors for such amounts paid on our behalf.

Limitation of Liability and Indemnification

The investment management agreement provides that MCC Advisors and its officers, directors, employees, agents or controlling persons are not liable to us or any of our stockholders for any act or omission by it or its employees in the supervision or management of our investment activities or for any loss sustained by us or our stockholders, except that the foregoing exculpation does not extend to any act or omission constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations under the investment management agreement. The investment management agreement also provides for indemnification by us of MCC Advisors' members, directors, officers, employees, agents, associates, and controlling persons for liabilities incurred by it in connection with their services to us, subject to the same limitations and to certain conditions.

Duration and Termination

The investment management agreement was initially approved by our board of directors on November 3, 2010 and was executed on January 11, 2011. Pursuant to its terms and under the 1940 Act, the investment management agreement had an initial two-year term, and then was subject to an annual approval by our board of directors. Unless terminated earlier as described below, it will continue in effect from year to year if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The investment management agreement will automatically terminate in the event of its assignment. The investment management agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risks — Risks Related to Our Business — We are dependent upon senior management personnel of MCC Advisors for our future success, and if MCC Advisors is unable to retain qualified personnel or if MCC Advisors loses any member of its senior management team, our ability to achieve our investment objective could be significantly harmed."

Annual Board Approval of the Investment Management Agreement

On November 29, 2018, our board of directors, at an in-person meeting, approved the renewal of our investment management agreement for an additional one-year term. Based on the information reviewed and the discussions held, our board, including a majority of the independent directors, concluded that the investment management fees and terms are reasonable in relation to the services to be provided and approved our investment management agreement for a period of one additional year, which will expire on January 9, 2020. In making its determination, our board took into account, among other things, its consideration and approval of the MCC Merger, consummation of which is subject to a number of conditions and approvals.

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 certain of our officers 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 months ended December 31, 2018, we incurred $1.0 million in administrative expenses. For the years ended September 30, 2018, 2017, and 2016, we incurred $3.6 million, $3.8 million, and $3.9 million in administrator expenses, respectively.

Our board of directors approved the continuation of our administration agreement on December 5, 2017, which extended the term of the agreement for an additional period of one year beginning on November 29, 2018. Based on the information relating to the terms of the Administration Agreement and the discussions held, our board of directors, including a majority of the non-interested directors, approved the Administration Agreement as being in the best interests of our stockholders. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

License Agreement

We have entered into a license agreement with Medley Capital LLC under which Medley Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name "Medley". Under this agreement, we will have a right to use the "Medley" name for so long as MCC Advisors or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the "Medley" name. This license agreement will remain in effect for so long as the investment management agreement with MCC Advisors is in effect.

REGULATION

General

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons" (as such term is defined in the 1940 Act). In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by "a majority of our outstanding voting securities."

As a BDC, we are required to meet an asset coverage ratio, reflecting the value of our total assets to our total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. However, in March 2018, the SBCA modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements are met. Under the 1940 Act, 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 1940 Act allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective on the one-year anniversary of such approval. 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. The Company has not sought stockholder or independent director approval to reduce its asset coverage ratio to 150%.

The SBCA also instructs the SEC to issue rules or amendments to rules allowing BDCs to use the same securities offering and proxy rules that available to operating companies, including, among other things, allowing BDCs to incorporate by reference in registration statements filed with the SEC and allow certain BDCs to file shelf registration statements that are automatically effective and take advantage of other benefits available to Well-Known Seasoned Issuers. On March 20, 2019, the SEC proposed rule amendments to implement certain provisions of the SBCA; however, as of the date of this prospectus, we do not know when the proposed rules relating to this legislation will be implemented.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. We do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except for registered money market funds we generally cannot acquire more than 3% of the voting stock of any investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of our investment policies are fundamental and any may be changed without stockholder approval.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- is organized under the laws of, and has its principal place of business in, the United States;
- is not an investment company (other than a small business investment company wholly owned by the Company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- satisfies either of the following:
    - has a market capitalization of less than $250 million or does not have any class of securities listed on a national securities exchange; or
    - is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company.

(2) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(3) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.

(4) Securities of any eligible portfolio company which we control.

(5) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining and interpreting qualifying assets may change over time. We may adjust our investment focus needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial Assistance to Portfolio Companies

A BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in “Regulation — Qualifying Assets” above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% requirement, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. Where the BDC purchases such securities in conjunction with one or more other persons acting together, the BDC will satisfy this test if one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary Investments

Pending investment in other types of “qualifying assets”, as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in highly rated commercial paper, U.S. Government agency notes, U.S. Treasury bills or in repurchase agreements relating to such securities that are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, certain diversification tests in order to qualify as a RIC for federal income tax purposes will typically require us to limit the amount we invest with any one counterparty. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% (or 150% if certain requirements are met) immediately after each such issuance. In addition, while any preferred stock or publicly traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or the repurchasing of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Item 1A. Risk Factors—Risks Related to our Business—If we use borrowed funds to make investments or fund our business operations, we will be exposed to risks typically associated with leverage which will increase the risk of investing in us.”

On March 26, 2013, our wholly-owned subsidiary, SBIC LP, received a SBIC license from the SBA. In anticipation of receiving an SBIC license, on November 16, 2012, we obtained an exemptive order from the SEC to permit us to exclude the debt of SBIC LP guaranteed by the SBA from from the 200% asset coverage ratio we are required to maintain under the 1940 Act. Pursuant to the 200% asset coverage ratio limitation, we are permitted to borrow one dollar for every dollar we have in assets less all liabilities and indebtedness not represented by debt securities issued by us or loans obtained by us.

The exemptive order provides us with increased flexibility under the 200% asset coverage test by permitting SBIC LP to borrow up to $150 million (the maximum amount of SBA-guaranteed debentures an SBIC may currently have outstanding once certain conditions have been met) more than we would otherwise be able to absent the receipt of this exemptive order. As a result, we would, in effect, be permitted to have a lower asset coverage ratio than the 200% asset coverage ratio limitation under the 1940 Act. For example, we would be able to borrow up to $150.0 million more than the approximately $288.8 million permitted under the asset coverage ratio limit as of December 31, 2018. For additional information on SBA regulations that will affect our access to SBA-guaranteed debentures, see “Risk Factors —Risks Relating to Our Business". Our SBIC subsidiary is subject to SBA regulations, and any failure to comply with SBA regulations could have an adverse effect on our operations. 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.

Code of Ethics

We and MCC Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements. In addition, the code of ethics is available at our website, *www.medleycapitalcorp.com*, and is available on the EDGAR Database on the SEC’s Internet site at *http://www.sec.gov*. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*.

Privacy Policy

We are committed to maintaining the privacy of stockholders and to safeguarding our non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to nonpublic personal information about our stockholders to our investment adviser’s employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to MCC Advisors. The Proxy Voting Policies and Procedures of MCC Advisors are set forth below. The guidelines are reviewed periodically by MCC Advisors and our independent directors, and, accordingly, are subject to change.

MCC Advisors is registered with the SEC as an investment adviser under the Advisers Act. As an investment adviser registered under the Advisers Act, MCC Advisors will have fiduciary duties to us. As part of this duty, MCC Advisors recognizes that it must vote client securities in a timely manner free of conflicts of interest and in our best interests and the best interests of our stockholders. MCC Advisors’ Proxy Voting Policies and Procedures have been formulated to ensure decision-making consistent with these fiduciary duties.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

MCC Advisors evaluates routine proxy matters, such as proxy proposals, amendments or resolutions on a case-by-case basis. Routine matters are typically proposed by management and MCC Advisors will normally support such matters so long as they do not measurably change the structure, management control, or operation of the corporation and are consistent with industry standards as well as the corporate laws of the state of incorporation.

MCC Advisors also evaluates non-routine matters on a case-by-case basis. Non-routine proposals concerning social issues are typically proposed by stockholders who believe that the corporation’s internally adopted policies are ill-advised or misguided. If MCC Advisors has determined that management is generally socially responsible, MCC Advisors will generally vote against these types of non-routine proposals. Non-routine proposals concerning financial or corporate issues are usually offered by management and seek to change a corporation’s legal, business or financial structure. MCC Advisors will generally vote in favor of such proposals provided the position of current stockholders is preserved or enhanced. Non-routine proposals concerning stockholder rights are made regularly by both management and stockholders. They can be generalized as involving issues that transfer or realign board or stockholder voting power. MCC Advisors typically would oppose any proposal aimed solely at thwarting potential takeovers by requiring, for example, super-majority approval. At the same time, MCC Advisors believes stability and continuity promote profitability. MCC Advisors’ guidelines in this area seek a balanced view and individual proposals will be carefully assessed in the context of their particular circumstances.

If a vote may involve a material conflict of interest, prior to approving such vote, MCC Advisors must consult with its Chief Compliance Officer to determine whether the potential conflict is material and if so, the appropriate method to resolve such conflict. If the conflict is determined not to be material, MCC Advisors' employees shall vote the proxy in accordance with MCC Advisors' proxy voting policy.

Proxy Voting Records

You may obtain information about how we voted proxies by making a written request for proxy voting information to:

Chief Compliance Officer
Medley Capital Corporation
280 Park Avenue, 6th Floor East
New York, NY 10017

Other

Under the 1940 Act, we are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, issue and sell our common stock, at a price below the current NAV of the common stock, or issue and sell warrants, options or rights to acquire such common stock, at a price below the current NAV of the common stock if our board of directors determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities. However, we currently do not have the requisite stockholder approval, nor do we have any current plans to seek stockholder approval, to sell or issue shares of our common stock at a price below NAV per share.

In addition, at our 2012 Annual Meeting of Stockholders we received approval from our stockholders to authorize us, with the approval of our board of directors, to issue securities to, subscribe to, convert to, or purchase shares of the Company's common stock in one or more offerings, subject to certain conditions as set forth in the proxy statement. Such authorization has no expiration.

We expect to be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and MCC Advisors adopted written policies and procedures reasonably designed to prevent violation of the federal securities laws, and will review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We and MCC Advisors have designated a Chief Compliance Officer to be responsible for administering the policies and procedures.

Small Business Investment Company Regulations

On March 26, 2013, our wholly-owned subsidiary, SBIC LP, a Delaware limited partnership, received a license from the SBA to operate as a SBIC 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, 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.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services. SBA regulations currently limit the amount that an SBIC may borrow up 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 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.

Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $19.5 million and have average net income after U.S. federal income taxes not exceeding $6.5 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to “smaller” concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6 million and have average annual net income after U.S. federal income taxes not exceeding $2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBA regulations also provide alternative industry size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are generally based on the number of employees or gross revenue. However, once an SBIC has invested in a company, it may continue to make follow-on investments in the company, regardless of the size of the company at the time of the follow-on investment, up to the time of the company’s initial public offering, if any.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside the United States, to businesses engaged in a few prohibited industries and to certain “passive” (*i.e.* , non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC’s regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances, regulations adopted by the SBA in 2002 now allow a SBIC to exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA’s prior written approval.

The SBA restricts the ability of an SBIC to provide financing to an "associate" as defined under the SBIC regulations, without a prior written exemption from the SBA. The SBA also prohibits, without prior SBA approval, a “change of control” of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. A “change of control” is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of an SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity. The SBA, as a creditor, will have a superior claim to our SBIC subsidiary’s assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under the SBA-guaranteed debentures issued by our SBIC subsidiary upon an event of default.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (1) direct obligations of, or obligations guaranteed as to principal and interest by, the U.S. government, which mature within 15 months from the date of the investment; (2) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (3) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (4) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (5) a checking account in a federally insured institution; or (6) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA’s staff to determine their compliance with SBA regulations and are periodically required to file certain forms with the SBA. If an SBIC fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit the SBIC’s use of debentures, declare outstanding debentures immediately due and payable, and/or limit the SBIC from making new investments. In addition, the SBIC may also be limited in its ability to make distributions to us if it does not have sufficient capital in accordance with SBA regulations. Such actions by the SBA would, in turn, negatively affect us because Medley SBIC LP is our wholly owned subsidiary.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

MANAGEMENT

Our business and affairs are managed under the direction of our board of directors. The board of directors currently consists of five members, two of whom are not “interested persons” of Medley Capital as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our board of directors elects our officers, who serve at the discretion of the board of directors. The responsibilities of each director will include, among other things, the oversight of our investment activity, the quarterly valuation of our assets, and oversight of our financing arrangements. The board of directors has also established an audit committee, a nominating and corporate governance committee, a compensation committee, and a special committee and may establish additional committees in the future.

Board of Directors and Executive Officers

Pursuant to our charter and bylaws, the board of directors is divided into three classes, designated Class I, Class II, and Class III. Directors are elected for a staggered term of three years each, with a term of office of one of the three classes of directors expiring each year. Each director will hold office for the term to which he or she is elected or until his successor is duly elected and qualified.

Directors

Information regarding the board of directors is as follows:

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
Brook Taube	49	Chief Executive Officer and Chairman of the Board of Directors	2011	2020
Seth Taube	49	Director	2011	2019
Jeff Tonkel	48	Director	2014	2021
Independent Directors				
Arthur S. Ainsberg	72	Director	2011	2019
Karin Hirtler-Garvey	62	Director	2011	2020

Executive Officers Who Are Not Directors

Name	Age	Position
Richard T. Allorto, Jr.	47	Chief Financial Officer and Secretary
John D. Fredericks	55	Chief Compliance Officer

Biographical Information

The following is information concerning the business experience of our board of directors and executive officers. Our directors have been divided into two groups - interested directors and independent directors. Interested directors are “interested persons” as defined in the 1940 Act.

Interested Directors

Brook Taube. Mr. Taube is an “interested person” of the Company as defined in the 1940 Act due to his positions as Chief Executive Officer and President of the Company, Managing Partner of MCC Advisors and Senior Portfolio Manager of the private investment funds managed by Medley since 2007. In addition to serving on our board, Mr. Brook Taube currently serves on the board of Sierra Income Corporation and on the investment committee for SIC Advisors, the investment adviser to Sierra Income Corporation, as well as serves on the board of Sierra Total Return Fund and on the investment committee of STRF Advisors, the investment adviser to Sierra Total Return Fund. Mr. Taube’s intimate knowledge of the business and operations of MCC Advisors, extensive familiarity with the financial industry and the investment management process in particular, and experience as a director of another business development company not only gives the board valuable insight but also positions him well to continue to serve as the Chairman of our board. Mr. Taube’s positions as Chief Executive Officer of the Company, Managing Partner of MCC Advisors and member of its Investment Committee provides the board with a direct line of communication to, and direct knowledge of the operations of, the Company and MCC Advisors, respectively. Mr. Taube received a B.A. from Harvard University.

We believe that Mr. Taube’s broad and extensive experience in asset and credit management and finance industries and his service as portfolio manager for several Medley affiliates qualify him to serve as a member of our board of directors.

Seth Taube. Mr. Taube is an “interested person” of the Company as defined in the 1940 Act due to his positions as a Managing Partner of MCC Advisors since our inception and Senior Portfolio Manager of the private investment funds managed by Medley LLC since 2007. In addition, Mr. Taube has served as Chief Executive Officer and Chairman of the board of directors of Sierra Income Corporation, a non-traded business development company, since its inception on June 16, 2011, and previously served as its President. Mr. Taube also has served as the Chief Executive Officer and Chairman of the board of directors of Sierra Total Return Fund, a closed-end management investment company that is operated as an interval fund since its inception on August 18, 2016. Mr. Taube also serves as Chief Executive Officer of SIC Advisors LLC, which serves as the investment adviser to Sierra Income Corporation, as well as serves on the board of Sierra Total Return Fund and on the investment committee of STRF Advisors, the investment adviser to Sierra Total Return Fund. In addition to serving on our board of directors, Mr. Taube currently serves on the board of Sierra Income Corporation. Prior to forming Medley, Mr. Taube was a Partner with CN Opportunity Fund, T3 Group, and Griphon Capital Management. Mr. Taube previously worked with Tiger Management and Morgan Stanley & Co. Through his depth of experience in managerial positions in investment management, leveraged finance and financial services, as well as his intimate knowledge of the business and operations of MCC Advisors and the private investment funds managed by Medley, Mr. Taube brings extensive knowledge of private equity and investment banking. Mr. Taube’s previous service on the Company’s board also provides him with a specific understanding of our Company, its operations, and the business and regulatory issues facing business development companies. Mr. Taube’s position as Managing Partner of MCC Advisors provides the board with a direct line of communication to and valuable insight of an experienced financial manager with direct knowledge of the operations of the Company and MCC Advisors, respectively. Mr. Taube received a B.A. from Harvard University, an M.Litt. in Economics from St. Andrew’s University in Great Britain, where he was a Rotary Foundation Fellow, and an M.B.A. from the Wharton School at the University of Pennsylvania.

We believe that Mr. Taube’s broad and extensive experience in asset and credit management and finance industries and his service as portfolio manager for several Medley affiliates qualify him to serve as a member of our board of directors.

Jeff Tonkel. Mr. Tonkel has been a member of the board of directors of the Company since February 2014. Mr. Tonkel joined Medley in 2011 and has also served as President of Sierra Income Corporation since July 2013 and as President and a member of the board of directors of Medley Management Inc. since its formation. Prior to joining Medley in 2011, Mr. Tonkel was a Managing Director with J.P. Morgan from January 2010 to November 2011, serving as Chief Financial Officer of a global financing and markets business. Prior to J.P. Morgan, Mr. Tonkel was a Managing Director of Principal Investments with Friedman Billings Ramsey, where he focused on merchant banking and corporate development investments in the specialty finance, real estate, energy and diversified industrial sectors. Mr. Tonkel began his investment career with Summit Partners. Mr. Tonkel received a BA from Harvard University and an MBA from Harvard Business School.

We believe that Mr. Tonkel’s broad and extensive experience in asset and credit management and tenure in the financial services industry qualify him to serve as a member of our board of directors.

Independent Directors

Arthur S Ainsberg. Mr. Ainsberg is not an “interested person” of the Company as defined in the 1940 Act. Mr. Ainsberg has over 40 years of experience in the financial services industry and a deep understanding of public and accounting matters for financial service companies. Mr. Ainsberg served as a director, Chairman of the Audit Committee and member of the Compliance Committee of Nomura Securities International, Inc. (the U.S. based broker-dealer of The Nomura Group) from 1996 through December 2014. In September 2012, Mr. Ainsberg was named to the board of directors of Nomura Global Financial Products, Inc., and in July 2013, he was named to the board of directors of Nomura Holding America, Inc., and served on each board through December 2014. In May 2013, Mr. Ainsberg was named to the board of directors of AG Mortgage Investment Trust. AG is a NYSE company, structured as a REIT, investing in various types of mortgage investments. From July 2003 through May 2012, Mr. Ainsberg served as a director for National Financial Partners Corporation, an independent financial services distribution company. From August 2009 through June 2011, Mr. Ainsberg served as Chief Operating Officer of Lehman Brothers Inc. in liquidation, the largest and most complex bankruptcy in the United States. Prior to this engagement, Mr. Ainsberg served as the Independent Consultant for Morgan Stanley & Co. from December 2003 until July 2009, under the Global Research Analyst Settlement, and was responsible for selecting and monitoring the providers of independent research for the clients of Morgan Stanley. Previously, Mr. Ainsberg was Chief Operating Officer at two investment partnerships, Brahman Capital Corp. from 1996 to 2000 and Bessent Capital Corp. during 2001. He also served as Chairman of the New York State Board for Public Accountancy from 1999 to 2000 and was a member of that board from 1993 to 2001. From 1998 to 2000, he was also a member of the Board of District 10 of the National Association of Securities Dealers. Mr. Ainsberg is also the author of *Shackleton: Leadership Lessons from Antarctica (2008)* and the co-author of *Breakthrough: Elizabeth Hughes, the Discovery of Insulin, and the Making of a Medical Miracle (2010).*

Mr. Arthur S. Ainsberg has extensive experience in the financial services industry and a deep understanding of public and financial accounting matters for financial services companies. He also brings to our board of directors valuable perspective from his experience as a board member of a large U.S. broker-dealer. Mr. Ainsberg is a member of our special committee.

Karin Hirtler-Garvey. Ms. Hirtler-Garvey is not an "interested person" of the Company as defined in the 1940 Act. Ms. Hirtler-Garvey has served as a Director of USAA Federal Savings Bank, a privately held consumer bank, where she has served as the Compensation Committee Chair since June 2018, and also served as the Risk Committee Chair from December 2013 to June 2018. She also has served as a Director of VA Capital Management, a privately held annuities firm, since August 2018, as well as a Director of Victory Capital Holdings, a publicly traded asset management firm, since October 2014, where she chairs the Audit Committee. Ms. Hirtler-Garvey has served as a Director of Western World Insurance Group since December 2006, and has chaired the Audit Committee since December 2009, and also served as a Member of its Compensation Committee and Pension Committee from April 2011 to September 2014. From August 2017 to August 2018, she served as a Director of Validus Holdings Ltd., the publicly-traded parent company of Western World. Ms. Hirtler-Garvey also served on the board of ARO Liquidation Inc., the successor company to Aeropostale, Inc., where she served as the Chairman of the board of directors from February 2012 to May 2016. Prior to being appointed, Ms. Hirtler-Garvey served on the board of Aeropostale since August 2005 where she was the lead independent director and served as a member of the Nominating and Corporate Governance Committee and Chairperson of the Audit Committee. From May 2009 to December 2011, Ms. Hirtler-Garvey was the Chief Risk Executive for Ally Financial Inc. From June 2008 to June 2009, Ms. Hirtler-Garvey also served as a Director for Residential Capital LLC, a subsidiary of GMAC. From March 2005 to December 2008, Ms. Hirtler-Garvey was a principal in a start-up real estate development venture based in New Jersey. From 1995 to 2005, Ms. Hirtler-Garvey held various senior level management positions at Bank of America, including Chief Operating Officer, Global Markets, President of Trust and Credit Banking Products, and Chief Financial Officer/Chief Operating Officer for the Wealth and Investment Management division. Ms. Hirtler-Garvey is a C.P.A.

We believe that Ms. Hirtler-Garvey's tenure in the financial services industry and extensive experience in senior management positions will support her appointment to our board of directors.

Executive Officers Who are not Directors

Richard T. Allorto Jr. Mr. Allorto is the Chief Financial Officer and Secretary of the Company. Mr. Allorto has also served as the Chief Financial Officer, Treasurer and Secretary of Sierra from April 2012 until November 2016 and was re-appointed to such positions in July 2018, and as Chief Financial Officer of Medley since July 2010. Mr. Allorto is also the Chief Financial Officer of Medley and is responsible for the financial operations of the various private funds managed by Medley. Prior to joining Medley, Mr. Allorto held various accounting and finance positions at GSC Group, Inc., a registered investment advisor, including, most recently as Chief Financial Officer of a publicly traded business development company that was externally managed by GSC Group. Prior to GSC Group, Mr. Allorto was an Audit Supervisor at Arthur Andersen. Mr. Allorto received a B.S. in Accounting from Seton Hall University and is a licensed CPA.

John D. Fredericks. Mr. Fredericks is the Chief Compliance Officer of the Company. Mr. Fredericks is also the Chief Compliance Officer of Sierra Income Corporation and Sierra Total Return Fund, as well as General Counsel of MDLY. Prior to joining Medley, Mr. Fredericks was a partner with Winston & Strawn, LLP, where he was a member of the firm's restructuring and insolvency and corporate lending groups. Before joining Winston & Strawn, LLP, Mr. Fredericks was a partner with Murphy Sheneman Julian & Rogers and an associate at Murphy, Weir & Butler. Mr. Fredericks was admitted to the California State Bar in 1993. Mr. Fredericks received a BA from the University of California Santa Cruz and a J.D. from University of San Francisco.

Director Independence

In accordance with rules of the NYSE, our board of directors annually determines each director's independence. We do not consider a director independent unless the board of directors has determined that he or she has no material relationship with us. We monitor the relationships of our directors and officers through the activities of our Nominating and Corporate Governance Committee and through a questionnaire each director completes no less frequently than annually and updates periodically as information provided in the most recent questionnaire changes.

Our governance guidelines require any director who has previously been determined to be independent to inform the Chairman of the board of directors and the Chairman of the Nominating and Corporate Governance Committee of any change in circumstance that may cause his or her status as an independent director to change. The board of directors limits membership on the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, and the special committee to independent directors.

In order to evaluate the materiality of any such relationship, the board uses the definition of director independence set forth in the NYSE Listed Company Manual. Section 303A.00 of the NYSE Listed Company Manual provides that BDCs, such as the Company, are required to comply with all of the provisions of Section 303A applicable to domestic issuers other than Sections 303A.02, the section that defines director independence. Section 303A.00 provides that a director of a BDC shall be considered to be independent if he or she is not an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. Section 2(a)(19) of the 1940 Act defines an "interested person" to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with the Company.

The board has determined that each of Arthur Ainsberg and Karin Hirtler-Garvey is independent, has no material relationship with the Company and is a not an interested person of the Company as defined in Section 2(a)(19) of the 1940 Act. Brook Taube, Seth Taube and Jeff Tonkel are interested persons of the Company due to their positions as members of management of MCC Advisors.

On March 18, 2019, in light of the Decision, John E. Mack informed the board of his resignation as a director of the Company, effective as of that date. Mr. Mack's decision to resign from our board was not due to any dispute or disagreement with the Company, or on any matter relating to the Company's operations, policies or practices. In addition, on March 18, 2019, in light of the Decision, Mark Lerdal informed the board of his resignation as a director of the Company, effective as of that date. Mr. Lerdal's decision to resign from our board was not due to any dispute or disagreement with the Company, or on any matter relating to the Company's operations, policies or practices. On March 18, 2019, the Company notified the NYSE that, following the resignations of Mr. Mack and Mr. Lerdal, the Company had only two independent directors and Audit Committee members. On March 19, 2019, the Company received a notice from the NYSE that, due to the resignations of Mr. Mack and Mr. Lerdal from the board, the Company no longer satisfies (1) the requirement that listed companies have a majority of independent directors as set forth in Section 303A.01 of the NYSE Listing Company Manual and (2) the requirement that the audit committee of a listed company to have a minimum of three members as set forth in Section 303A.07 of the NYSE Listing Company Manual. On March 20, 2019, the Company filed with the NYSE a written affirmation to notify the NYSE of the deficiencies described above. Also, the board does not currently have a majority of directors who are not interested persons as required for a BDC under the 1940 Act; however, the 1940 Act allows for a 90 day cure period.

The Nominating and Corporate Governance Committee is seeking two qualified, independent candidates to fill the vacancies on the board created by the resignations of Messrs. Mack and Lerdal. The Company intends to fill these vacancies in conformity with Sections 303A.01 and 303A.07 of the NYSE Listing Company Manual and the 1940 Act within 90 days. It is anticipated that, once identified, these candidates would be appointed by the board as Class III directors with terms expiring in 2020, and would also be appointed to committees of the board.

Board Leadership Structure

Our board of directors monitors and performs an oversight role with respect to the business and affairs of the Company, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to the Company. Among other things, our board of directors approves the appointment of our investment adviser and officers, reviews and monitors the services and activities performed by our investment adviser and executive officers and approves the engagement, and reviews the performance of, our independent registered public accounting firm.

Under the Company's bylaws, our board of directors may designate a Chairman to preside over the meetings of the board of directors and meetings of the stockholders and to perform such other duties as may be assigned to him or her by the board of directors. We do not have a fixed policy as to whether the Chairman of the board of directors should be an independent director and believe that we should maintain the flexibility to select the Chairman and reorganize the leadership structure, from time to time, based on the criteria that is in the best interests of the Company and its stockholders at such times.

Presently, Mr. Brook Taube serves as the Chairman of the board of directors. Mr. Brook Taube is an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company because he is Chief Executive Officer and President of the Company, serves on the Investment Committee and is the Managing Member of MCC Advisors. We believe that Mr. Taube's history with the Company, familiarity with its investment platform, and extensive knowledge of the financial services industry qualify him to serve as the Chairman of our board. We believe that the Company is best served through this existing leadership structure, as Mr. Taube's relationship with MCC Advisors, the Company's current investment adviser, provides an effective bridge and encourages an open dialogue between management and the board of directors, ensuring that both groups act with a common purpose.

Our board of directors' designated lead independent director of our board is Arthur Ainsberg. We are aware of the potential conflicts that may arise when a non-independent director is Chairman of the board of directors, but believe these potential conflicts are offset by our strong corporate governance policies. Our corporate governance policies include regular meetings of the independent directors in executive session without the presence of interested directors and management, the establishment of the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation Committee, and our special committee comprised solely of independent directors, and the appointment of a Chief Compliance Officer, with whom the independent directors meet regularly without the presence of interested directors and other members of management, for administering our compliance policies and procedures. In addition, our independent directors are advised by independent counsel.

We recognize that different board leadership structures are appropriate for companies in different situations. We re-examine our corporate governance policies on an ongoing basis to ensure that they continue to meet the Company's needs.

Board of Directors' Role in Risk Oversight

Our board of directors performs its risk oversight function primarily through (a) its three standing committees, which report to the entire board of directors and are comprised solely of independent directors, and (b) active monitoring of our Chief Compliance Officer and our compliance policies and procedures.

As described below in more detail under "Committees of the Board of Directors," the Audit Committee and the Nominating and Corporate Governance Committee assist the board of directors in fulfilling its risk oversight responsibilities. The Audit Committee's risk oversight responsibilities include overseeing the Company's accounting and financial reporting processes, the Company's systems of internal controls regarding finance and accounting, and audits of the Company's financial statements. The Nominating and Corporate Governance Committee's risk oversight responsibilities include selecting, researching and nominating directors for election by our stockholders, developing and recommending to the board a set of corporate governance principles, and overseeing the evaluation of the board of directors and our management.

Our board of directors also performs its risk oversight responsibilities with the assistance of the Chief Compliance Officer. Every quarter, the board of directors reviews a written report from the Chief Compliance Officer discussing the adequacy and effectiveness of the compliance policies and procedures of the Company and its service providers. The Chief Compliance Officer's quarterly report addresses the following: (a) the operation of the compliance policies and procedures of the Company and its service providers since the last report; (b) any material changes to such policies and procedures since the last report; (c) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's quarterly review; and (d) any compliance matter that has occurred since the date of the last report about which the board of directors would reasonably need to know to oversee our compliance activities and risks. In addition, the Chief Compliance Officer meets separately in executive session with the independent directors at least once each year.

We believe that our board of director's role in risk oversight is effective and appropriate given the extensive regulation to which we are already subject as a BDC. As a BDC, we are required to comply with certain regulatory requirements that control the levels of risk in our business and operations. For example, our ability to incur indebtedness is limited such that our asset coverage must equal at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met) immediately after each time we incur indebtedness, we generally have to invest at least 70% of our total assets in "qualifying assets" and we are not generally permitted to invest in any portfolio company in which one of our affiliates currently has an investment.

We recognize that different board roles in risk oversight are appropriate for companies in different situations. We re-examine the manner in which the board of directors administers its oversight function on an ongoing basis to ensure that it continues to meet the Company's needs.

Committees of the Board of Directors

An Audit Committee, a Nominating and Corporate Governance Committee, a Compensation Committee, and a special committee have been established by the board. During the fiscal year of 2018, our board of directors held eight board meetings, five Audit Committee meetings, two Nominating and Corporate Governance Committee meetings, one Compensation Committee meeting, and 15 special committee meetings. All directors attended at least 75% of the aggregate number of meetings of the board and of the respective committees on which they serve. We require each director to make a diligent effort to attend all board and committee meetings as well as each annual meeting of our stockholders.

Audit Committee. The Audit Committee operates pursuant to a charter approved by the board of directors, a copy of which is available on our website at *http://www.medleycapitalcorp.com*. The charter sets forth the responsibilities of the Audit Committee. The Audit Committee's responsibilities include selecting the independent registered public accounting firm for the Company, reviewing with such independent registered public accounting firm the planning, scope and results of its audit of the Company's financial statements, pre-approving the fees for services performed, reviewing with the independent registered public accounting firm the adequacy of internal control systems, reviewing the Company's annual financial statements and periodic filings and receiving the Company's audit reports and financial statements. The Audit Committee also establishes guidelines and makes recommendations to the board of directors regarding the valuation of our investments. The Audit Committee is responsible for aiding the board of directors in determining the fair value of debt and equity securities that are not publicly traded or for which current market values are not readily available. The board and the Audit Committee utilize the services of nationally recognized third-party valuation firms to help determine the fair value of these securities. The Audit Committee is currently composed of Karin Hirtler-Garvey and Arthur S. Ainsberg, each of whom is independent as set forth in the NYSE Listed Company Manual and is not an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. Karin Hirtler-Garvey serves as Chairman of the Audit Committee. The board has determined that each of Karin Hirtler-Garvey and Arthur S. Ainsberg is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K, as promulgated under the Exchange Act. Each of Karin Hirtler-Garvey and Arthur S. Ainsberg meets the current independence and experience requirements of Rule 10A-3 of the Exchange Act.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee operates pursuant to a charter approved by the board of directors, a copy of which is available on our website at *http://www.medleycapitalcorp.com*. The Nominating and Corporate Governance Committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board of directors or a committee thereof, developing and recommending to the board of directors a set of corporate governance principles and overseeing the evaluation of the board of directors and our management. The Nominating and Corporate Governance Committee currently does not consider nominees recommended by our stockholders.

The Nominating and Corporate Governance Committee seeks candidates who possess the background, skills and expertise to make a significant contribution to the board of directors, the Company and its stockholders. In considering possible candidates for election as a director, the Nominating and Corporate Governance Committee takes into account, in addition to such other factors as it deems relevant, the desirability of selecting directors who:

- are of high character and integrity;
- are accomplished in their respective fields, with superior credentials and recognition;
- have relevant expertise and experience upon which to be able to offer advice and guidance to management;
- have sufficient time available to devote to the affairs of the Company;
- are able to work with the other members of the board of directors and contribute to the success of the Company;
- can represent the long-term interests of the Company's stockholders as a whole; and
- are selected such that with the other members of the board of directors represent a range of backgrounds and experience.

The Nominating and Corporate Governance Committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, the Nominating and Corporate Governance Committee considers and discusses diversity, among other factors, with a view toward the needs of the board of directors as a whole. The Nominating and Corporate Governance Committee generally conceptualizes diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities that contribute to the board, when identifying and recommending director nominees. The Nominating and Corporate Governance Committee believes that the inclusion of diversity as one of many factors considered in selecting director nominees is consistent with the Nominating and Corporate Governance Committee's goal of creating a board that best serves the needs of the Company and the interest of its stockholders. The Nominating and Corporate Governance Committee is currently composed of Arthur S. Ainsberg and Karin Hirtler-Garvey, each of whom is independent as set forth in the NYSE Listed Company Manual and is not an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. Mr. Ainsberg serves as Chairman of the Nominating and Corporate Governance Committee.

As noted above, the Nominating and Corporate Governance Committee is seeking qualified, independent candidates to fill the vacancies on the board created by the resignations of Messrs. Mack and Lerdal.

Compensation Committee. The Compensation Committee operates pursuant to a charter approved by the board, a copy of which is available on our website at *http://www.medleycapitalcorp.com*. The Compensation Committee is responsible for reviewing and approving the reimbursement by the Company of the compensation of the Company's Chief Financial Officer and the Company's Chief Compliance Officer and their respective staffs. As discussed below, none of our executive officers are compensated by the Company. The Compensation Committee is currently composed of Karin Hirtler-Garvey, who is independent as set forth in the NYSE Listed Company Manual and is not an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. Ms. Hirtler-Garvey serves as the Chair of the Compensation Committee.

The Special Committee. Our special committee was granted the authority to, among other things, evaluate and review the terms and conditions of the Mergers or any alternative thereto and determine whether the Mergers or any alternative thereto is advisable and is fair to, and in the best interests of, the Company and its stockholders (or any subset of its stockholders that our special committee determines to be appropriate) in connection with the Mergers. Our special committee had the authority to select and retain, in its sole discretion, any advisors that they deemed appropriate, including their own independent financial and legal advisors. Our special committee is currently composed of Arthur S. Ainsberg and Karin Hirtler-Garvey, each of whom is independent as set forth in the NYSE Listed Company Manual and is not an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. Mr. Ainsberg serves as the chair of our special committee. Messrs. Mack and Lerdal had been members of our special committee prior to their resignation from the board, effective as of March 18, 2019.

Code of Ethics

We and MCC Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. The Code of Ethics applies to, among others, our senior officers, including our Chief Executive Officer and our Chief Financial Officer, as well as every officer, director, employee and access person (as defined within the Company's Code of Ethics) of the Company. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. In addition, the code of ethics is available at our website, *www.medleycapitalcorp.com*, and is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*. The Company intends to disclose any amendments to or waivers from any required provision of the Code of Ethics on Form 8-K.

Compensation of Directors

The following table sets forth the compensation of the Company's directors, for the year ended September 30, 2018:

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	All Other Compensation	Total
Interested Directors				
Brook Taube	—	—	—	—
Seth Taube	—	—	—	—
Jeff Tonkel	—	—	—	—
Independent Directors				
Arthur S. Ainsberg	$ 299,000	—	—	$ 299,000(3)
Karin Hirtler-Garvey	$ 267,500	—	—	$ 267,500(4)
John E. Mack[5]	$ 275,000	—	—	$ 275,000(6)
Mark Lerdal[7]	$ 252,500	—	—	$ 252,500(8)

(1) For a discussion of the independent directors' compensation, see below.

(2) We do not maintain a stock or option plan, non-equity incentive plan or pension plan for our directors. However, our independent directors have the option to receive all or a portion of the directors' fees to which they would otherwise be entitled in the form of shares of our common stock issued at a price per share equal to the greater of our then current net asset value per share or the market price at the time of payment. No shares were issued to any of our independent directors in lieu of cash during the year ended September 30, 2018.

(3) The total compensation of $299,000 is comprised of $154,000 in regular fees and $145,000 in special committee fees.

(4) The total compensation of $267,500 is comprised of $162,500 in regular fees and $105,000 in special committee fees.

(5) On March 18, 2019, John E. Mack informed the Board of his resignation as a director of the Company, effective as of that date.

(6) The total compensation of $275,000 is comprised of $170,000 in regular fees and $105,000 in special committee fees.

(7) On March 18, 2019, Mark Lerdal informed the Board of his resignation as a director of the Company, effective as of that date.

(8) The total compensation of $252,500 is comprised of $147,500 in regular fees and $105,000 in special committee fees.

As compensation for serving on the board, each independent director receives an annual fee of $90,000. Independent directors also receive $3,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee meeting. In addition, the Chairperson of the Audit Committee receives an annual fee of $25,000 and each chairperson of the Nominating and Corporate Governance Committee and the Compensation Committee receives an annual fee of $10,000, and other members of the Audit Committee and the Nominating and Corporate Governance Committee, and the Compensation Committee receive an annual fee of $12,500, $6,000, and $6,000, respectively, for their additional services in these capacities. On January 26, 2018, the board established our special committee, which is comprised solely of its independent directors for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on our special committee, each independent director received a one-time retainer of $25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company's policies for reimbursement of members of the board. In addition, the chairman of our special committee receives a monthly fee of $15,000 and other members receive a monthly fee of $10,000 for so long as they are serving on our special committee.

Our independent directors also have the option to receive all or a portion of the directors' fees to which they would otherwise be entitled in the form of shares of our common stock issued at a price per share equal to the greater of our then current net asset value per share or the market price at the time of payment. No shares were issued to any of our independent directors in lieu of cash during the year ended September 30, 2018. In addition, no compensation was paid to directors who are "interested persons" (as defined in Section 2(a)(19) of the 1940 Act) of the Company.

Compensation of Executive Officers

None of our officers will receive direct compensation from us. The compensation of our Chief Financial Officer and Chief Compliance Officer and their respective staffs is paid by our administrator, subject to reimbursement by the Company of an allocable portion of such compensation for services rendered by them to us.

Indemnification Agreements

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide our directors the maximum indemnification permitted under the DGCL and the 1940 Act. Each indemnification agreement provides that the Company shall indemnify the director who is a party to the agreement (an "Indemnitee"), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the maximum extent permitted by the DGCL and the 1940 Act.

CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH RELATED PERSONS

Investment Management Agreement. We have entered into an Investment Management Agreement with MCC Advisors, our investment adviser. Mr. Brook Taube, our Chairman, Chief Executive Officer and President, is a Managing Partner of, and has financial and controlling interests in, MCC Advisors. In addition, Messrs. Seth Taube and Jeff Tonkel, members of the Board, and Mr. Richard T. Allorto, Jr., our Chief Financial Officer, serve as Managing Partners and Chief Financial Officer, respectively, for MCC Advisors. Messrs. Seth Taube, Jeff Tonkel and Richard T. Allorto, Jr. also have financial interests in MCC Advisors.

Merger Agreements. On August 9, 2018, the Company entered into the MCC Merger Agreement providing, on the terms and subject to the conditions set forth in the MCC Merger Agreement, for the merger of the Company with and into Sierra, with Sierra as the surviving company in the MCC Merger. The MCC Merger Agreement further provides that for the conversion of each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, into the right to receive 0.8050 shares of the Sierra's common stock. In addition, the MDLY Merger Agreement provides, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, for the merger of MDLY with and into Merger Sub, with Merger Sub as the surviving company in the MDLY Merger. The MDLY Merger Agreement further provides for the conversion of each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to $3.44 per share. MDLY's stockholders would also have the right to receive certain dividends and/or other payments. The Merger Agreements provide for the simultaneous consummation of the Mergers, and, as a result of the foregoing, the investment management function relating to the operation of the Sierra, as the surviving company in the Mergers, would be internalized. The Mergers are subject to the satisfaction or waiver of closing conditions, including, but not limited to: (a) the approval of the MCC Merger and the MDLY Merger by Sierra's stockholders by the affirmative vote of at least a majority of all its stockholders, the approval of the adoption of the MCC Merger Agreement by our stockholders, and the approval of the adoption of the MDLY Merger Agreement by MDLY's stockholders, voting separately at their respective special meetings; (b) the receipt of an exemptive order from the SEC, an exemptive application for which has been filed by Sierra, the Company and MDLY and certain of their subsidiaries; and (c) the approval by the SBA relating to the transfer of MCC's SBIC license.

In light of the Decision in the Delaware Action, with which the Company and the special committee disagree, the Company is considering all available options, including appeal. At this time, the Company cannot provide any assurance whether the Mergers, or any other transaction involving the parties, will be consummated.

Co-Investment Opportunities. MCC Advisors and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole or in part, with ours. MCC Advisors also focuses on investing primarily in senior secured loans, including first lien, unitranche and second lien debt instruments. MCC Advisors and its affiliates may determine that an investment is appropriate for us and for one or more of its affiliated funds. In such event, depending on the availability of such investment and other appropriate factors, MCC Advisors or its affiliates may determine that we should co-invest with one or more other funds. The Company obtained the Prior Exemptive Order from the SEC on November 25, 2013. 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 the Current Exemptive Order that supersedes the 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. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates have submitted an exemptive application to the SEC for a Superseding Exemptive Order that would supersede the Current Exemptive Order and would permit Sierra to participate in negotiated co-investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the Board determines that it would be in Sierra's best interest to participate in the transaction. The Current Exemptive Order will remain in effect unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. However, neither we nor the affiliated funds are obligated to invest or co-invest when investment opportunities are referred to us or them.

We may, however, co-invest with MCC Advisors and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations and MCC Advisors' allocation policy. For example, we may co-invest with such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that MCC Advisors, acting on our behalf and on behalf of other clients, negotiates no term other than price.

License Agreement. We have entered into a License Agreement with Medley Capital LLC, pursuant to which Medley Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name "Medley." In addition, pursuant to the terms of an Administration Agreement, MCC Advisors provides us with the office facilities and administrative services necessary to conduct our day-to-day operations.

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth, as of April 4, 2019, the beneficial ownership of:

- each current director, the nominees for director, the Company's executive officers,
- each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and
- the executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Ownership information for those persons who beneficially own 5% or more of our shares of common stock is based upon reports filed by such persons with the SEC and other information obtained from such persons, if available.

Unless otherwise indicated, the Company believes that each beneficial owner set forth in the table below has sole voting and investment power and has the same address as the Company. The Company's directors are divided into two groups — interested directors and independent directors. Interested directors are "interested persons" (as defined in Section 2(a)(19) of the 1940 Act) of the Company. The address of all executive officers and directors is c/o Medley Capital Corporation, 280 Park Avenue, 6th Floor East, New York, New York 10017.

Name and Address of Beneficial Owner	Number of Shares Owned Beneficially(1)	Percentage of Class(2)
Interested Directors		
Brook Taube	7,946,938(3)	14.6%
Seth Taube	7,934,448(4)	14.6%
Jeff Tonkel	15,000	* %
Independent Directors		
Arthur S. Ainsberg	3,000	* %
Karin Hirtler-Garvey	3,000	*%
Executive Officers		
Richard T. Allorto, Jr.	20,000	*%
John D. Fredericks	4,000	*%
All executive officers and directors as a group (9 persons)	8,170,448	15.0%

* Represents less than one percent.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This table assumes the beneficial owners have made no other purchases or sales of our common stock since the most recently available SEC filings. This assumption has been made under the rules and regulations of the SEC and does not reflect any knowledge that we have with respect to the present intent of the beneficial owners of our common stock listed in this table.

(2) Based on a total of 54,474,211 shares of the Company's common stock issued and outstanding as of April 4, 2019.

(3) Medley Seed Funding I LLC, a limited liability company controlled by Medley LLC, beneficially owns 7,756,938 of the reported shares. Brook Taube, together with Seth Taube, controls Medley LLC. Brook Taube disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. In addition,190,000 of the reported shares are held by a trust for the benefit of Brook Taube's family, for which he serves as a trustee.

(4) Medley Seed Funding I LLC, a limited liability company controlled by Medley LLC, beneficially owns 7,756,938 shares of the reported shares. Seth Taube, together with Brook Taube, controls Medley LLC. Seth Taube disclaims beneficial ownership of such shares of common stock except to the extent of his pecuniary interest therein. In addition, 142,510 of the reported shares are held by a trust for the benefit of Seth Taube's family, for which he serves as a trustee, and 35,000 of the reported shares are held by The Seth and Angie Taube Foundation, Inc., which is a 501(c)(3) charitable organization.

Set forth below is the dollar range of equity securities beneficially owned by each of our directors as of April 4, 2019. We are not part of a "family of investment companies," as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities Beneficially Owned(1)(2)
Interested Directors	
Brook Taube	over $1,000,000
Seth Taube	over $1,000,000
Jeff Tonkel	$50,001 – $100,000
Independent Directors	
Arthur S. Ainsberg	$10,001 – $50,000
Karin Hirtler-Garvey	$10,001 – $50,000

(1) The dollar ranges are: None, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000, $100,001 – $500,000, $500,001 – $1,000,000 or over $1,000,000.

(2) The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of $3.18 on April 4, 2019 on the NYSE. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.

DETERMINATION OF NET ASSET VALUE

The NAV per share of our outstanding shares of common stock is determined quarterly by dividing the value of total assets minus liabilities by the total number of shares of common stock outstanding at the date as of which the determination is made.

In calculating the value of our total assets, investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or one or more broker-dealers or market makers. 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. Debt and equity securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Because we expect that there will not be a readily available market value for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith under the direction of our board of directors in accordance with a documented valuation policy that has been reviewed and approved by our board of directors. 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 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.

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

- our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- preliminary valuation conclusions are then documented and discussed with senior management;
- investments for which market quotations are not readily available will be valued by independent valuation firms, one third per 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 annual review of all of the investments by independent valuation firms;

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

- review management's preliminary valuations and their own independent assessment;
- 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.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

In September 2006, the Financial Accounting Standards Board, (the "FASB"), issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). In conjunction with Accounting Standards Codification ("ASC") 105 issued by the FASB in June 2009, FAS 157 has been codified in ASC 820, "Fair Value Measurement and Disclosures" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles in the United Sates, or GAAP, and expands disclosures about fair value measurements.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls will be determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

The changes to generally accepted accounting principles from the application of ASC 820 relate to the definition of fair value, framework for measuring fair value and the expanded disclosures about fair value measurements. ASC 820 applies to fair value measurements already required or permitted by other standards. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

Determinations in Connection with Offerings

In connection with certain offerings of shares of our common stock, our board of directors or one of its committees will be required to make the determination that we are not selling shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made. Our board of directors or the applicable committee will consider the following factors, among others, in making such determination:

- the NAV of our common stock most recently disclosed by us in the most recent periodic report that we filed with the SEC;

- our management's assessment of whether any material change in the NAV of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed NAV of our common stock and ending two days prior to the date of the sale of our common stock; and

- the magnitude of the difference between the NAV of our common stock most recently disclosed by us and our management's assessment of any material change in the NAV of our common stock since that determination, and the offering price of the shares of our common stock in the proposed offering.

This determination will not require that we calculate the NAV of our common stock in connection with each offering of shares of our common stock, but instead it will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made or otherwise in violation of the
1940 Act.

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use broker-dealers in the normal course of our business. Subject to policies established by our board of directors, MCC Advisors will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. MCC Advisors does not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While MCC Advisors generally will seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, MCC Advisors may select a broker-dealer based partly upon brokerage or research services provided to it and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if MCC Advisors determines in good faith that such commission is reasonable in relation to the services provided.

TAX MATTERS

The following discussion is a general summary of certain U.S. federal income tax considerations applicable to us and to an investment in shares of our common stock, which is based on the provisions of the Code and the Treasury regulations currently in effect as of the date of this prospectus, and as they directly govern our U.S. federal income tax treatment and the U.S. federal income taxation of our stockholders. These provisions are subject to differing interpretations and change by legislative or administrative action, and any such changes may be retroactive. The discussion does not purport to deal with all of the U.S. federal income tax consequences applicable to us, or which may be important to particular stockholders in light of their individual investment circumstances or to some types of stockholders subject to special tax rules, such as financial institutions, broker-dealers, insurance companies, tax-exempt organizations, partnerships or other pass-through entities, persons holding our common shares in connection with a hedging, straddle, conversion or other integrated transaction, persons engaged in a trade or business in the United States or persons who have ceased to be U.S. citizens or to be taxed as resident aliens. This discussion assumes that the stockholders hold their common shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). No attempt is made to present a detailed explanation of all U.S. federal income tax aspects affecting us and our stockholders, and the discussion set forth herein does not constitute tax advice. This summary also does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets. No ruling has been or will be sought from the Internal Revenue Service, which we refer to as the IRS, regarding any matter discussed herein. Tax counsel has not rendered any legal opinion regarding any tax consequences relating to us or our stockholders. Stockholders are urged to consult their own tax advisors to determine the U.S. federal, state, local and foreign tax consequences to them of investing in our shares.

This summary does not discuss the consequences of an investment in shares of our preferred stock, debt securities, subscription rights, or warrants representing rights to purchase shares of our common stock, preferred stock, debt or securities. The tax consequences of such an investment will be discussed in a relevant prospectus supplement.

For purposes of this discussion, a “U.S. stockholder” (or in this section, a “stockholder”) is a holder or a beneficial holder of shares which is for U.S. federal income tax purposes (1) an individual who is a citizen or resident of the U.S., (2) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) an estate whose income is subject to U.S. federal income tax regardless of its source, or (4) a trust if (a) a U.S. court is able to exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (b) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds the shares, the tax treatment of the partnership and each partner generally will depend on the activities of the partnership and the activities of the partner. Partnerships acquiring shares, and partners in such partnerships, should consult their own tax advisors. Prospective investors that are not U.S. stockholders should refer to “Non-U.S. Stockholders” below.

Tax matters are complicated and prospective investors in our shares are urged to consult their own tax advisors with respect to the U.S. federal income tax and state, local and foreign tax consequences of an investment in our shares, including the potential application of U.S. withholding taxes.

Taxation of the Company

Election to Be Taxed as a RIC

As a BDC, we have elected and qualified to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, at least 90% of our “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 (the “Distribution Requirement”). Our SBIC subsidiary may be limited by the Small Business Investment Act of 1958, and SBA regulations governing SBICs, from making certain distributions to us that may be necessary to enable us to maintain our status as a RIC. We may have to request a waiver of the SBA’s restrictions for our SBIC subsidiary to make certain distributions to maintain our RIC status. We cannot assure you that the SBA will grant such a waiver.

Taxation as a RIC

As a RIC, if we satisfy the Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, defined as net long-term capital gains in excess of net short-term capital losses, we distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gain not distributed to our stockholders.

Medley Capital will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least the sum of 98% of its ordinary income in any calendar year, 98.2% of its capital gain net income for each one-year period ending on October 31, and any income and gains recognized, but not distributed, in preceding years and on which the Company did not pay U.S. federal income tax. Depending on the level of investment company taxable income (“ICTI”) earned in a tax year and the amount of net capital gains recognized in such tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year. In order to eliminate our liability for income tax, and to the extent necessary to maintain our qualification as a RIC, any such carryover ICTI and net capital gains must be distributed before the end of that next tax year through a dividend declared prior to the 15th day of the 9th month after the close of the taxable year in which such ICTI was generated. 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.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- qualify to be treated as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities, and net income derived from interests in "qualified publicly traded partnerships" (partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends and other permitted RIC income) (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
  - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (the "Diversification Tests").

We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income and franchise or withholding liabilities.

Any underwriting fees paid by us are not deductible. We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income 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 us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Distribution Requirement, even though we will not have received any corresponding cash amount.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (1) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (2) treat dividends that would otherwise be eligible for the corporate dividends received deduction as ineligible for such treatment, (3) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (4) convert lower-taxed long term capital gain into higher-taxed short-term capital gain or ordinary income, (5) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (6) cause us to recognize income or gain without a corresponding receipt of cash, (7) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (8) adversely alter the characterization of certain complex financial transactions and (9) produce income that will not be qualifying income for purposes of the 90% Income Test. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions and prevent our disqualification as a RIC.

Gains or losses realized by us from warrants acquired as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long term or short term, depending on how long we held a particular warrant.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Business — Regulation — Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Distribution Requirement or the excise tax requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If we were unable to continue to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.* , the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next five years.

Company Investments

Certain of our investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (1) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (2) convert lower taxed long-term capital gains and qualified dividend income into higher taxed short-term capital gains or ordinary income, (3) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (4) cause us to recognize income or gain without a corresponding receipt of cash, (5) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (6) adversely alter the characterization of certain complex financial transactions and (7) produce income that will not qualify as good income for purposes of the 90% annual gross income requirement described above. We will monitor our transactions and may make certain tax elections and may be required to borrow money or dispose of securities to mitigate the effect of these rules and prevent disqualification as a RIC.

Investments we make in securities issued at a discount or providing for deferred interest or payment of interest in kind are subject to special tax rules that will affect the amount, timing and character of distributions to stockholders. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we will generally be required to accrue daily as income a portion of the discount and to distribute such income each year to avoid U.S. federal income and excise taxes. Since in certain circumstances we may recognize income before or without receiving cash representing such income, we may have difficulty making distributions in the amounts necessary to satisfy the requirements for maintaining RIC tax treatment and for avoiding U.S. federal income and excise taxes. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for tax treatment as a RIC and thereby be subject to corporate-level U.S. federal income tax.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long term or short term, depending on how long we held a particular warrant.

In the event we invest in foreign securities, we may be subject to withholding and other foreign taxes with respect to those securities. In that case, our yield on those securities would be decreased. We do not expect to satisfy the requirements necessary to pass through to our stockholders their share of the foreign taxes paid by us.

If we purchase shares in a “passive foreign investment company” (a “PFIC”), we may be subject to U.S. federal income tax on a portion of any “excess distribution” or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a “qualified electing fund” under the Code (a “QEF”), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we can elect to mark-to-market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% U.S. federal excise tax. The income inclusions from a QEF will be “good income” for purposes of the 90% Income Test provided that they are derived in connection with our business of investing in stocks and securities or the QEF distributes such income to us in the same taxable year to which the income is included in our income.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

Taxation of U.S. Stockholders

Distributions we pay to you from our net ordinary income or from an excess of realized net short-term capital gains over realized net long-term capital losses (together referred to hereinafter as “ordinary income dividends”) are generally taxable to you as ordinary income to the extent of our earnings and profits. Due to our expected investments, in general, distributions will not be eligible for the dividends received deduction allowed to corporate stockholders and will not qualify for the reduced rates of tax for qualified dividend income allowed to individuals. Distributions made to you from an excess of realized net long-term capital gains over realized net short-term capital losses (“capital gain dividends”), including capital gain dividends credited to you but retained by us, are taxable to you as long-term capital gains if they have been properly designated by us, regardless of the length of time you have owned our shares. Distributions in excess of our earnings and profits will first reduce the adjusted tax basis of your shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to you (assuming the shares are held as a capital asset). The current maximum U.S. federal tax rate on long-term capital gains of individuals is generally 20 percent. For non-corporate taxpayers, ordinary income dividends will currently be taxed at a maximum rate of 37 percent for taxable years beginning after December 31, 2025, while capital gain dividends generally will be currently taxed at a maximum U.S. federal income tax rate of 20 percent. For corporate taxpayers, both ordinary income dividends and capital gain dividends are currently taxed at a maximum U.S. federal income tax rate of 21 percent. In addition, individuals with modified adjusted gross incomes in excess of $200,000 ($250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their “net investment income,” which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Present law also taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., net capital losses in excess of net capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years, subject to certain limitations, as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

In the event that we retain any net capital gains, we may designate the retained amounts as undistributed capital gains in a notice to our stockholders. If a designation is made, stockholders would include in income, as long-term capital gains, their proportionate share of the undistributed amounts, but would be allowed a credit or refund, as the case may be, for their proportionate share of the corporate tax paid by us. Because we expect to pay tax on any retained capital gains at our regular corporate rate, which is higher than the individual rate on long-term capital gains, the amount of tax an individual will be treated as having paid generally will exceed the tax that they owe. Such excess generally may be refunded or claimed as a credit. In addition, the tax basis of shares owned by a stockholder would be increased by an amount equal to the difference between (i) the amount included in the stockholder's income as long-term capital gains and (ii) the stockholder's proportionate share of the corporate tax paid by us.

We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and a revenue procedure, distributions payable in cash or in shares of stock at the election of stockholders may be treated as taxable dividends. The Internal Revenue Service has published a revenue procedure that this rule will apply even where the total amount of cash to be distributed is not less than 20% of the total distribution. Under this revenue procedure, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder electing to receive cash, receive less than the lesser of (a) the portion of the distribution such stockholder has elected to receive in cash or (b) an amount equal to his or her entire distribution times the percentage limitation on cash available for distribution. If we decide to make any distributions consistent with these published guidance that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. If a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it may represent a return of his, her or its investment.

We (or the applicable withholding agent) will send to each of our U.S. stockholders after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 20% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional shares of our common stock. If we pay you a dividend in January which was declared in the previous October, November or December to stockholders of record on a specified date in one of these months, then the dividend will be treated for tax purposes as being paid by us and received by you on December 31 of the year in which the dividend was declared.

A stockholder will generally recognize gain or loss on the sale or exchange of our common shares in an amount equal to the difference between the stockholder's adjusted basis in the shares sold or exchanged and the amount realized on their disposition. Generally, gain recognized by a stockholder on the sale or other disposition of our common shares will result in capital gain or loss to you, and will be a long-term capital gain or loss if the shares have been held for more than one year at the time of sale. Any loss upon the sale or exchange of our shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you. A loss realized on a sale or exchange of our shares will be disallowed if other substantially identical shares are acquired (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In this case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

Stockholders should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares.

Backup Withholding We are required in certain circumstances to backup withhold on taxable dividends or distributions and certain other payments paid to non-corporate stockholders who do not furnish us with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Reportable Transactions Reporting If a U.S. stockholder recognizes a loss with respect to shares of our common stock of $2 million or more for an individual stockholder or $10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, stockholders of a RIC are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their tax advisors to determine the applicability of these regulations in light of their specific circumstances.

Taxation of Non-U.S. Stockholders

The following discussion only applies to non-U.S. stockholders. A "non-U.S. stockholder" is a holder that is not a U.S. stockholder for U.S. federal income tax purposes. Whether an investment in the shares is appropriate for a non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisors before investing in our shares.

Distributions of ordinary income dividends to non-U.S. stockholders, subject to the discussion below, will generally be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits. However, properly reported dividends received by a non-U.S. stockholder are generally exempt from U.S. federal withholding tax when they (1) are paid in respect of our "qualified net interest income" (generally, our U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (2) are paid in connection with our "qualified short-term capital gains" (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). Depending on the circumstances, we may report all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. However, we cannot determine what portion of our distributions (if any) will be eligible for this exemption until after the end of our taxable year. No certainty can be provided that any of our distributions will be reported as eligible for this exemption. In order to qualify for this exemption from withholding, a non- U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E, or an acceptable substitute or successor form). In the case of shares held through an intermediary, the intermediary could withhold even if we report the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts.

Different tax consequences may result if the non-U.S. stockholder is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

Actual or deemed distributions of our net capital gains to a non-U.S. stockholder, and gains recognized by a non-U.S. stockholder upon the sale of our common stock, generally will not be subject to federal withholding tax and will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the non-U.S. stockholder or, in the case of an individual, such individual is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. stockholder is not otherwise required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable tax treaty). Accordingly, investment in the shares may not be appropriate for certain non-U.S. stockholders.

Backup Withholding A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN, Form W-8BEN-E or an acceptable substitute form or otherwise meets documentary evidence requirements for establishing that it is a non-U.S. stockholder or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our shares.

Foreign Account Tax Compliance Act

Legislation commonly referred to as the "Foreign Account Tax Compliance Act," or "FATCA," generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions ("FFIs") unless such FFIs either (i) enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an intergovernmental agreement ("IGA") with the United States to collect and share such information and are in compliance with the terms of such IGA and any enabling legislation or regulations. The types of income subject to the tax include U.S. source interest and dividends. While existing U.S. Treasury regulations would also require withholding on payments of the gross proceeds from the sale of any property that could produce U.S. source interest or dividends, the U.S. Treasury Department has indicated in subsequent proposed regulations its intent to eliminate this requirement. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder's account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not FFIs unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a non-U.S. stockholder and the status of the intermediaries through which they hold their shares, non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their shares and potentially proceeds from the sale of their shares. Under certain circumstances, a non-U.S. stockholder might be eligible for refunds or credits of such taxes.

SALE OF COMMON STOCK BELOW NET ASSET VALUE

Under the 1940 Act, we are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, issue and sell our common stock, at a price below the current NAV of the common stock, or issue and sell warrants, options or rights to acquire such common stock, at a price below the current NAV of the common stock if our board of directors determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities. However, we currently do not have the requisite stockholder approval, nor do we have any current plans to seek stockholder approval, to sell or issue shares of our common stock at a price below NAV per share.

In the event that we seek and receive the requisite stockholder approval to sell shares of our common stock at a price below the current NAV per share, the following should be considered. In order to sell shares of common stock pursuant to such authorization, no further authorization from our stockholders will need to be solicited, but a majority of our directors who have no financial interest in the sale and a majority of our independent directors will have to (a) find that the sale is in our best interests and in the best interests of our stockholders and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

Any offering of common stock below its NAV per share will be designed to raise capital for investment in accordance with our investment objective.

In making a determination that an offering of common stock below its NAV per share is in our and our stockholders' best interests, our board of directors will consider a variety of factors including:

- the effect that an offering below NAV per share would have on our stockholders, including the potential dilution to the NAV per share of our common stock our stockholders would experience as a result of the offering;
- the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined NAV per share;
- the relationship of recent market prices of par common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price would closely approximate the market value of shares of our common stock;
- the potential market impact of being able to raise capital during the current financial market difficulties;
- the nature of any new investors anticipated to acquire shares of our common stock in the offering;
- the anticipated rate of return on and quality, type and availability of investments; and
- the leverage available to us.

Our board of directors will also consider the fact that sales of shares of common stock at a discount will benefit our investment adviser as the investment adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other of our securities or from the offering of common stock at a premium to NAV per share.

Any future stockholder proposal to sell shares of our common stock at a price below the current NAV per share will likely include certain limiting conditions to such approval. For example, we will likely limit any such authority to issue shares of our common stock in offerings below the current NAV to 25% of our then outstanding common stock, which limits the amount of dilution to stockholders. In addition to that limitation, we expect to limit any such approval in order to ensure that we will not sell shares of our common stock under this prospectus and any accompanying prospectus supplement if the cumulative dilution to our NAV per share from offerings under the current registration statement would exceed 20%. This 20% limit would be measured separately for each offering pursuant to the current registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage arrived at from each offering. For example, without giving effect to the 25% cap discussed above, for purposes of illustration, if our most recently determined NAV per share at the time of the first offering pursuant to this registration statement is $10.00 and we have 110.0 million shares of common stock outstanding, sale of 10 million shares of common stock at net proceeds to us of $5.00 per share (an approximately 50% discount for this example) would produce dilution of approximately 4%. If we subsequently determined that our NAV per share went back to $10.00 on the then 120 million shares of common stock that were outstanding post offering and we then made an additional offering pursuant to the registration statement, we could, for example, sell approximately an additional approximate 33 million shares of common stock at net proceeds to us of $5.00 per share, which would produce dilution of approximately 11%, before we would reach the aggregate 25% limit under this registration statement.

Sales by us of our common stock at a discount from NAV per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "Risk Factors - Risks Relating to an Investment in Our Common Stock and Our Notes - The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock."

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than NAV per share on three different types of investors:

- existing stockholders who do not purchase any shares in the offering;
- existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and
- new investors who become stockholders by purchasing shares in the offering.

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our current stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the NAV of the shares of common stock they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to such offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. Further, if current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV, their voting power will be diluted.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per share, all within the ranges discussed above, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 1,000,000 common shares outstanding, $15,000,000 in total assets and $5,000,000 in total liabilities. The current NAV and NAV per share are thus $10,000,000 and $10.00. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 50,000 shares (5% of the outstanding shares) at $9.50 per share after offering expenses and commission (a 5% discount from NAV); (2) an offering of 100,000 shares (10% of the outstanding shares) at $9.00 per share after offering expenses and commissions (a 10% discount from NAV); and (3) an offering of 200,000 shares (20% of the outstanding shares) at $8.00 per share after offering expenses and commissions (a 20% discount from NAV).

	Prior to Sale	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 20% Offering at 20% Discount	
	Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Share to the Public	—	$ 10.00	—%	$ 9.47	—%	$ 8.42	—%
Net Proceeds per Share to Issuer	—	$ 9.50	—%	$ 9.00	—%	$ 8.00	—%
Decrease to NAV							
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%
NAV per Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.67	(3.30)%
Dilution to Stockholder							
Shares Held by Stockholder A	10,000	10,000	—%	10,000	—%	10,000	—%
Percentage Held by Stockholder A	1.00%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(16.67)%
Total Asset Values							
Total NAV Held by Stockholder A	$ 100,000	$ 99,800	(0.20)%	$ 99,100	(0.90)%	$ 96,700	(3.30)%
Total Investment by Stockholder A[1]	$ 100,000	$ 100,000	—%	$ 100,000	—%	$ 100,000	—%
Total Dilution to Stockholder A[2]	—	$ (200)	—%	$ (900)	—%	$ (3,300)	—%
Per Share Amounts							
NAV per Share held by Stockholder A	—	$ 9.98	—%	$ 9.91	—%	$ 9.67	—%
Investment per Share held by Stockholder A[3]	$ 10.00	$ 10.00	—%	$ 10.00	—%	$ 10.00	—%
Dilution per Share held by Stockholder A[4]	—	$ (0.02)	—%	$ 0.09	—%	$ (0.33)	—%
Percentage Dilution to Stockholder A[5]	—	—	(0.20)%	—	(0.90)%	—	(3.30)%

(1) Assumed to be $10.00 per Share.

(2) Represents total NAV less total investment.

(3) Assumed to be $10.00 per Share on Shares held prior to sale.

(4) Represents NAV per Share less Investment per Share

(5) Represents Dilution per Share divided by Investment per Share.

Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, although at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in shares of our common stock immediately prior to the offering. The level of NAV dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience accretion in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares equal to (a) 50% of its proportionate share of the offering (i.e., 1,000 shares, which is 0.5% of an offering of 0.2 million shares) rather than its 1% proportionate share and (b) 150% of such percentage (i.e. 3,000 shares, which is 1.5% of an offering of 0.2 million shares rather than its 1% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share. It is not possible to predict the level of market price decline that may occur.

		50% Participation		150% Participation	
	Prior to Sale	**Following Sale**	**% Change**	**Following Sale**	**% Change**
Offering Price					
Price per Share to the Public	—	$ 8.42	—%	$ 8.42	—%
Net Proceeds per Share to Issuer	—	$ 8.00	—%	$ 8.00	—%
Decrease/Increase to Net Asset Value					
Total Shares Outstanding	1,000,000	1,200,000	20.00%	1,200,000	20.00%
Net Asset Value per Share	$ 10.00	$ 9.67	(3.30)%	$ 9.67	(3.30)%
Dilution/Accretion to Participating Stockholder Shares					
Held by Stockholder A	10,000	11,000	10.00%	13,000	30.00%
Percentage Held by Stockholder A	1.00%	0.92%	(8.33)%	1.08%	8.33%
Total Net Asset Value Held by Stockholder A	$ 100,000	$ 106,370	6.37%	$ 125,710	25.71%
Total Investment by Stockholder A (Assumed to be $15.00 per share on Shares Held Prior to Sale)	—	$ 108,420	—%	$ 125,260	—%
Total Dilution/Accretion to Stockholder A (Total Net Asset Value Less Total Investment)	—	$ (2,050)	—%	$ 450	—%
Investment per Share Held by Stockholder A (assumed to Be $15.00 on Shares Hold Prior to Sale)	$ 10.00	$ 9.86	(1.44)%	$ 9.64	(3.65)%
Net Asset Value per Share Held by Stockholder A	$ —	$ 9.67	—%	$ 9.67	—%
Dilution/Accretion per Share Held by Stockholder A (Net Asset Value per Share Less Investment per Share)	—	$ (0.19)	—%	$ 0.03	—%
Percentage Dilution/Accretion to Stockholder A (Dilution per Share Divided by Investment per Share)	—	—	(1.89)%	—	0.36%

Impact On New Investors

Investors who are not currently stockholders and who participate in an offering of shares of our common stock below NAV, but whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by the Company, will experience an immediate decrease, although small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering of shares of our common stock below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the Company being significantly less than the discount per share, will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to such offering. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 5%, 10%, 20% and 25% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1%) of the shares in the offering as Stockholder A in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for these examples based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per share. It is not possible to predict the level of market price decline that may occur.

		Example 1		Example 2		Example 3	
		5% Offering at 5% Discount		10% Offering at 10% Discount		20% Offering at 20% Discount	
	Prior to Sale	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Share to the Public	—	$ 10.00	—%	$ 9.47	—%	$ 8.42	—%
Net Proceeds per Share to Issuer	—	$ 9.50	—%	$ 9.00	—%	$ 8.00	—%
Decrease/Increase to Net Asset Value							
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%
Net Asset Value per Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.67	(3.30)%
Dilution/Accretion to New Investor A							
Shares Held by Investor A	—	500	—%	1,000	—%	2,000	—%
Percentage Held by Investor A	—%	0.05%	—%	0.09%	—%	0.17%	—%
Total Net Asset Value Held by Investor A	$ —	$ 4,990	—%	$ 9,910	—%	$ 19,340	—%
Total Investment by Investor A (At Price to Public)	—	$ 5,000	—%	$ 9,470	—%	$ 16,840	—%
Total Dilution/Accretion to Investor A (Total Net Asset Value Less Total Investment)	—	$ (10)	—%	$ 440	—%	$ 2,500	—%
Investment per Share Held by Investor A	—	$ 10	—%	$ 9.47	—%	$ 8.42	—%
Net Asset Value per Share Held by Investor A	—	$ 9.98	—%	$ 9.91	—%	$ 9.67	—%
Dilution/Accretion per Share Held by Investor A (Net Asset Value per Share Less Investment per Share)	—	$ (0.02)	—%	$ 0.44	—%	$ 1.25	—%
Percentage Dilution/Accretion to Investor A (Dilution per Share Divided by Investment per Share)	—%	—%	(0.20)%	—%	4.65%	—%	14.85%

ISSUANCE OF WARRANTS OR SECURITIES TO SUBSCRIBE FOR OR CONVERTIBLE INTO SHARES OF OUR COMMON STOCK

At our 2012 Annual Meeting, we also asked our stockholders to authorize us to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock, not exceeding 25% of our then outstanding common stock, at an exercise or conversion price that, at the date of issuance, will not be less than the market value per share of our common stock. Such authorization has no expiration. Any exercise of warrants or securities to subscribe for or convertible into shares of our common stock at an exercise or conversion price that is below NAV at the time of such exercise or conversion would result in an immediate dilution to existing common stockholders. This dilution would include reduction in NAV as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such offering.

In order to sell or issue warrants or securities to subscribe for or convertible into shares of our common stock, (a) the exercise, conversion or subscription rights in such securities must expire by their terms within 10 years, (b) with respect to any warrants, options or rights to subscribe or convert to our common stock that are issued along with other securities, such warrants, options or rights must not be separately transferable, (c) the exercise or conversion price of such securities must not be less than the greater of the market value per share of our common stock and the NAV per share of our common stock at the date of issuance of such securities, (d) the issuance of such securities must be approved by a majority of the board of directors who have no financial interest in the transaction and a majority of the non-interested directors on the basis that such issuance is in the best interests of the Company and its stockholders and (e) the number of shares of our common stock that would result from the exercise or conversion of such securities and all other securities convertible, exercisable or exchangeable into shares of our common stock outstanding at the time of issuance of such securities must not exceed 25% of our outstanding common stock at such time.

We could also sell shares of common stock below NAV per share in certain other circumstances, including through subscription rights issued in rights offerings. See "Description of Our Subscription Rights" and "Risk Factors—Risks Relating to an Investment in Our Securities—Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares."

DIVIDEND REINVESTMENT PLAN

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 common stock will be subject to the same federal, state, and local tax consequences as if they received cash distributions.

No action is required on the part of a stockholder to have their cash dividend or other distribution reinvested in shares of our common stock. A stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer & Trust Company, the transfer agent and plan administrator, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

We intend to use only newly issued shares to implement the plan if our common stock is trading at or above NAV. Under such circumstances, the number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the greater of (i) NAV per share, and (ii) 95% of the market price per share of our common stock at the close of regular trading on the NYSE on the payment date fixed by our board of directors for such distribution. The market price per share on that date shall be the closing price for such shares on the NYSE or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

If we declare a distribution to stockholders, the plan administrator may be instructed not to credit accounts with newly-issued shares and instead to buy shares in the market (in which case there would be no discount available to stockholders) if (1) the price at which newly-issued shares are to be credited does not exceed 110% of the last determined NAV per share; or (2) we advise the plan administrator that since such NAV was last determined, we have become aware of events that indicate the possibility of a material change in per share NAV as a result of which the NAV of the shares on the payment date might be higher than the price at which the plan administrator would credit newly-issued shares to stockholders. Shares purchased in open market transactions by the plan administrator shall be allocated to each stockholder participating based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of common stock purchased with respect to the applicable distribution.

The plan administrator's fees under the plan will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

Stockholders who receive dividends in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A shareholder receiving dividends in the form of stock will be treated as receiving a distribution equal to the fair market value of the stock received through the plan. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal the amount treated as a distribution for federal tax purposes. Any stock received in a dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account. Participants may terminate their accounts under the plan by notifying the plan administrator via its website at *www.amstock.com*, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at the address below.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, New York 10269, or by the Plan Administrator's Interactive Voice Response System at (888) 777-0324.

If you withdraw or the plan is terminated, you will receive the number of whole shares in your account under the plan and a cash payment for any fraction of a share in your account.

If you hold your common stock with a brokerage firm that does not participate in the plan, you will not be able to participate in the plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

DESCRIPTION OF OUR CAPITAL STOCK

General

Under the terms of our certificate of incorporation, our authorized capital stock will consist solely of 100,000,000 shares of common stock, par value $0.001 per share, of which 54,474,211 shares were outstanding as of April 4, 2019, and 100,000,000 shares of preferred stock, par value $0.001 per share, of which no shares are outstanding as of the date hereof.

Common Stock

Under the terms of our certificate of incorporation, holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive proportionately any dividends declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any series of preferred stock which we may designate and issue in the future. In addition, holders of our common stock may participate in our dividend reinvestment plan.

Preferred Stock

Under the terms of our certificate of incorporation, our board of directors is authorized to issue shares of preferred stock in one or more series without stockholder approval. The board of directors has discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each series of preferred stock. The 1940 Act limits our flexibility as to certain rights and preferences of the preferred stock that our certificate of incorporation may provide and requires, among other things, that immediately after issuance and before any distribution is made with respect to common stock, we meet a coverage ratio of total assets to total senior securities, which include all of our borrowings and our preferred stock, of at least 200% (or 150% if certain requirements under the 1940 Act are met), and the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if and for so long as dividends on the preferred stock are unpaid in an amount equal to two full years of dividends on the preferred stock. The features of the preferred stock will be further limited by the requirements applicable to RICs under the Code. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with providing leverage for our investment program, possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock.

Delaware Law and Certain Certificate and Bylaw Provisions; Anti-Takeover Measures

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with "interested stockholders" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes certain mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions (including an exception for our Adviser and certain of its affiliates), an "interested stockholder" is a person who, together with his affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. Our certificate of incorporation and bylaws provide that:

- the board of directors be divided into three classes, as nearly equal in size as possible, with staggered three-year terms;
- directors may be removed only for cause by the affirmative vote of the holders of 75% of the then outstanding shares of our capital stock entitled to vote; and
- subject to the rights of any holders of preferred stock, any vacancy on the board of directors, however the vacancy occurs, including a vacancy due to an enlargement of the board of directors, may only be filled by vote a majority of the directors then in office.

The classification of our board of directors and the limitations on removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire us, or of discouraging a third party from acquiring us. Our certificate of incorporation and bylaws also provide that special meetings of the stockholders may only be called by our board of directors, our Chairman or our Chief Executive Officer.

Delaware's corporation law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Our certificate of incorporation permits our board of directors to amend or repeal our bylaws. Our bylaws generally can be amended by approval of at least 66⅔% of the total number of authorized directors subject to certain exceptions, including provisions relating to the size of our board of directors, and certain actions requiring board approval, which provisions will require the vote of 75% of our board of directors to be amended. The affirmative vote of the holders of at least 66⅔% of the shares of our capital stock entitled to vote is required to amend or repeal any of the provisions of our bylaws.

Limitations of Liability and Indemnification

Under our certificate of incorporation, we will fully indemnify any person who was or is involved in any actual or threatened action, suit or proceeding by reason of the fact that such person is or was one of our directors or officers. So long as we are regulated under the 1940 Act, the above indemnification and limitation of liability is limited by the 1940 Act or by any valid rule, regulation or order of the SEC thereunder. The 1940 Act provides, among other things, that a company may not indemnify any director or officer against liability to it or its security holders to which he or she might otherwise be subject by reason of his or her willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office unless a determination is made by final decision of a court, by vote of a majority of a quorum of directors who are disinterested, non-party directors or by independent legal counsel that the liability for which indemnification is sought did not arise out of the foregoing conduct.

Delaware law also provides that indemnification permitted under the law shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise.

We have obtained liability insurance for our officers and directors.

Anti-Takeover Provisions

Our certificate of incorporation includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of us or to change the composition of our board of directors. This could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control over us. Such attempts could have the effect of increasing our expenses and disrupting our normal operation. One of these provisions is that our board of directors will be divided into three classes, with the term of one class expiring at each annual meeting of stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors. A director may be removed from office by a vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective director.

DESCRIPTION OF OUR SUBSCRIPTION RIGHTS

General

Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

- the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);
- the title of such subscription rights;
- the exercise price for such subscription rights (or method of calculation thereof);
- the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);
- the number of such subscription rights issued to each stockholder
- the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;
- if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;
- any termination right we may have in connection with such subscription rights offering; and
- any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Exercise Of Subscription Rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.

Dilutive Effects

Any stockholder who chooses not to participate in a rights offering should expect to own a smaller interest in us upon completion of such rights offering. Any rights offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their subscription rights. Further, because the net proceeds per share from any rights offering may be lower than our current NAV per share, the rights offering may reduce our NAV per share. The amount of dilution that a stockholder will experience could be substantial, particularly to the extent we engage in multiple rights offerings within a limited time period. In addition, the market price of our common stock could be adversely affected while a rights offering is ongoing as a result of the possibility that a significant number of additional shares may be issued upon completion of such rights offering. All of our stockholders will also indirectly bear the expenses associated with any rights offering we may conduct, regardless of whether they elect to exercise any rights.

DESCRIPTION OF OUR WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock. Such warrants may be issued independently or together with shares of common stock and may be attached or separate from such shares of common stock. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

- A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:
- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
- the number of shares of common stock issuable upon exercise of such warrants;
- the price at which and the currency or currencies, including composite currencies, in which the shares of common stock purchasable upon exercise of such warrants may be purchased;
- the date on which the right to exercise such warrants shall commence and the date on which such right will expire;
- whether such warrants will be issued in registered form or bearer form;
- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the number of such warrants issued with each share of common stock;
- if applicable, the date on and after which such warrants and the related shares of common stock will be separately transferable;
- information with respect to book-entry procedures, if any;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of the Company and its stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25% of our outstanding voting securities.

DESCRIPTION OF OUR DEBT SECURITIES

We may issue debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "Events of Default - Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. A copy of the form of indenture is attached as an exhibit to the registration statement of which this prospectus is a part. We will file a supplemental indenture with the SEC prior to the commencement of any debt offering, at which time the supplemental indenture would be publicly available. See "Available Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

- the designation or title of the series of debt securities;
- the total principal amount of the series of debt securities;
- the percentage of the principal amount at which the series of debt securities will be offered;
- the date or dates on which principal will be payable;
- the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;
- the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;
- whether any interest may be paid by issuing additional securities of the same series in lieu of cash (and the terms upon which any such interest may be paid by issuing additional securities);
- the terms for redemption, extension or early repayment, if any;
- the currencies in which the series of debt securities are issued and payable;
- whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;
- the place or places, if any, other than or in addition to the Borough of Manhattan in the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;
- the denominations in which the offered debt securities will be issued (if other than $1,000 and any integral multiple thereof for registered securities or $500 for bearer securities);
- the provision for any sinking fund;
- any restrictive covenants;
- any Events of Default;
- whether the series of debt securities are issuable in certificated form;
- any provisions for defeasance or covenant defeasance;
- any special federal income tax implications, including, if applicable, federal income tax considerations relating to original issue discount;
- whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

- any provisions for convertibility or exchangeability of the debt securities into or for any other securities;
- whether the debt securities are subject to subordination and the terms of such subordination;
- whether the debt securities are secured and the terms of any security interests;
- the listing, if any, on a securities exchange; and
- any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the accompanying prospectus supplement ("offered debt securities") and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ("underlying debt securities"), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities". The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt or we are acquired by another entity.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Issuance of Securities in Registered Form

We may issue the debt securities in registered form, in which case we may issue them either in book- entry form only or in "certificated" form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

We also will have the option of issuing debt securities in non-registered form as bearer securities if we issue the securities outside the United States to non-U.S. persons. In that case, the prospectus supplement will set forth the mechanics for holding the bearer securities, including the procedures for receiving payments, for exchanging the bearer securities, including the procedures for receiving payments, for exchanging the bearer securities for registered securities of the same series, and for receiving notices. The prospectus supplement will also describe the requirements with respect to our maintenance of offices or agencies outside the United States and the applicable U.S. federal tax law requirements.

Book-Entry Holders

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depositary as the holder of the debt securities and we will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book- entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

Street Name Holders

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in "street name." Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Legal Holders

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

- If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

- how it handles securities payments and notices,

- whether it imposes fees or charges,

- how it would handle a request for the holders' consent, if ever required,

- whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,

- how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and

- if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

Global Securities

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "Special Situations when a Global Security Will Be Terminated". As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.

- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under "Issuance of Securities in Registered Form" above.

- An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

- The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way.

- If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

- An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee.

- DTC requires that those who purchase and sell interests in a global security deposited in its book- entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

- Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations when a Global Security will be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "Issuance of Securities in Registered Form" above.

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depositary, and not we or the applicable trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

Payment and Paying Agents

We will pay interest (either in cash or by delivery of additional indenture securities, as applicable) to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under "- Special Considerations for Global Securities."

Payments on Certificated Securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed (or additional securities issued) on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, NY and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any cash amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in the United States, on the due date.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

- We do not pay the principal of, or any premium on, a debt security of the series on its due date.

- We do not pay interest on a debt security of the series within 30 days of its due date.

- We do not deposit any sinking fund payment in respect of debt securities of the series within 2 business days of its due date.

- We remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series.

- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

- Any class of securities has an asset coverage of less than 100 per centum on the last business day of each twenty-four consecutive calendar months.

- Any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest, if it in good faith considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series if (1) we have deposited with the trustee all amounts due and owing with respect to the securities, and (2) no other Events of Default are continuing.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an “indemnity”). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- You must give your trustee written notice that an Event of Default has occurred and remains uncured.
- The holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.
- The holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

- the payment of principal, any premium or interest or
- in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities or else specifying
any default.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities.
- The merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under “Events of Default” above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded.
- We must deliver certain certificates and documents to the trustee.
- We must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes Requiring Your Approval

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

- change the stated maturity of the principal of, or interest on, a debt security;
- reduce any amounts due on a debt security;
- reduce the amount of principal payable upon acceleration of the maturity of a security following a default;
- adversely affect any right of repayment at the holder's option;
- change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;
- impair your right to sue for payment;
- adversely affect any right to convert or exchange a debt security in accordance with its terms;
- modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;
- reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;
- modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and
- change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

- If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series.
- If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under "- Changes Requiring Your Approval."

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

- For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default.
- For debt securities whose principal amount is not known (for example, because it is based on an index), we will use the principal face amount at original issuance or a special rule for that debt security described in the prospectus supplement.
- For debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption or if we, any other obligor, or any affiliate of us or any obligor own such debt securities. Debt securities will also not be eligible to vote if they have been fully defeased as described later under “Defeasance - Full Defeasance.”

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. However, the record date may not be more than 30 days before the date of the first solicitation of holders to vote on or take such action. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current United States federal tax law and the indenture, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called “covenant defeasance”. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions described under “Indenture Provisions - Subordination” below. In order to achieve covenant defeasance, we must do the following:

- If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments.
- We must deliver to the trustee a legal opinion of our counsel confirming that, under current United States federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity.
- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers’ certificate stating that all conditions precedent to covenant defeasance have been complied with.
- Defeasance must not result in a breach of the indenture or any of our other material agreements.
- Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. In fact, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in United States federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

- If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates and any mandatory sinking fund payments or analogous payments.

- We must deliver to the trustee a legal opinion confirming that there has been a change in current United States federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current United States federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit.

- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with.

- Defeasance must not result in a breach of the indenture or any of our other material agreements.

- Satisfy the conditions for covenant defeasance contained in any supplemental indentures.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under "Indenture Provisions - Subordination".

Form, Exchange and Transfer of Certificated Registered Securities

If registered debt securities cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form,

- without interest coupons, and

- unless we indicate otherwise in the prospectus supplement, in denominations of $1,000 and amounts that are multiples of $1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed and as long as the denomination is greater than the minimum denomination for such securities.

Holders may exchange or transfer their certificated securities at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series and has accepted such appointment. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions - Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Designated Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Designated Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all Designated Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Designated Senior Indebtedness or on their behalf for application to the payment of all the Designated Senior Indebtedness remaining unpaid until all the Designated Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Designated Senior Indebtedness. Subject to the payment in full of all Designated Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Designated Senior Indebtedness to the extent of payments made to the holders of the Designated Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities or the holders of any indenture securities that are not Designated Senior Indebtedness or subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Designated Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

- our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed, that we have designated as "Designated Senior Indebtedness" for purposes of the indenture and in accordance with the terms of the indenture (including any indenture securities designated as Designated Senior Indebtedness), and

- renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Designated Senior Indebtedness and of our other indebtedness outstanding as of a recent date.

Secured Indebtedness

Certain of our indebtedness, including certain series of indenture securities, may be secured. The prospectus supplement for each series of indenture securities will describe the terms of any security interest for such series and will indicate the approximate amount of our secured indebtedness as of a recent date. In the event of a distribution of our assets upon our insolvency, the holders of unsecured indenture securities may recover less, ratably, than holders of any of our secured indebtedness.

The Trustee under the Indenture

U.S. Bank National Association will serve as the trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more offerings or series, up to $700,000,000 of our common stock, preferred stock, subscription rights to purchase shares of our common stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. We may sell the securities through underwriters or dealers, directly to one or more purchasers through agents or through a combination of any such methods of sale. The issuance of any equity or debt securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents' or underwriters' compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by the prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices. The price at which securities may be distributed may represent a discount from prevailing market prices.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate compensation to be received by any member of FINRA or independent broker-dealer will not be greater than 8% of the gross proceeds of the sale of securities offered pursuant to this prospectus and any applicable prospectus supplement.

In connection with an offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the Company in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

We may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on the NYSE. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of shares of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

CUSTODIAN AND TRANSFER AGENT

U.S. Bank National Association provides custodian services to us pursuant to a custodian services agreement. The principal business address of U.S. Bank National Association is One Federal Street, Boston, Massachusetts 02110. American Stock Transfer & Trust Company provides transfer agency and distribution paying agency services to us under a transfer agency agreement and a distribution paying agent agreement, respectively. The address of American Stock Transfer & Trust Company is 59 Maiden Lane, New York, New York, 10038.

LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for us by Eversheds Sutherland (US) LLP, Washington, DC.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at September 30, 2018 and 2017 and for each of the three years in the period ended September 30, 2018, as set forth in their report. We've included our financial statements in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed a registration statement with the SEC on Form N-2, including amendments, relating to the shares we are offering. This prospectus does not contain all of the information set forth in the registration statement, including any exhibits and schedules it may contain. For further information concerning us or the securities we are offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of any contract or other document filed as an exhibit to the registration statement. Each statement is qualified in all respects by this reference.

We are required to file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's website at *http://www.sec.gov*. This information will also be available free of charge by contacting us by mail at 280 Park Avenue, 6th Floor East, New York, NY 10017, by telephone at (212) 759-0777 or on our website at *http://www.medleycapitalcorp.com*.

PRIVACY PRINCIPLES

We are committed to maintaining the privacy of stockholders and to safeguarding our non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to nonpublic personal information about our stockholders to our investment adviser’s employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

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Medley Capital Corporation

Consolidated Statements of Assets and Liabilities

	December 31, 2018 (unaudited)	September 30, 2018
ASSETS		
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of $407,062,466 and $428,717,777, respectively)	$ 372,306,244	$ 393,149,374
Affiliated investments (amortized cost of $115,054,242 and $102,546,973, respectively)	110,753,480	100,640,804
Controlled investments (amortized cost of $185,009,566 and $233,421,693, respectively)	159,818,918	161,639,736
Total investments at fair value	642,878,642	655,429,914
Cash and cash equivalents	62,695,484	75,665,981
Interest receivable	4,929,575	6,377,076
Other assets	3,202,315	3,420,442
Deferred offering costs	365,019	354,754
Receivable for dispositions and investments sold	289,578	160,257
Fees receivable	109,337	187,276
Total assets	$ 714,469,950	$ 741,595,700
LIABILITIES		
Notes payable (net of debt issuance costs of $7,430,679 and $8,238,300, respectively)	$ 264,596,774	$ 276,909,028
SBA debentures payable (net of debt issuance costs of $1,987,162 and $2,095,329, respectively)	133,012,838	132,904,671
Interest and fees payable	4,646,185	3,280,018
Management and incentive fees payable (see Note 6)	3,185,144	3,347,674
Accounts payable and accrued expenses	2,117,042	2,935,833
Administrator expenses payable (see Note 6)	1,032,127	808,546
Deferred revenue	150,709	192,152
Due to affiliate	75,247	39,051
Total liabilities	$ 408,816,066	$ 420,416,973
Guarantees and Commitments (see Note 8)		
NET ASSETS		
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	698,586,770	698,586,770
Total distributable earnings/(loss)	(392,987,360)	(377,462,517)
Total net assets	305,653,884	321,178,727
Total liabilities and net assets	$ 714,469,950	$ 741,595,700
NET ASSET VALUE PER SHARE	$ 5.61	$ 5.90

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Operations

	For the three months ended December 31	
	2018	**2017**
	(unaudited)	(unaudited)
INVESTMENT INCOME		
Interest from investments		
Non-controlled/non-affiliated investments:		
Cash	$ 8,077,603	$ 13,090,352
Payment-in-kind	572,543	1,641,133
Affiliated investments:		
Cash	751,751	577,309
Payment-in-kind	971,790	849,495
Controlled investments:		
Cash	77,832	429,762
Payment-in-kind	1,028,332	718,518
Total interest income	11,479,851	17,306,569
Dividend income (net of provisional taxes of $0 and $0, respectively)	2,100,000	1,443,750
Interest from cash and cash equivalents	161,314	31,769
Fee income (see Note 9)	460,677	1,848,760
Total investment income	14,201,842	20,630,848
EXPENSES		
Base management fees (see Note 6)	3,185,144	4,067,841
Incentive fees (see Note 6)	—	—
Interest and financing expenses	6,009,116	6,759,199
Professional fees	1,200,577	585,667
Administrator expenses (see Note 6)	1,032,127	867,331
General and administrative	604,149	757,255
Directors fees	292,225	147,180
Insurance	119,386	133,214
Expenses before management and incentive fee waivers	12,442,724	13,317,687
Management fee waiver (see Note 6)	—	—
Incentive fee waiver (see Note 6)	—	—
Total expenses net of management and incentive fee waivers	12,442,724	13,317,687
Net investment income before excise taxes	1,759,118	7,313,161
Excise tax expense	—	(134,000)
NET INVESTMENT INCOME	1,759,118	7,179,161
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS		
Net realized gain/(loss) from investments		
Non-controlled/non-affiliated investments	(5,183,910)	(21,476)
Affiliated investments	—	—
Controlled investments	(51,538,556)	—
Net realized gain/(loss) from investments	(56,722,466)	(21,476)
Net unrealized appreciation/(depreciation) on investments		
Non-controlled/non-affiliated investments	812,181	(34,470,457)
Affiliated investments	(2,394,593)	4,283,268
Controlled investments	46,591,309	(9,004,493)
Net unrealized appreciation/(depreciation) on investments	45,008,897	(39,191,682)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	90,009
Net loss on extinguishment of debt (see Note 5)	(122,971)	—
Net realized and unrealized gain/(loss) on investments	(11,836,540)	(39,123,149)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (10,077,422)	$ (31,943,988)
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ (0.18)	$ (0.59)
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	$ 0.03	$ 0.13
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	54,474,211	54,474,211
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.10	$ 0.16

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets

	For the three months ended December 31	
	2018	**2017**
	(unaudited)	(unaudited)
OPERATIONS		
Net investment income	$ 1,759,118	$ 7,179,161
Net realized gain/(loss) from investments	(56,722,466)	(21,476)
Net unrealized appreciation/(depreciation) on investments	45,008,897	(39,191,682)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	90,009
Net loss on extinguishment of debt	(122,971)	—
Net increase/(decrease) in net assets from operations	(10,077,422)	(31,943,988)
SHAREHOLDER DISTRIBUTIONS		
Distributions from earnings	(5,447,421)	(8,715,874)
Net decrease in net assets from shareholder distributions	(5,447,421)	(8,715,874)
Total increase/(decrease) in net assets	(15,524,843)	(40,659,862)
Net assets at beginning of period	321,178,727	460,429,317
Net assets at end of period	$ 305,653,884	$ 419,769,455
Net asset value per common share	$ 5.61	$ 7.71
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 three months ended December 31	
	2018	**2017**
	(unaudited)	(unaudited)
Cash flows from operating activities		
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	$ (10,077,422)	$ (31,943,988)
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	(3,620,889)	(3,136,782)
Net amortization of premium/(discount) on investments	(194,707)	(239,606)
Amortization of debt issuance costs	686,641	645,044
Net realized (gain)/loss from investments	56,722,466	21,476
Net deferred income taxes	—	(90,009)
Net unrealized (appreciation)/depreciation on investments	(45,008,897)	39,191,682
Proceeds from sale and settlements of investments	43,796,686	47,978,251
Purchases, originations and participations	(39,143,387)	(82,727,159)
Net loss on extinguishment of debt	122,971	—
(Increase)/decrease in operating assets:		
Interest receivable	1,447,501	(103,574)
Other assets	218,127	(166,371)
Receivable for dispositions and investments sold	(129,321)	175,926
Fees receivable	77,939	11,178
Increase/(decrease) in operating liabilities:		
Interest and fees payable	1,366,167	1,303,171
Management and incentive fees payable, net	(162,530)	(244,163)
Accounts payable and accrued expenses	(818,791)	118,344
Administrator expenses payable	223,581	7,537
Deferred revenue	(41,443)	55,476
Due to affiliate	36,196	295,884
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	5,500,888	(28,847,683)
Cash flows from financing activities		
Borrowings on debt	—	9,000,000
Paydowns on debt	(12,999,337)	(30,000,000)
Debt issuance costs paid	(14,362)	—
Payments of cash dividends	(5,447,421)	(8,715,874)
Offering costs paid	(10,265)	—
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(18,471,385)	(29,715,874)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(12,970,497)	(58,563,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	75,665,981	108,571,958
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 62,695,484	$ 50,008,401
Supplemental Information:		
Interest paid during the period	$ 3,956,308	$ 4,792,028
Supplemental non-cash information:		
Payment-in-kind interest income	$ 2,572,665	$ 3,209,146
Net amortization of premium/(discount) on investments	$ 194,707	$ 239,606
Amortization of debt issuance costs	$ (686,641)	$ (645,044)
Non-cash purchase of investments	$ —	$ —
Non-cash sale of investments	$ —	$ —

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

December 31, 2018
(unaudited)

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	6/16/2023	$ 17,281,250	$ 17,281,250	$ 17,281,250	5.7%
				17,281,250	17,281,250	17,281,250	
Accupac, Inc.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[13][19]	9/14/2023	9,764,074	9,764,074	9,635,359	3.2%
				9,764,074	9,764,074	9,635,359	
Alpine SG, LLC[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	13,398,750	13,398,750	13,398,750	4.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	6,617,630	6,617,630	6,617,630	2.2%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	—	—	—	0.0%
				20,016,380	20,016,380	20,016,380	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/25/2023	4,387,500	4,387,500	4,294,924	1.4%
				4,387,500	4,387,500	4,294,924	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	6/17/2020	13,799,076	13,799,076	13,776,997	4.5%
				13,799,076	13,799,076	13,776,997	
Barry's Bootcamp Holdings, LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	7,628,570	7,628,570	7,554,700	2.5%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	7/14/2022	2,640,000	2,640,000	2,603,040	0.9%
				10,268,570	10,268,570	10,157,740	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				—	416,250	—	
Black Angus Steakhouses, LLC[7]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	7,444,196	7,444,196	7,296,631	2.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14][17]	4/24/2020	44,643	44,643	44,643	0.0%
				7,488,839	7,488,839	7,341,274	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Brook & Whittle Holding Corp.	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	1,316,971	1,316,971	1,316,971	0.4%
		Senior Secured First Lien Incremental Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	4,646,016	4,646,016	4,646,016	1.5%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	10/17/2024	309,726	309,726	309,726	0.1%
				6,272,713	6,272,713	6,272,713	
Central States Dermatology Services, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13]	4/20/2022	1,073,602	1,073,602	1,059,216	0.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13][19]	4/20/2022	270,307	270,307	264,854	0.1%
				1,343,909	1,343,909	1,324,070	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/28/2025	4,010,025	3,992,618	3,959,900	1.3%
				4,010,025	3,992,618	3,959,900	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/30/2019	12,690,000	12,690,000	12,676,041	4.2%
		Equity - 350 Common Units		—	700,000	658,858	0.2%
				12,690,000	13,390,000	13,334,899	
CT Technologies Intermediate Holdings, Inc.[12]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	6,967,500	2.3%
				7,500,000	7,500,000	6,967,500	
DataOnline Corp.[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	7/31/2025	15,960,000	15,960,000	15,960,000	5.2%
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14][17]	7/31/2024	—	—	—	0.0%
				15,960,000	15,960,000	15,960,000	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (10.00% Cash)	10/1/2019	2,270,747	2,270,747	2,270,747	0.7%
		Preferred Equity (8.00% PIK)		3,944,707	3,944,707	3,944,707	1.3%
				6,215,454	6,215,454	6,215,454	
Dynamic Energy Services International LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[10][16]	6/30/2019	21,800,729	18,674,779	2,478,743	0.8%
		Revolving Credit Facility (12.00% Cash)	6/30/2019	468,686	468,686	468,686	0.2%
				22,269,415	19,143,465	2,947,429	
FKI Security Group, LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	3/30/2020	11,187,500	11,187,500	11,187,500	3.7%
				11,187,500	11,187,500	11,187,500	
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		6,825,174	6,825,174	6,825,174	2.2%
		Equity - 150 Common Units		—	—	2,080,811	0.7%
				6,825,174	6,825,174	8,905,985	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor)[14]	9/26/2019	10,560,000	10,560,000	10,560,000	3.5%
				10,560,000	10,560,000	10,560,000	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	2/7/2023	9,898,354	9,898,354	9,898,354	3.2%
				9,898,354	9,898,354	9,898,354	
Global Accessories Group, LLC[12]	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.1%
				—	151,337	151,339	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)[8]	10/15/2019	20,000,000	20,000,000	19,268,000	6.3%
				20,000,000	20,000,000	19,268,000	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor)[13]	6/21/2023	3,000,000	2,963,851	2,644,200	0.9%
				3,000,000	2,963,851	2,644,200	
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	3,448,654	3,448,654	3,448,654	1.1%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	9,991,829	9,991,829	9,991,829	3.3%
				13,440,483	13,440,483	13,440,483	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2022	13,875,000	13,875,000	12,874,613	4.2%
				13,875,000	13,875,000	12,874,613	
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	2/15/2022	19,107,574	19,107,574	19,229,862	6.3%
				19,107,574	19,107,574	19,229,862	
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 1.01% of Outstanding Equity[18]	2/19/2024	—	955,680	—	0.0%
				—	955,680	—	
Manna Pro Products, LLC[7]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	12/8/2023	5,439,833	5,439,833	5,308,733	1.7%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13][19]	12/8/2023	670,363	670,363	643,878	0.2%
				6,110,196	6,110,196	5,952,611	
Midcoast Energy, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	8/1/2025	1,289,768	1,277,379	1,251,074	0.4%
				1,289,768	1,277,379	1,251,074	
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 11.50% PIK, 0.75% LIBOR Floor)[10][14]	12/31/2018	22,788,654	19,741,264	6,948,261	2.3%
				22,788,654	19,741,264	6,948,261	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[10][16]	7/8/2020	2,103,712	2,103,712	1,051,856	0.3%
		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	1,051,856	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt[22]	7/31/2020	761,905	761,905	761,905	0.2%
		Unsecured Debt[22]	7/31/2021	761,905	761,905	761,905	0.2%
				1,523,810	1,523,810	1,523,810	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Redwood Services Group, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,007,313	6,007,313	5,928,617	1.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,209,066	6,209,066	6,127,727	2.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	6/6/2023	700,000	700,000	700,000	0.2%
				12,916,379	12,916,379	12,756,344	
RMS Holding Company, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	15,231,240	15,231,240	15,231,240	5.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	2,440,079	2,440,079	2,384,383	0.8%
				17,671,319	17,671,319	17,615,623	
SavATree, LLC[7]	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	6/2/2022	1,854,151	1,854,151	1,838,206	0.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14][19]	6/2/2022	93,117	93,117	91,685	0.0%
				1,947,268	1,947,268	1,929,891	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)	8/31/2019	850,000	850,000	850,000	0.3%
				850,000	850,000	850,000	
Seotowncenter, Inc.	Services: Business	Equity - 3,249.697 Common Units		—	500,000	1,169,891	0.4%
				—	500,000	1,169,891	
SFP Holding, Inc.[7]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	9/1/2022	9,714,830	9,714,830	9,714,830	3.2%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][17]	9/1/2022	2,510,897	2,510,897	2,510,897	0.8%
		Equity - 1.42% Company Interest		—	736,905	736,905	0.2%
				12,225,727	12,962,632	12,962,632	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[10][14]	7/31/2020	7,330,098	7,136,156	3,512,583	1.2%
				7,330,098	7,136,156	3,512,583	
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		—	700,000	700,000	0.2%
				—	700,000	700,000	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	2/17/2022	7,368,750	7,368,750	7,368,750	2.4%
				7,368,750	7,368,750	7,368,750	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,815	274,367	0.1%
				—	263,815	274,367	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2025	2,000,000	1,973,530	1,952,600	0.6%
				2,000,000	1,973,530	1,952,600	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Trans-Fast Remittance LLC[7]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	3,567,857	3,567,857	3,542,882	1.2%
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	1,875,000	1,875,000	1,864,875	0.6%
				5,442,857	5,442,857	5,407,757	
Vail Holdco Corp	Wholesale	Equity - 11,044 Shares of Series A Preferred Stock (12.50% PIK)[8]		11,044,000	10,618,214	10,712,680	3.5%
		Equity - 7,700 Shares of Junior Convertible Preferred Stock		7,700,000	7,700,000	9,145,290	3.0%
		Warrants - 0.4875% of Outstanding Equity		—	425,787	580,416	0.2%
				18,744,000	18,744,001	20,438,386	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor)[14]	4/28/2023	808,000	736,970	708,697	0.2%
		Equity - 5,441 Class A Units		—	302,464	302,464	0.1%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	361,667	0.1%
				808,000	1,401,101	1,372,828	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	9/26/2024	13,807,500	13,807,500	13,807,500	4.5%
		Equity - 1,500 Common Units		—	1,500,000	1,500,000	0.5%
				13,807,500	15,307,500	15,307,500	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[9]		—	518,283	97,955	0.0%
				—	518,283	97,955	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	2/12/2024	4,215,300	4,215,300	4,215,300	1.4%
				4,215,300	4,215,300	4,215,300	
Subtotal Non-Controlled/Non-Affiliated Investments				$ 406,304,628	$ 407,062,466	$ 372,306,244	
Affiliated Investments:							
1888 Industrial Services, LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	$ 8,984,232	$ 8,984,232	$ 8,984,232	2.9%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	22,330,717	20,060,891	17,158,923	5.6%
		Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14][17]	9/30/2021	2,695,270	2,695,270	2,695,270	0.9%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				34,010,219	31,740,393	28,838,425	
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK)[10]	7/22/2020	9,303,803	8,446,385	5,876,282	1.9%
		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		971,200	971,200	(100,800)	0.0%
		Equity - 16 Common Units		—	—	—	0.0%
				12,675,003	11,817,585	5,775,482	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Brantley Transportation LLC[12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	13,218,291	9,000,000	2,882,909	0.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[13]	8/2/2017	503,105	503,105	503,105	0.2%
		Equity - 7.5 Common Units		—	—	—	0.0%
				13,721,396	9,503,105	3,386,014	
Caddo Investors Holdings 1 LLC	Forest Products & Paper	Equity - 6.15% Membership Interest		—	2,520,842	2,628,230	0.9%
				—	2,520,842	2,628,230	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		31,468,755	31,468,755	31,468,755	10.3%
		Preferred Equity - A-1 Preferred (3.00% PIK)		4,072,311	4,072,311	4,072,311	1.3%
		Equity - 57,300 Class B Units		—	57,300	10,956,906	3.6%
				35,541,066	35,598,366	46,497,972	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,166,292	1,166,292	1,166,292	0.4%
		Equity - 129,588 Class B Units		—	129,588	685,520	0.2%
				1,166,292	1,295,880	1,851,812	
Path Medical, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% PIK, 1.00% LIBOR Floor)[14]	10/11/2021	8,704,410	8,390,417	8,245,688	2.7%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% PIK, 1.00% LIBOR Floor)[14]	10/11/2021	2,998,977	2,998,977	2,840,931	0.9%
		Senior Secured First Lien Term Loan C (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	688,926	688,926	688,926	0.2%
		Warrants - 7.68% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				12,392,313	12,578,071	11,775,545	
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	6,670,000	6,670,000	6,670,000	2.2%
		Equity - 33,300 Preferred Units		—	3,330,000	3,330,000	1.1%
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				$ 116,176,289	$ 115,054,242	$ 110,753,480	
Controlled Investments:[5]							
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	$ 31,394,070	$ 20,846,571	$ 12,698,901	4.2%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	14,117,777	9,686,866	5,710,641	1.9%
		Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[14]	9/25/2020	2,327,346	2,327,346	2,327,346	0.8%
		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%
				47,839,193	33,260,798	20,736,888	
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	78,575,000	75,919,273	24.8%
				—	78,575,000	75,919,273	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13]	11/9/2020	4,005,990	4,005,990	4,005,990	1.3%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	12,305,096	12,305,096	12,305,096	4.0%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[10][13]	11/9/2020	7,846,937	7,570,053	7,109,325	2.3%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				24,158,023	33,432,061	23,420,411	
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 0.00% Cash)[15]	12/31/2019	383,085	383,085	383,085	0.1%
		Unsecured Debt (10.00% Cash)[20]		292,310	292,310	292,310	0.1%
		Unsecured Debt (1.00% Cash)[21]		646,996	646,996	646,996	0.2%
		Equity - 35 Class B Units		—	2,670,154	2,670,154	0.9%
				1,322,391	3,992,545	3,992,545	
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor)[14]	5/2/2022	16,259,393	16,259,393	16,259,393	5.3%
		Preferred Equity (12.00% PIK)		6,552,890	6,552,890	6,552,890	2.1%
		Equity - 397,466 Common Units		—	12,936,879	12,937,518	4.2%
				22,812,283	35,749,162	35,749,801	
Subtotal Controlled Investments				**$ 96,131,890**	**$ 185,009,566**	**$ 159,818,918**	
Total Investments, December 31, 2018				**$ 618,612,807**	**$ 707,126,274**	**$ 642,878,642**	**210.3%**

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

(2) Par amount includes accumulated payment-in-kind ("PIK") interest and is net of repayments.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $20,041,277, $78,656,136, and $58,614,859, respectively. The tax cost basis of investments is $701,493,501 as of December 31, 2018.

(4) Percentage is based on net assets of $305,653,884 as of December 31, 2018.

(5) Control Investments are defined by the Investment Company Act of 1940, as amended (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 December 31, 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 $29,980,680 and 9.8% of net assets as of December 31, 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 December 31, 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 December 31, 2018, 13.4% 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 December 31, 2018 was 2.52%.

(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 December 31, 2018 was 2.80%.

(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 December 31, 2018 was 5.50%.

(16) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of December 31, 2018 was 2.80%.

(17) This investment earns 0.50% commitment fee on all unused commitment as of December 31, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(18) This investment represents a Level 2 security in the ASC 820 table as of December 31, 2018 (see Note 4).

(19) This investment earns 1.00% commitment fee on all unused commitment as of December 31, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(20) This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG 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.

(21) This investment shall convert to equity upon TPG Plastics, LLC obtaining all environmental and product testing 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.

(22) Security is non-income producing.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2018

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	6/16/2023	$ 17,325,000	$ 17,325,000	$ 17,325,000	5.4%
				17,325,000	17,325,000	17,325,000	
Accupac, Inc.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[13][19]	9/14/2023	9,788,793	9,788,793	9,788,793	3.1%
				9,788,793	9,788,793	9,788,793	
Alpine SG, LLC[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	13,398,750	13,398,750	13,398,750	4.2%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	6,617,630	6,617,630	6,617,630	2.1%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	—	—	—	0.0%
				20,016,380	20,016,380	20,016,380	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/25/2023	6,500,000	6,500,000	6,565,000	2.1%
				6,500,000	6,500,000	6,565,000	
Asurion, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13]	8/4/2025	7,000,000	7,091,560	7,140,000	2.2%
				7,000,000	7,091,560	7,140,000	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	6/17/2020	13,891,687	13,891,687	13,958,367	4.3%
				13,891,687	13,891,687	13,958,367	
Barry's Bootcamp Holdings, LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	7,628,570	7,628,570	7,505,750	2.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	7/14/2022	2,200,000	2,200,000	2,200,000	0.7%
				9,828,570	9,828,570	9,705,750	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				—	416,250	—	
Black Angus Steakhouses, LLC[7]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	7,495,536	7,495,536	7,373,065	2.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14][17]	4/24/2020	267,857	267,857	267,857	0.1%
				7,763,393	7,763,393	7,640,922	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Brook & Whittle Holding Corp.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	10/17/2023	1,320,297	1,320,297	1,331,381	0.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][18]	10/17/2023	—	—	—	0.0%
				1,320,297	1,320,297	1,331,381	
Central States Dermatology Services, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	4/20/2022	1,076,331	1,076,331	1,076,331	0.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14][19]	4/20/2022	270,991	270,991	270,991	0.1%
				1,347,322	1,347,322	1,347,322	
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (Prime + 5.50% PIK)[10][15]	4/1/2019	1,375,911	1,210,237	234,042	0.1%
		Senior Secured First Lien Term Loan C (Prime + 8.50% PIK)[10][15]	4/1/2019	10,352,733	4,060,507	—	0.0%
		Preferred Facility (Prime + 7.00% PIK)[10][15]	4/1/2019	5,883,641	—	—	0.0%
		Equity - 232 Common Units		—	—	—	0.0%
				17,612,285	5,270,744	234,042	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/28/2025	4,010,025	3,992,123	4,034,486	1.3%
				4,010,025	3,992,123	4,034,486	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/30/2019	12,890,000	12,890,000	12,890,000	4.0%
		Equity - 350 Common Units		—	700,000	521,203	0.2%
				12,890,000	13,590,000	13,411,203	
CT Technologies Intermediate Holdings, Inc.[12]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	7,223,250	2.2%
				7,500,000	7,500,000	7,223,250	
DataOnline Corp.[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	7/31/2025	16,000,000	16,000,000	16,000,000	5.0%
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14][17]	7/31/2024	—	—	—	0.0%
				16,000,000	16,000,000	16,000,000	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)[16]	10/1/2019	2,418,494	2,418,494	2,418,494	0.8%
		Preferred Equity (8.00% PIK)		3,866,737	3,866,737	3,866,737	1.2%
				6,285,231	6,285,231	6,285,231	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[10][16]	5/6/2019	20,952,402	18,674,779	6,040,577	1.9%
				20,952,402	18,674,779	6,040,577	
Engineered Machinery Holdings, Inc.	Capital Equipment	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[14]	7/18/2025	1,671,064	1,656,132	1,662,708	0.5%
				1,671,064	1,656,132	1,662,708	
FKI Security Group, LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	3/30/2020	11,281,250	11,281,250	11,281,250	3.5%
				11,281,250	11,281,250	11,281,250	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		6,677,895	6,677,895	6,677,895	2.1%
		Equity - 150 Common Units		—	—	1,753,260	0.6%
				6,677,895	6,677,895	8,431,155	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor)[14]	9/26/2019	10,930,000	10,930,000	10,930,000	3.4%
				10,930,000	10,930,000	10,930,000	
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	2/7/2023	9,950,349	9,950,349	9,950,349	3.1%
				9,950,349	9,950,349	9,950,349	
Global Accessories Group, LLC[12]	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)[8]	10/15/2019	20,000,000	20,000,000	19,268,000	6.0%
				20,000,000	20,000,000	19,268,000	
The Imagine Group, LLC[24]	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor)[13]	6/21/2023	3,000,000	2,962,275	2,750,100	0.9%
				3,000,000	2,962,275	2,750,100	
Impact Group, LLC[7][25]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	3,457,319	3,457,319	3,457,319	1.1%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][19]	6/27/2023	1,427,914	1,427,914	1,427,914	0.5%
				4,885,233	4,885,233	4,885,233	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2022	14,062,500	14,062,500	13,048,594	4.1%
				14,062,500	14,062,500	13,048,594	
Jackson Hewitt Tax Service Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash)	5/31/2023	7,000,000	7,000,000	7,000,000	2.2%
				7,000,000	7,000,000	7,000,000	
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	2/15/2022	19,529,449	19,529,449	19,765,755	6.2%
				19,529,449	19,529,449	19,765,755	
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 1.01% of Outstanding Equity[20]	2/19/2024	—	955,680	50,000	0.0%
				—	955,680	50,000	
Manna Pro Products, LLC[7]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	12/8/2023	5,453,570	5,453,570	5,434,482	1.7%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13][19]	12/8/2023	670,363	670,363	666,517	0.2%
				6,123,933	6,123,933	6,100,999	
Midcoast Energy, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	8/1/2025	3,000,000	2,970,391	3,003,900	0.9%
				3,000,000	2,970,391	3,003,900	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 11.50% PIK, 0.75% LIBOR Floor)[10][14]	12/31/2018	21,925,733	19,746,873	8,814,145	2.7%
				21,925,733	19,746,873	8,814,145	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	8,151,557	7,813,946	7,654,312	2.4%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	2,808,500	2,808,500	2,637,182	0.8%
		Warrants - 1.56% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				10,960,057	11,122,197	10,291,494	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[10][16]	7/8/2020	2,103,712	2,103,712	1,051,856	0.3%
		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	1,051,856	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt[26]	7/31/2020	761,905	761,905	761,905	0.2%
		Unsecured Debt[26]	7/31/2021	761,905	761,905	761,905	0.2%
				1,523,810	1,523,810	1,523,810	
Redwood Services Group, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,022,406	6,022,406	6,022,406	1.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	6/6/2023	1,373,485	1,373,485	1,373,485	0.4%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	6/6/2023	—	—	—	0.0%
				7,395,891	7,395,891	7,395,891	
RMS Holding Company, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	15,269,745	15,269,745	15,269,745	4.8%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	1,073,204	1,073,204	1,066,744	0.3%
				16,342,949	16,342,949	16,336,489	
SavATree, LLC[7]	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	6/2/2022	1,858,855	1,858,855	1,858,855	0.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14][19]	6/2/2022	43,225	43,225	43,225	0.0%
				1,902,080	1,902,080	1,902,080	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)	8/31/2019	850,000	850,000	850,000	0.3%
				850,000	850,000	850,000	
Seotowncenter, Inc.	Services: Business	Equity - 3,249.697 Common Units		—	500,000	532,885	0.2%
				—	500,000	532,885	
SFP Holding, Inc.[7]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	9/1/2022	9,739,371	9,739,371	9,739,371	3.0%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][17]	9/1/2022	1,005,364	1,005,364	1,005,364	0.3%
		Equity - 1.42% Company Interest		—	736,905	736,905	0.2%
				10,744,735	11,481,640	11,481,640	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[10][14]	7/31/2020	7,330,098	7,136,156	3,512,583	1.1%
				7,330,098	7,136,156	3,512,583	
SMART Financial Operations, LLC[7]	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	11/22/2021	2,775,000	2,775,000	2,775,833	0.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	11/22/2021	2,325,000	2,325,000	2,326,418	0.7%
		Equity - 700,000 Class A Preferred Units		—	700,000	700,000	0.2%
				5,100,000	5,800,000	5,802,251	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	2/17/2022	7,387,500	7,387,500	7,461,375	2.3%
				7,387,500	7,387,500	7,461,375	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,814	274,367	0.1%
				—	263,814	274,367	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2025	4,000,000	3,945,676	4,000,000	1.2%
				4,000,000	3,945,676	4,000,000	
Trans-Fast Remittance LLC[7]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	3,567,857	3,567,857	3,571,557	1.1%
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	1,875,000	1,875,000	1,875,000	0.6%
				5,442,857	5,442,857	5,446,557	
Vail Holdco Corp	Wholesale	Equity - 10,702 Shares of Series A Preferred Stock (12.50% PIK)[8]		10,702,000	10,276,214	10,234,323	3.2%
		Equity - 7,700 Shares of Junior Convertible Preferred Stock		7,700,000	7,700,000	7,700,000	2.4%
		Warrants - 0.4875% of Outstanding Equity		—	425,787	580,416	0.2%
				18,402,000	18,402,001	18,514,739	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor)[14]	4/28/2023	808,000	734,073	734,553	0.2%
		Equity - 5,441 Class A Units		—	302,464	302,464	0.1%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	361,667	0.1%
				808,000	1,398,204	1,398,684	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	9/26/2024	13,807,500	13,807,500	13,807,500	4.3%
		Equity - 1,500 Common Units		—	1,500,000	1,500,000	0.5%
				13,807,500	15,307,500	15,307,500	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[9]		—	518,283	698,024	0.2%
				—	518,283	698,024	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	2/12/2024	4,225,918	4,225,918	4,225,918	1.3%
				4,225,918	4,225,918	4,225,918	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 438,395,898**	**$ 428,717,777**	**$ 393,149,374**	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Affiliated Investments:							
1888 Industrial Services, LLC[7] [23]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	$ 8,984,232	$ 8,984,232	$ 8,984,232	2.8%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[14]	9/30/2021	21,762,155	19,326,112	19,725,217	6.1%
		Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14][17]	9/30/2021	3,593,693	3,593,693	3,593,693	1.1%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				34,340,080	31,904,037	32,303,142	
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK)[10]	7/22/2020	9,072,532	8,446,385	5,876,279	1.8%
		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		899,200	899,200	(172,800)	(0.1)%
		Equity - 16 Common Units		—	—	—	0.0%
				12,371,732	11,745,585	5,703,479	
Brantley Transportation LLC[12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	12,829,552	9,000,000	2,882,800	0.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[13]	8/2/2017	503,105	503,105	503,105	0.2%
		Equity - 7.5 Common Units		—	—	—	0.0%
				13,332,657	9,503,105	3,385,905	
Caddo Investors Holdings 1 LLC	Forest Products & Paper	Equity - 6.15% Membership Interest		2,500,000	2,500,000	2,500,000	0.8%
				2,500,000	2,500,000	2,500,000	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		31,468,755	31,468,755	31,468,755	9.8%
		Preferred Equity - A-1 Preferred (3.00% PIK)		4,072,311	4,072,311	4,072,311	1.3%
		Equity - 57,300 Class B Units		—	57,300	9,825,804	3.1%
				35,541,066	35,598,366	45,366,870	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,166,292	1,166,292	1,166,292	0.4%
		Equity - 129,588 Class B Units		—	129,588	215,116	0.1%
				1,166,292	1,295,880	1,381,408	
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	6,670,000	6,670,000	6,670,000	2.1%
		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				**$ 105,921,827**	**$ 102,546,973**	**$ 100,640,804**	
Controlled Investments:[5]							
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	$ 30,252,541	$ 20,846,571	$ 12,657,663	3.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	13,604,437	9,686,866	5,692,096	1.8%
		Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[14]	9/25/2020	2,242,721	2,242,721	2,242,721	0.7%
		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%
				46,099,699	33,176,173	20,592,480	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	78,575,000	78,370,891	24.4%
				—	78,575,000	78,370,891	
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13]	11/9/2020	4,005,990	4,005,990	4,005,990	1.2%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	11,837,367	11,837,367	11,837,367	3.7%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	7,479,397	7,479,397	7,479,397	2.3%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				23,322,754	32,873,676	23,322,754	
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK)[10][16]	5/5/2019	29,590,984	22,880,599	—	0.0%
		Senior Secured First Lien Term Loan (8.00% PIK)[10]	5/5/2019	4,392,738	4,337,049	1,374,048	0.4%
		Unsecured Debt (8.00% PIK)[10]	7/24/2025	28,912,172	22,727,575	—	0.0%
		Equity - 5,055.56 Common Units		—	872,698	—	0.0%
				62,895,894	50,817,921	1,374,048	
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 0.00% Cash)[15]	12/31/2019	401,346	401,346	401,346	0.1%
		Unsecured Debt (10.00% Cash)[21]		360,000	360,000	360,000	0.1%
		Unsecured Debt (1.00% Cash)[22]		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% PIK, 2.00% LIBOR Floor)[14]	5/2/2022	15,112,754	15,112,754	15,112,754	4.7%
		Preferred Equity (12.00% PIK)		5,850,794	5,850,794	5,850,795	1.8%
		Equity - 397,466 Common Units		—	12,936,879	12,937,518	4.0%
				20,963,548	33,900,427	33,901,067	
Subtotal Controlled Investments				**$ 154,690,237**	**$ 233,421,693**	**$ 161,639,736**	
Total Investments, September 30, 2018				**$ 699,007,962**	**$ 764,686,443**	**$ 655,429,914**	204.1%

(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.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $17,795,949, $120,259,250, and $102,463,301, respectively. The tax cost basis of investments is $757,893,215 as of September 30, 2018.

(4) Percentage is based on net assets of $321,178,727 as of September 30, 2018.

(5) Control 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, 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 $29,502,323 and 9.2% of net assets as of September 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 September 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 September 30, 2018, 13.5% 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, 2018 was 2.24%.

(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, 2018 was 2.39%.

(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 September 30, 2018 was 5.25%.

(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, 2018 was 2.39%.

(17) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(18) This investment earns 0.75% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(19) This investment earns 1.00% commitment fee on all unused commitment as of September 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 September 30, 2018 (see Note 4).

(21) This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG 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.

(22) This investment shall convert to equity upon TPG Plastics, LLC obtaining all environmental and product testing 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.

(24) Investment changed its name from Imagine! Print Solutions, LLC during FY 2018.

(25) Investment changed its name from Impact Sales, LLC during FY 2018.

(26) Security is non-income producing.

See accompanying notes to consolidated financial statements.

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"), which is registered with the Securities and Exchange Commission (the "SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), pursuant to an investment management agreement. MCC Advisors is a wholly owned subsidiary of Medley LLC, which is controlled by Medley Management Inc. (NYSE: MDLY), a publicly traded asset management firm ("MDLY"), 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, MDLY, 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.

Agreements and Plans of Mergers

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, dated as of August 9, 2018, by and between the Company and Sierra (the "MCC Merger Agreement"), the Company will, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving entity (the "Combined Company") in the merger (the "MCC Merger"). Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive 0.8050 shares of the Sierra's common stock. Simultaneously, pursuant to the Agreement and Plan of Merger (the "MDLY Merger Agreement"), dated as of August 9, 2018, by and among MDLY, Sierra, and Sierra Management, Inc., a newly formed Delaware corporation and a wholly owned subsidiary of Sierra ("Merger Sub"), MDLY will, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the Merger (the "MDLY Merger" together with the MCC Merger, the "Mergers"), and MDLY's existing asset management business will continue to operate as a wholly owned subsidiary of the Combined Company. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to $3.44 per share. In addition, MDLY's stockholders will have the right to receive certain dividends and/or other payments. If the Mergers are successfully consummated, Sierra's common stock will be listed on the NYSE under the symbol "SRA" and the TASE, with such listings expected to be effective as of the closing date of the Mergers. Upon completion of the Mergers, the investment portfolios of the Company and Sierra would be combined, Merger Sub, as a successor to MDLY, would be a wholly owned subsidiary of the Combined Company, and the Combined Company would be internally managed by MCC Advisors, its wholly controlled adviser subsidiary.

The Mergers are subject to the satisfaction or waiver of closing conditions, including, but not limited to: (a) the approval of the MCC Merger and the MDLY Merger by the Sierra's stockholders by the affirmative vote of at least a majority of all its stockholders, the approval of the adoption of the MCC Merger Agreement by our stockholders, and the approval of the adoption of the MDLY Merger Agreement by MDLY's stockholders, voting separately at their respective special meetings; (b) the receipt of an exemptive order from the SEC, an exemptive application for which has been filed by Sierra, the Company and MDLY and certain of their subsidiaries; and (c) the approval by the SBA relating to the transfer of MCC's SBIC license. No assurance can be given that such SEC exemptive order will be issued or SBA approval will be received or that any of the other closing conditions will be satisfied or waived.

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 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, 2018. 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, 2019. 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

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, effective on October 1, 2018 using the modified retrospective method. Substantially all revenue streams are excluded from the scope of the new standard and the adoption of the standard had no material impact on the Company's consolidated financial statements.

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 months ended December 31, 2018 and 2017, the Company earned approximately $2.6 million and $3.2 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 months ended December 31, 2018 and 2017 was approximately $0.5 million and $1.8 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. There were no realized gains or losses related to non-cash restructuring transactions during the three months ended December 31, 2018 and 2017. 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. As of December 31, 2018, certain investments in eight portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $48.3 million, or 7.5% of the fair value of our portfolio. As of September 30, 2018, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $48.1 million, or 7.3% 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 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 October 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.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ("ASU 2018-13"). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. The Company is currently evaluating the potential impact of this guidance on the Company's consolidated financial statements and disclosures.

In October 2018, the SEC adopted amendments (the "Amendments") to certain disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, U.S. GAAP requirements, or changes in the information environment. In part, the Amendments require an investment company to present distributable earnings in total, rather than showing the three components of distributable earnings. The compliance date for the Amendments is for all filings on or after November 5, 2018. Management has adopted the Amendments and included the required disclosures in the Company's consolidated financial statements herein. Prior periods have been reclassified to conform to the current year presentation.

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. There is no provision for federal excise tax for the calendar year ended 2018 accrued at December 31, 2018. 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, and subsequently paid $157,922 in federal excise taxes.

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 December 31, 2018 and September 30, 2018, the Company did not record a deferred tax liability on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net realized and unrealized gain/(loss) on investments in the Consolidated Statements of Operations. For the three months ended December 31, 2018, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments. For the three months ended December 31, 2017, the change in provision for deferred taxes on the unrealized depreciation on investments was $0.1 million.

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 is now based on the new federal corporate tax rate of 21%. This estimate incorporates assumptions made based on the Taxable Subsidiaries' current interpretation of the Tax Act and may change, possibly materially, as the Company completes its analysis and receives 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 December 31, 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 December 31, 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	$ 452,249	64.0%	$ 392,307	61.0%
Senior Secured Second Lien Term Loans	37,460	5.3	36,462	5.7
Senior Secured First Lien Notes	20,000	2.8	19,268	3.0
Unsecured Debt	3,313	0.5	3,313	0.5
MCC Senior Loan Strategy JV I LLC	78,575	11.1	75,919	11.8
Equity/Warrants	115,529	16.3	115,610	18.0
Total	$ 707,126	100.0%	$ 642,879	100.0%

The composition of our investments as of September 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	$ 475,801	62.2%	$ 395,015	60.3%
Senior Secured Second Lien Term Loans	49,162	6.4	48,890	7.5
Senior Secured First Lien Notes	20,000	2.6	19,268	2.9
Unsecured Debt	26,108	3.4	3,381	0.5
MCC Senior Loan Strategy JV I LLC	78,575	10.3	78,371	11.9
Equity/Warrants	115,040	15.1	110,505	16.9
Total	$ 764,686	100.0%	$ 655,430	100.0%

In connection with certain of the Company’s investments, the Company receives warrants from certain portfolio companies for the objective of increasing total investment returns and are not held for hedging purposes. As of December 31, 2018 and September 30, 2018, the total fair value of warrants was $0.9 million and $1.0 million, respectively, and were included in investments at fair value on the Consolidated Statement of Assets and Liabilities. During the three months ended December 31, 2018 and 2017, the Company acquired additional warrants in one of its existing portfolio investments and one new warrant position, respectively.

Total unrealized depreciation related to warrants for the three months ended December 31, 2018 and 2017 was $0.1 million and $0.3 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 portfolio investments and are not subject to master netting arrangements.

The following table shows the portfolio composition by industry grouping at fair value at December 31, 2018 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 111,758	17.4%
Construction & Building	94,804	14.7
Multisector Holdings	75,919	11.8
High Tech Industries	63,290	9.8
Healthcare & Pharmaceuticals	45,099	7.0
Energy: Oil & Gas	37,273	5.8
Aerospace & Defense	36,563	5.7
Hotel, Gaming & Leisure	32,285	5.0
Containers, Packaging & Glass	28,783	4.5
Wholesale	20,438	3.2
Banking, Finance, Insurance & Real Estate	15,408	2.4
Consumer goods: Durable	15,308	2.4
Automotive	12,031	1.9
Capital Equipment	11,188	1.7
Services: Consumer	10,158	1.6
Metals & Mining	6,948	1.1
Consumer goods: Non-durable	6,104	1.0
Media: Broadcasting & Subscription	5,775	0.9
Chemicals, Plastics & Rubber	3,993	0.6
Environmental Industries	3,782	0.6
Media: Advertising, Printing & Publishing	2,644	0.4
Forest Products & Paper	2,628	0.4
Retail	700	0.1
Total	$ 642,879	100.0%

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

	Fair Value	Percentage
Services: Business	$ 95,021	14.5%
Construction & Building	92,850	14.2
Multisector Holdings	78,371	12.0
High Tech Industries	65,662	10.0
Healthcare & Pharmaceuticals	46,020	7.0
Energy: Oil & Gas	45,584	7.0
Aerospace & Defense	36,714	5.6
Hotel, Gaming & Leisure	32,487	5.0
Containers, Packaging & Glass	24,219	3.7
Banking, Finance, Insurance & Real Estate	22,587	3.4
Wholesale	18,515	2.8
Services: Consumer	16,940	2.6
Consumer goods: Durable	15,307	2.3
Automotive	13,027	2.0
Capital Equipment	12,944	2.0
Metals & Mining	8,814	1.3
Consumer goods: Non-durable	6,252	0.9
Retail	5,802	0.9
Media: Broadcasting & Subscription	5,703	0.9
Chemicals, Plastics & Rubber	4,078	0.6
Environmental Industries	3,283	0.5
Media: Advertising, Printing & Publishing	2,750	0.4
Forest Products & Paper	2,500	0.4
Total	$ 655,430	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.

The following table shows the portfolio composition by geographic location at fair value at December 31, 2018 (dollars in thousands):

	Fair Value	Percentage
West	$ 166,169	25.9%
Northeast	162,114	25.2
Midwest	116,182	18.1
Mid-Atlantic	68,434	10.6
Southeast	65,466	10.2
Southwest	64,514	10.0
Total	$ 642,879	100.0%

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

	Fair Value	Percentage
Northeast	$ 167,803	25.6%
West	155,519	23.7
Midwest	118,291	18.1
Southeast	76,676	11.7
Mid-Atlantic	71,962	11.0
Southwest	65,179	9.9
Total	$ 655,430	100.0%

Transactions With Affiliated/Controlled Companies

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 during the three months ended December 31, 2018 and 2017 were as follows:

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2018	Purchases/(Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at December 31, 2018	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	$ 8,984,232	$ —	$ —	$ —	$ —	$ 8,984,232	$ 169,687
	Senior Secured First Lien Term Loan B	19,725,217	734,779	—	(3,301,073)	—	17,158,923	759,184
	Revolving Credit Facility	3,593,693	(898,423)	—	—	—	2,695,270	56,753
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	5,876,279	—	—	3	—	5,876,282	—
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—
	Preferred Equity Series AAA	(172,800)	72,000	—	—	—	(100,800)	—
	Equity	—	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	2,882,800	—	—	109	—	2,882,909	—
	Senior Secured First Lien Delayed Draw Term Loan	503,105	—	—	—	—	503,105	9,380
	Equity	—	—	—	—	—	—	—
Caddo Investors Holdings 1 LLC	Equity	2,500,000	20,842	—	107,388	—	2,628,230	(61,927)
JFL-NGS Partners, LLC	Preferred Equity A-2	31,468,755	—	—	—	—	31,468,755	237,956
	Preferred Equity A-1	4,072,311	—	—	—	—	4,072,311	30,793
	Equity	9,825,804	—	—	1,131,102	—	10,956,906	—

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2018	Purchases/(Sales) of or Advances/ (Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at December 31, 2018	Income Earned
JFL-WCS Partners, LLC	Preferred Equity Class A	1,166,292	—	—	—	—	1,166,292	17,638
	Equity	215,116	—	—	470,404	—	685,520	—
Path Medical, LLC	Senior Secured First Lien Term Loan	—	568,593	7,821,824	(144,729)	—	8,245,688	244,223
	Senior Secured First Lien Term Loan A	—	190,477	2,808,500	(158,046)	—	2,840,931	78,721
	Senior Secured First Lien Term Loan C	—	688,926	—	—	—	688,926	14,383
	Equity	—	—	499,751	(499,751)	—	—	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	166,750
	Equity	3,330,000	—	—	—	—	3,330,000	—
Total Affiliated Investments		$ 100,640,804	$ 1,377,194	$ 11,130,075	$ (2,394,593)	$ —	$ 110,753,480	$ 1,723,541
Controlled Investments								
Capstone Nutrition	Senior Secured First Lien Term Loan	$ 12,657,663	$ —	$ —	$ 41,238	$ —	$ 12,698,901	$ —
	Senior Secured First Lien Delayed Draw Term Loan	5,692,096	—	—	18,545	—	5,710,641	—
	Senior Secured First Lien Incremental Delayed Draw	2,242,721	84,625	—	—	—	2,327,346	87,832
	Equity - Class B and C Units	—	—	—	—	—	—	—
	Equity - Common Units	—	—	—	—	—	—	—
MCC Senior Loan Strategy JV I LLC[1][2]	Equity	78,370,891	—	—	(2,451,618)	—	75,919,273	2,100,000
NVTN LLC	Senior Secured First Lien Term Loan	4,005,990	—	—	—	—	4,005,990	64,489
	Senior Secured First Lien Term Loan B	11,837,367	467,729	—	—	—	12,305,096	356,304
	Senior Secured First Lien Term Loan C	7,479,397	90,657	—	(460,729)	—	7,109,325	—
	Equity	—	—	—	—	—	—	—
OmniVere, LLC	Senior Secured First Lien Term Loan	—	—	—	22,880,599	(22,880,599)	—	(2,822)
	Senior Secured First Lien Term Loan	1,374,048	661,225	—	2,963,001	(4,998,274)	—	—
	Unsecured Debt	—	—	—	22,727,575	(22,727,575)	—	(2,205)
	Equity	—	—	—	872,698	(872,698)	—	—
TPG Plastics LLC	Senior Secured Second Lien Term Loan	401,346	(18,261)	—	—	—	383,085	5,179
	Unsecured Debt	360,000	(8,280)	—	—	(59,410)	292,310	6,533
	Unsecured Debt	646,996	—	—	—	—	646,996	1,631
	Equity	2,670,154	—	—	—	—	2,670,154	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	15,112,754	1,146,639	—	—	—	16,259,393	412,026
	Preferred Equity	5,850,795	702,095	—	—	—	6,552,890	177,197
	Equity	12,937,518	—	—	—	—	12,937,518	—
Total Controlled Investments		$ 161,639,736	$ 3,126,429	$ —	$ 46,591,309	$ (51,538,556)	$ 159,818,918	$ 3,206,164

Name of Investment[3]	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 December 31, 2017	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC[4]	Senior Secured First Lien Term Loan A	$ 8,984,232	$ —	$ —	$ —	$ —	$ 8,984,232	$ 145,390
	Senior Secured First Lien Term Loan B	19,746,290	623,111	—	(143,791)	—	20,225,610	626,037
	Revolving Credit Facility	—	539,054	—	—	—	539,054	4,333
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	8,340,525	105,859	—	—	—	8,446,384	212,657
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—
	Preferred Equity Series AAA	43,200	169,600	—	(64,000)	—	148,800	—
	Equity	—	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	7,719,520	—	—	236,534	—	7,956,054	—
	Senior Secured First Lien Delayed Draw Term Loan	668,105	—	—	—	—	668,105	10,716
	Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	30,552,190	—	—	—	—	30,552,190	231,025
	Preferred Equity A-1	3,953,700	—	—	—	—	3,953,700	29,896
	Equity	63,603	—	—	4,254,525	—	4,318,128	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	166,750
	Equity	3,330,000	—	—	—	—	3,330,000	—
Total Affiliated Investments		$ 90,071,365	$ 1,437,624	$ —	$ 4,283,268	$ —	$ 95,792,257	$ 1,426,804
Controlled Investments								
Capstone Nutrition	Senior Secured First Lien Term Loan	18,002,715	—	—	(1,946,314)	—	16,056,401	—
	Senior Secured First Lien Delayed Draw Term Loan	7,789,760	—	—	(842,169)	—	6,947,591	—
	Equity - Class B and C Units	—	—	—	—	—	—	—
	Equity - Common Units	—	—	—	—	—	—	—
MCC Senior Loan Strategy JV I LLC[1][2]	Equity	56,137,946	10,675,000	—	592,657	—	67,405,603	1,443,750
NVTN LLC	Senior Secured First Lien Term Loan	3,505,990	—	—	—	—	3,505,990	47,284
	Senior Secured First Lien Term Loan B	10,604,502	283,651	—	—	—	10,888,153	290,458
	Senior Secured First Lien Term Loan C	6,518,046	220,564	—	—	—	6,738,610	226,221
	Equity	9,550,922	—	—	—	—	9,550,922	—
OmniVere LLC	Senior Secured First Lien Term Loan	24,500,205	—	—	(6,808,667)	—	17,691,538	—
	Senior Secured First Lien Term Loan	1,409,669	620,032	—	—	—	2,029,701	35,366
	Unsecured Debt	—	—	—	—	—	—	—
	Equity	—	—	—	—	—	—	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	14,966,563	—	—	—	—	14,966,563	382,479
	Preferred Equity	5,500,000	350,795	—	—	—	5,850,795	166,472
	Equity	12,937,518	—	—	—	—	12,937,518	—
Total Controlled Investments		$ 171,423,836	$ 12,150,042	$ —	$ (9,004,493)	$ —	$ 174,569,385	$ 2,592,030

(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 fiscal year ended 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 three months ended December 31, 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 three months ended December 31, 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. As of December 31, 2018, there were four participation agreements outstanding with an aggregate fair value of $21.7 million. As of September 30, 2018, there were four participation agreements outstanding with an aggregate fair value of $22.0 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 months ended December 31, 2018 and 2017, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of $1.0 million and $2.0 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 December 31, 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 December 31, 2018 relating to these commitments, of which $78.6 million was from the Company. As of December 31, 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 December 31, 2018 and September 30, 2018, there was approximately $179.3 million outstanding under the JV Facility, respectively.

At December 31, 2018 and September 30, 2018, MCC JV had total investments at fair value of $248.8 million and $251.9 million, respectively. As of December 31, 2018 and September 30, 2018, MCC JV's portfolio was comprised of senior secured first lien term loans to 57 and 56 borrowers, respectively. As of December 31, 2018, MCC JV did not have any investments on non-accrual status. As of September 30, 2018, 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 December 31, 2018 and September 30, 2018:

	December 31, 2018	September 30, 2018
Senior secured loans[1]	$ 253,251,203	$ 256,547,053
Weighted average current interest rate on senior secured loans[2]	7.58%	7.39%
Number of borrowers in MCC JV	57	56
Largest loan to a single borrower[1]	$ 11,058,001	$ 11,115,786
Total of five largest loans to borrowers[1]	$ 46,921,803	$ 47,982,607

(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.

MCC JV Loan Portfolio as of December 31, 2018
(unaudited)

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[3]
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	6/7/2022	$ 11,058,001	$ 11,058,001	$ 10,803,667	12.5%
				11,058,001	11,058,001	10,803,667	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	11/22/2023	2,935,344	2,929,424	2,871,940	3.3%
				2,935,344	2,929,424	2,871,940	
Avantor, Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	11/21/2024	5,694,739	5,640,341	5,505,104	6.4%
				5,694,739	5,640,341	5,505,104	
BW NHHC HOLDCO INC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	5/15/2025	5,221,131	5,149,439	5,081,727	5.9%
				5,221,131	5,149,439	5,081,727	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	11/29/2023	5,390,000	5,352,169	5,280,583	6.1%
				5,390,000	5,352,169	5,280,583	
CD&R TZ Purchaser, Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2023	3,419,377	3,385,759	3,281,576	3.8%
				3,419,377	3,385,759	3,281,576	
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	4/10/2025	1,364,384	1,358,255	1,360,973	1.6%
				1,364,384	1,358,255	1,360,973	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	10/4/2024	9,907,386	9,886,904	9,808,312	11.3%
				9,907,386	9,886,904	9,808,312	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	12/1/2021	4,164,265	4,077,668	3,918,574	4.5%
				4,164,265	4,077,668	3,918,574	
Deliver Buyer, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	5/1/2024	530,640	529,418	530,640	0.6%
				530,640	529,418	530,640	
Elite Comfort Solutions, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	1/15/2021	5,431,849	5,431,849	5,431,849	6.3%
				5,431,849	5,431,849	5,431,849	
Envision Healthcare Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	10/10/2025	1,975,000	1,903,787	1,903,505	2.2%
				1,975,000	1,903,787	1,903,505	
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	8/1/2025	2,182,031	2,161,444	2,138,391	2.5%
				2,182,031	2,161,444	2,138,391	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[3]
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	1/20/2021	2,931,298	2,924,061	2,636,702	3.0%
				2,931,298	2,924,061	2,636,702	
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	12/23/2024	4,937,688	4,921,804	4,886,336	5.6%
				4,937,688	4,921,804	4,886,336	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/20/2023	7,227,035	7,227,035	7,227,035	8.3%
				7,227,035	7,227,035	7,227,035	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/30/2022	1,828,125	1,811,505	1,685,348	1.9%
				1,828,125	1,811,505	1,685,348	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[1]	4/26/2025	4,097,059	4,084,793	3,976,605	4.6%
				4,097,059	4,084,793	3,976,605	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	6/21/2022	7,860,000	7,804,967	7,327,092	8.4%
				7,860,000	7,804,967	7,327,092	
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	4/3/2023	4,912,500	4,877,424	4,843,725	5.6%
				4,912,500	4,877,424	4,843,725	
Intermedia Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2025	3,000,000	2,971,669	2,994,000	3.5%
				3,000,000	2,971,669	2,994,000	
Isagenix International, LLC	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	6/16/2025	2,900,625	2,885,606	2,864,077	3.3%
				2,900,625	2,885,606	2,864,077	
Jackson Hewitt Tax Services Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	4/20/2023	5,962,500	5,962,500	5,962,500	6.9%
				5,962,500	5,962,500	5,962,500	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	5/1/2024	6,209,863	6,120,389	6,149,006	7.1%
				6,209,863	6,120,389	6,149,006	
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	4/26/2024	4,967,509	4,891,840	4,868,159	5.6%
				4,967,509	4,891,840	4,868,159	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/18/2022	5,272,436	5,251,526	5,289,835	6.1%
				5,272,436	5,251,526	5,289,835	
Loparex International B.V.	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	4/11/2025	6,633,334	6,603,510	6,600,167	7.6%
				6,633,334	6,603,510	6,600,167	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[(2)]	% of Net Assets[(3)]
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[(1)]	12/8/2023	3,052,500	3,052,500	2,978,935	3.4%
		Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[(1)]	12/8/2023	376,167	376,167	367,101	0.4%
				3,428,667	3,428,667	3,346,036	
Midcoast Energy, LLC	Energy: Oil & gas	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[(1)]	8/1/2025	3,990,000	3,952,413	3,870,300	4.5%
				3,990,000	3,952,413	3,870,300	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[(1)]	7/14/2022	2,980,126	2,975,137	2,965,226	3.4%
				2,980,126	2,975,137	2,965,226	
NGS US Finco, LLC	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[(1)]	10/1/2025	3,000,000	2,985,529	2,985,000	3.4%
				3,000,000	2,985,529	2,985,000	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[(1)]	3/28/2025	4,218,125	4,199,231	4,098,330	4.7%
				4,218,125	4,199,231	4,098,330	
Nuvei Technologies Corp.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	9/25/2025	388,341	388,341	384,458	0.4%
		Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	9/25/2025	309,778	309,778	306,680	0.4%
		Senior Secured First Lien Delayed Draw Term Loan (Prime + 3.50%)[(1)]	9/25/2025	3,869,612	3,832,267	3,830,916	4.4%
				4,567,731	4,530,386	4,522,054	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[(1)]	4/29/2024	3,432,576	3,419,468	3,374,908	3.9%
				3,432,576	3,419,468	3,374,908	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[(1)]	8/19/2022	6,395,472	6,380,856	6,336,634	7.3%
				6,395,472	6,380,856	6,336,634	
Plaskolite PPC Intermediate II LLC	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[(1)]	12/13/2025	3,250,000	3,185,107	3,185,000	3.7%
				3,250,000	3,185,107	3,185,000	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[(1)]	4/3/2024	3,064,886	3,037,807	3,064,886	3.5%
				3,064,886	3,037,807	3,064,886	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[(1)]	11/30/2021	4,875,423	4,875,423	4,774,502	5.5%
				4,875,423	4,875,423	4,774,502	
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[(1)]	8/3/2024	1,987,292	1,977,929	1,977,356	2.3%
				1,987,292	1,977,929	1,977,356	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[(2)]	% of Net Assets[(3)]
Recorded Books Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	8/29/2025	3,990,000	3,951,841	3,950,100	4.6%
				3,990,000	3,951,841	3,950,100	
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[(1)]	5/25/2023	4,967,455	4,942,903	4,917,780	5.7%
				4,967,455	4,942,903	4,917,780	
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor)[(1)]	2/3/2025	3,448,938	3,441,420	3,371,681	3.9%
				2,481,281	2,413,804	2,431,656	2.8%
				5,930,219	5,855,224	5,803,337	
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[(1)]	2/28/2022	2,701,786	2,667,323	2,717,186	3.1%
				2,701,786	2,667,323	2,717,186	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[(1)]	10/30/2022	2,793,777	2,772,865	2,762,766	3.2%
				2,793,777	2,772,865	2,762,766	
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	11/29/2024	9,900,000	9,858,087	9,764,370	11.3%
				9,900,000	9,858,087	9,764,370	
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[(1)]	11/11/2024	5,198,833	5,184,567	5,133,328	5.9%
				5,198,833	5,184,567	5,133,328	
SMB Shipping Logistics, LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[(1)]	2/5/2024	302,631	299,838	301,118	0.3%
				2,184,710	2,164,542	2,173,787	2.5%
				2,487,341	2,464,380	2,474,905	
Starfish Holdco, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	8/16/2024	3,945,137	3,917,156	3,891,878	4.5%
				3,945,137	3,917,156	3,891,878	
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[(1)]	3/9/2023	3,965,012	3,931,610	3,752,488	4.3%
				3,965,012	3,931,610	3,752,488	
The KEYW Corporation	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[(1)]	5/8/2024	2,697,674	2,685,573	2,684,186	3.1%
				2,697,674	2,685,573	2,684,186	
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[(1)]	5/28/2021	4,382,706	4,382,706	4,376,570	5.0%
				4,382,706	4,382,706	4,376,570	
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[(1)]	10/11/2024	5,723,120	5,710,430	5,652,726	6.5%
				5,723,120	5,710,430	5,652,726	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[3]
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[1]	1/31/2025	2,456,438	2,445,735	2,456,438	2.8%
				2,456,438	2,445,735	2,456,438	
United Road Services, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	9/1/2024	3,850,000	3,834,040	3,826,900	4.4%
				3,850,000	3,834,040	3,826,900	
Wheels Up Partners LLC	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor)[1]	10/15/2021	4,242,746	4,151,149	4,168,073	4.8%
				4,242,746	4,151,149	4,168,073	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	2/12/2024	8,196,417	8,196,417	8,196,417	9.4%
				8,196,417	8,196,417	8,196,417	
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	9/29/2022	2,618,125	2,618,125	2,573,093	3.0%
				2,618,125	2,618,125	2,573,093	
Total Investments, December 31, 2018				**$ 253,251,203**	**$ 251,721,171**	**$ 248,830,201**	286.8%

(1) Represents the annual current interest rate as of December 31, 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) Percentage is based on MCC JV’s net assets of $89,764,883 as of December 31, 2018.

MCC JV Loan Portfolio as of September 30, 2018

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	6/7/2022	$ 11,115,786	$ 11,115,786	$ 11,115,786	12.4%
				11,115,786	11,115,786	11,115,786	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	11/22/2023	2,942,775	2,936,535	2,942,775	3.3%
				2,942,775	2,936,535	2,942,775	
Avantor, Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	11/21/2024	5,528,200	5,455,199	5,583,482	6.2%
				5,528,200	5,455,199	5,583,482	
BW NHHC HOLDCO INC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%)[1]	5/15/2025	6,284,250	6,184,580	6,170,505	6.9%
				6,284,250	6,184,580	6,170,505	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	11/29/2023	5,403,750	5,363,877	5,402,669	6.0%
				5,403,750	5,363,877	5,402,669	
CD&R TZ Purchaser, Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2023	3,428,127	3,392,563	3,370,192	3.8%
				3,428,127	3,392,563	3,370,192	
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	4/10/2025	2,867,813	2,854,412	2,853,473	3.2%
				2,867,813	2,854,412	2,853,473	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.50%)[1]	10/4/2024	7,634,615	7,613,184	7,584,990	8.5%
		Delayed Draw Term Loan (LIBOR + 4.50%)[1]	10/4/2024	2,297,782	2,297,782	2,282,846	2.5%
				9,932,397	9,910,966	9,867,836	
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	242,807	213,451	41,301	0.0%
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	1,826,953	717,016	—	0.0%
		Senior Secured First Lien Term Loan D (ABR + 7.00% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	1,038,290	—	—	0.0%
		Equity - 41 Common Units	4/1/2019	—	—	—	0.0%
				3,108,050	930,467	41,301	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	12/1/2021	4,175,053	4,080,739	4,064,414	4.5%
				4,175,053	4,080,739	4,064,414	
Deliver Buyer, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	5/1/2024	531,987	530,704	530,657	0.6%
				531,987	530,704	530,657	
DigiCert, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	10/31/2024	1,488,750	1,482,238	1,488,750	1.7%
				1,488,750	1,482,238	1,488,750	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Elite Comfort Solutions, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	1/15/2021	5,507,602	5,507,602	5,507,602	6.1%
				5,507,602	5,507,602	5,507,602	
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	8/1/2025	3,750,000	3,713,265	3,712,500	4.1%
				3,750,000	3,713,265	3,712,500	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	1/20/2021	2,938,931	2,930,787	2,656,794	3.0%
				2,938,931	2,930,787	2,656,794	
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	12/23/2024	4,950,125	4,933,531	4,950,125	5.5%
				4,950,125	4,933,531	4,950,125	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/20/2023	8,792,361	8,792,361	8,792,361	9.9%
				8,792,361	8,792,361	8,792,361	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/30/2022	1,820,455	1,802,712	1,694,479	1.9%
		Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/30/2022	12,358	12,238	11,503	0.0%
				1,832,813	1,814,950	1,705,982	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[1]	4/26/2025	4,107,353	4,094,567	4,114,746	4.6%
				4,107,353	4,094,567	4,114,746	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	6/21/2022	7,880,000	7,820,824	7,437,932	8.3%
				7,880,000	7,820,824	7,437,932	
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	4/3/2023	4,925,000	4,887,744	4,905,300	5.5%
				4,925,000	4,887,744	4,905,300	
Intermedia Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2025	3,000,000	2,970,580	2,970,000	3.3%
				3,000,000	2,970,580	2,970,000	
Isagenix International, LLC	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	6/16/2025	2,937,813	2,922,007	2,894,920	3.2%
				2,937,813	2,922,007	2,894,920	
Jackson Hewitt Tax Services Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	5/31/2023	6,000,000	6,000,000	6,000,000	6.7%
				6,000,000	6,000,000	6,000,000	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	5/1/2024	6,225,584	6,131,648	6,194,456	6.9%
				6,225,584	6,131,648	6,194,456	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	4/26/2024	4,999,557	4,919,799	4,960,560	5.5%
				4,999,557	4,919,799	4,960,560	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/18/2022	5,423,077	5,400,078	5,450,192	6.1%
				5,423,077	5,400,078	5,450,192	
Loparex International B.V.	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	4/11/2025	6,650,000	6,615,014	6,716,500	7.5%
				6,650,000	6,615,014	6,716,500	
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	12/8/2023	3,060,208	3,060,208	3,049,498	3.4%
		Delayed Draw Term Loan (LIBOR + 6.00%)[1]	12/8/2023	376,167	376,167	374,850	0.4%
				3,436,375	3,436,375	3,424,348	
Midcoast Energy, LLC	Energy: Oil & gas	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/1/2025	4,000,000	3,960,877	4,005,200	4.5%
				4,000,000	3,960,877	4,005,200	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	7/14/2022	4,557,382	4,549,251	4,557,382	5.1%
				4,557,382	4,549,251	4,557,382	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	3/28/2025	4,228,750	4,209,044	4,207,606	4.7%
				4,228,750	4,209,044	4,207,606	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	4/29/2024	3,441,288	3,427,525	3,441,288	3.8%
				3,441,288	3,427,525	3,441,288	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	8/19/2022	4,911,410	4,911,410	4,911,410	5.5%
				4,911,410	4,911,410	4,911,410	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	4/3/2024	6,160,625	6,103,585	6,099,019	6.8%
				6,160,625	6,103,585	6,099,019	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	11/30/2021	4,875,423	4,875,423	4,807,655	5.4%
				4,875,423	4,875,423	4,807,655	
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	8/3/2024	1,992,273	1,982,463	1,982,311	2.2%
				1,992,273	1,982,463	1,982,311	
Recorded Books Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.50%)[1]	8/29/2025	4,000,000	3,960,299	3,960,299	4.4%
				4,000,000	3,960,299	3,960,299	
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	5/25/2023	5,205,684	5,173,271	5,212,452	5.8%
				5,205,684	5,173,271	5,212,452	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor)[1]	2/3/2025	3,457,625 3,457,625	3,449,777 3,449,777	3,457,625 3,457,625	3.9%
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	2/28/2022	2,720,536 2,720,536	2,683,070 2,683,070	2,720,808 2,720,808	3.0%
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	10/30/2022	3,904,564 3,904,564	3,873,416 3,873,416	3,904,564 3,904,564	4.4%
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	11/29/2024	9,925,000 9,925,000	9,881,191 9,881,191	9,925,000 9,925,000	11.1%
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	11/11/2024	5,211,928 5,211,928	5,196,997 5,196,997	5,191,602 5,191,602	5.8%
SMB Shipping Logistics, LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	2/5/2024	2,493,671 2,493,671	2,469,513 2,469,513	2,468,734 2,468,734	2.8%
Starfish Holdco, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	8/16/2024	3,955,025 3,955,025	3,921,489 3,921,489	3,955,025 3,955,025	4.4%
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	3/9/2023	4,975,000 4,975,000	4,930,568 4,930,568	4,975,000 4,975,000	5.6%
The KEYW Corporation	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	5/8/2024	3,337,209 3,337,209	3,321,534 3,321,534	3,305,172 3,305,172	3.7%
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	5/28/2021	4,923,664 4,923,664	4,923,664 4,923,664	4,923,664 4,923,664	5.5%
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	10/11/2024	4,987,500 4,987,500	4,974,219 4,974,219	5,001,964 5,001,964	5.6%
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	1/31/2025	2,462,625 2,462,625	2,451,451 2,451,451	2,462,625 2,462,625	2.7%
United Road Services, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	9/1/2024	3,880,000 3,880,000	3,863,202 3,863,202	3,880,000 3,880,000	4.3%
Vertex Aerospace Services Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 4.75%)[1]	6/29/2025	1,496,250 1,496,250	1,488,975 1,488,975	1,511,213 1,511,213	1.7%

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Wheels Up Partners LLC	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor)[1]	10/15/2021	4,437,529	4,333,078	4,380,729	4.9%
				4,437,529	4,333,078	4,380,729	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	2/12/2024	8,217,063	8,217,063	8,217,063	9.2%
				8,217,063	8,217,063	8,217,063	
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	9/29/2022	2,625,500	2,625,500	2,622,349	2.9%
				2,625,500	2,625,500	2,622,349	
Total Investments, September 30, 2018				**$ 256,547,053**	**$ 252,887,053**	**$ 251,913,917**	281.2%

(1) Represents the annual current interest rate as of September 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 September 30, 2018.

(4) Percentage is based on MCC JV's net assets of $89,580,037 as of September 30, 2018.

Below is certain summarized financial Information for MCC JV as of December 31, 2018 and September 30, 2018, and for the three months ended December 31, 2018 and 2017:

	December 31, 2018 (unaudited)	September 30, 2018
Selected Consolidated Statement of Assets and Liabilities Information:		
Investments in loans at fair value (cost: of $251,721,171 and $252,887,053, respectively)	$ 248,830,201	$ 251,913,920
Cash	15,994,362	14,035,722
Other assets	1,027,749	2,614,208
Total assets	$ 265,852,312	$ 268,563,850
Line of credit (net of debt issuance costs of $1,300,221 and $1,408,462, respectively)	$ 177,979,779	$ 177,871,538
Other liabilities	282,490	379,030
Interest payable	825,160	733,245
Total liabilities	179,087,429	178,983,813
Members' capital	86,764,883	89,580,037
Total liabilities and members' capital	$ 265,852,312	$ 268,563,850

	For the three months ended December 31	
	2018	2017
	(unaudited)	(unaudited)
Selected Consolidated Statement of Operations Information:		
Total revenues	$ 4,977,270	$ 3,862,003
Total expenses	(2,683,092)	(1,931,382)
Net unrealized appreciation/(depreciation)	(1,917,837)	(53,471)
Net realized gain/(loss)	(791,494)	432,965
Net income/(loss)	$ (415,153)	$ 2,310,115

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%. 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 December 31, 2018, excluding MCC JV, the Company had no single Control Investment which would be deemed to be a significant subsidiary pursuant to Rule 10-01(b)(1) of Regulation S-X.

The Company also 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 December 31, 2018 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 392,307	$ 392,307
Senior Secured Second Lien Term Loans	—	—	36,462	36,462
Senior Secured First Lien Notes	—	—	19,268	19,268
Unsecured Debt	—	—	3,313	3,313
Equity/Warrants	—	—	115,610	115,610
Total	$ —	$ —	$ 566,960	$ 566,960
MCC Senior Loan Strategy JV I LLC[(1)]				75,919
Total Investments, at fair value				$ 642,879

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

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 395,015	$ 395,015
Senior Secured Second Lien Term Loans	—	—	48,890	48,890
Senior Secured First Lien Notes	—	—	19,268	19,268
Unsecured Debt	—	—	3,381	3,381
Equity/Warrants	—	50	110,455	110,505
Total	$ —	$ 50	$ 577,009	$ 577,059
MCC Senior Loan Strategy JV I LLC[(1)]				78,371
Total Investments, at fair value				$ 655,430

(1) Certain investments that are measured at fair value using NAV have not been categorized in the fair value 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.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 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, 2018	$ 395,015	$ 48,890	$ 19,268	$ 3,381	$ 110,455	$ 577,009
Purchases and other adjustments to cost	2,797	398	—	—	1,292	4,487
Originations	37,651	750	—	—	72	38,473
Sales	(25,924)	(10,841)	—	—	—	(36,765)
Settlements	(4,891)	(2,131)	—	(9)	(1)	(7,032)
Net realized gains/(losses) from investments	(33,185)	122	—	(22,787)	(873)	(56,723)
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	20,844	(726)	—	22,728	4,665	47,511
Balance as of December 31, 2018	$ 392,307	$ 36,462	$ 19,268	$ 3,313	$ 115,610	$ 566,960

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 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, 2017	$ 537,163	$ 135,826	$ 20,478	$ —	$ 80,260	$ 773,727
Purchases and other adjustments to cost	2,641	10,335	3	—	728	13,707
Originations	44,271	—	—	—	17,450	61,721
Sales	(4,850)	—	—	—	—	(4,850)
Settlements	(6,580)	(36,429)	—	—	—	(43,009)
Net realized gains/(losses) from investments	(150)	9	—	—	—	(141)
Net transfers in and/or out of Level 3	—	—	7,067	—	—	7,067
Net unrealized gains/(losses)	(40,187)	(3,437)	(128)	—	3,972	(39,780)
Balance as of December 31, 2017	$ 532,308	$ 106,304	$ 27,420	$ —	$ 102,410	$ 768,442

Net change in unrealized loss included in earnings related to investments still held as of December 31, 2018 and 2017 was approximately $8.5 million and $39.2 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 quarter in which the reclassifications occur. During the three months ended December 31, 2018, none of our investments transferred in or out of Level 3. During the three months ended December 31, 2017, one of our senior secured first lien notes with a fair value of $7.0 million transferred from Level 2 to Level 3 because of the decrease in availability of the transaction data or the inputs to the valuation.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of December 31, 2018 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 148,290	Income Approach (DCF)	Market Yield	7.30% - 17.93% (10.99%)
Senior Secured First Lien Term Loans	110,757	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate Expected Proceeds	0.75x - 1.35x (0.87x) 3.50x - 6.75x (6.44x) 10.00% - 18.00% (16.74%) $0.5M - $102.5M ($36.4M)
Senior Secured First Lien Term Loans	133,260	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	19,268	Income Approach (DCF)	Market Yield	15.42%
Senior Secured Second Lien Term Loans	15,860	Income Approach (DCF)	Market Yield	11.88% - 15.24% (13.35%)
Senior Secured Second Lien Term Loans	4,343	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured Second Lien Term Loans	16,259	Market Approach (Guideline Comparable)/Income Approach (DCF)	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate	0.60x - 0.80x (0.70x) 6.75x - 7.75x (7.25x) 15.50% - 17.50% (16.50%)
Unsecured Debt	3,313	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	98,099	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis/Option Model	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate Expected Proceeds Volatility	0.70x - 1.35x (0.70x) 3.50x - 12.50x (8.50x) 10.00% - 21.50% (15.92%) $3.0M - $86.0M ($47.5M) 50.00% - 50.00% (50.00%)
Equity	10,713	Income Approach (DCF)	Market Yield	13.31%
Equity	2,628	Net Asset Value (NAV)	Net Asset Value (NAV)	N/A
Equity	4,170	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Total	**$ 566,960**			

The following table has been modified to conform to the current year presentation, and presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2018 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 175,233	Income Approach (DCF)	Market Yield	7.18% - 16.87% (10.80%)
Senior Secured First Lien Term Loans	113,178	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate Expected Proceeds	0.75x - 1.35x (0.87x) 3.50x - 7.00x (5.93x) 10.00% - 18.00% (16.77%) $0.0M - $127.5M ($76.8M)
Senior Secured First Lien Term Loans	106,604	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	19,268	Income Approach (DCF)	Market Yield	14.17%
Senior Secured Second Lien Term Loans	33,376	Income Approach (DCF)	Market Yield	8.99% - 14.17% (11.29%)
Senior Secured Second Lien Term Loans	15,113	Market Approach (Guideline Comparable)/Income Approach (DCF)	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate	0.60x - 0.80x (0.70x) 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	—	Enterprise Value Analysis	Expected Proceeds	$0.0M - $0.0M ($0.0M)
Unsecured Debt	3,381	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	6,678	Income Approach (DCF)	Market Yield	8.75%
Equity	97,107	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate Expected Proceeds	0.70x - 1.35x (0.69x) 4.50x - 13.00x (9.60x) 10.00% - 21.50% (14.79%) $0.0M - $5.7M ($0.0M)
Equity	6,670	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Total	**$ 577,009**			

(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 December 31, 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.

However, in March 2018, the Small Business Credit Availability Act modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements are met. Under the 1940 Act, 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 1940 Act 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. 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.

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 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 December 31, 2018 and September 30, 2018 was as follows (dollars in thousands):

	December 31, 2018				September 30, 2018			
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value
2021 Notes	$ 74,013	$ 74,013	$ 74,013	$ 73,175	$ 74,013	$ 74,013	$ 74,013	$ 74,960
2023 Notes	77,847	77,847	77,847	77,068	89,847	89,847	89,847	89,128
2024 Notes	120,156	120,156	120,156	79,243	121,276	121,276	121,276	112,993
SBA Debentures	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Total	$ 407,016	$ 407,016	$ 407,016	$ 364,486	$ 420,136	$ 420,136	$ 420,136	$ 412,081

Credit Facilities

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 resulted in 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 resulted in 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 had 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 was LIBOR (with no minimum) plus 2.75% and had a revolving period that was to end 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.

On September 28, 2018, the Company voluntarily satisfied and terminated the commitments under the Revolving Credit Facility in accordance with its terms. The termination was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $1.0 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

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 months ended December 31, 2018 and 2017 (dollars in thousands):

	For the three months ended December 31	
	2018	2017
Revolving Facility interest	$ —	$ 410
Revolving Facility commitment fee	—	410
Term Facility interest	—	1,122
Amortization of debt issuance costs	—	252
Agency and other fees	—	18
Total	$ —	$ 2,212
Weighted average stated interest rate	—%	4.3%
Weighted average outstanding balance	$ —	$ 141,402

Unsecured Notes

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 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 resulted in a realized loss of $0.3 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

On December 31, 2018, the Company redeemed $12.0 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 resulted in a realized loss of $0.2 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 $121.3 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 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 5.55% 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.

During the three months ended December 31, 2018, the Company exchanged $1.0 million United States Dollars to New Israeli Shekels at a rate of 3.73 USD/NIS in order to repurchase the 2024 Notes on the TASE. As the 2024 Notes were trading below par at the time of the repurchase, and the USD/NIS (foreign currency) spot rate was higher than the fixed exchange rate agreed upon in the Deed of Trust, the Company was able to repurchase and retire 3,812,000 units, which resulted in $1,119,201 aggregate principal amount of the 2024 Notes being retired. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized gain of $0.1 million and was recorded on the Consolidated Statements of Operations as a gain on extinguishment of debt which was netted against the $0.2 million loss on extinguishment of debt we realized from the 2023 Notes mentioned above.

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 December 31, 2018 and September 30, 2018, 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 December 31, 2018 and September 30, 2018, debt issuance costs related to the Unsecured Notes were as follows (dollars in thousands):

	December 31, 2018				September 30, 2018			
	2021 Notes	2023 Notes	2024 Notes	Total	2021 Notes	2023 Notes	2024 Notes	Total
Total Debt Issuance Costs	$ 3,226	$ 3,102	$ 6,287	$ 12,615	$ 3,226	$ 3,102	$ 6,287	$ 12,615
Amortized Debt Issuance Costs	1,915	1,919	1,351	5,185	1,756	1,656	965	4,377
Unamortized Debt Issuance Costs	$ 1,311	$ 1,183	$ 4,936	$ 7,430	$ 1,470	$ 1,446	$ 5,322	$ 8,238

For the three months ended December 31, 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 December 31	
	2018	2017
2021 Unsecured Notes interest	$ 1,203	$ 1,203
2023 Unsecured Notes interest	1,378	1,575
2023 Unsecured Notes premium	(1)	(1)
2024 Unsecured Notes interest	1,521	N/A
Amortization of debt issuance costs	579	251
Total	$ 4,680	$ 3,028
Weighted average stated interest rate	5.7%	6.2%
Weighted average outstanding balance	$ 284,920	$ 176,860

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 ("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 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 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 September 1, 2018, the Company repaid $15.0 million in aggregate principal amount of the SBA Debentures. The repayment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

As of December 31, 2018 and September 30, 2018, SBIC LP had $75.0 million in regulatory capital and had $135.0 million SBA Debentures outstanding that mature between March 2024 and September 2025.

Our fixed-rate SBA Debentures as of December 31, 2018 and September 30, 2018 were as follows (dollars in thousands):

	December 31, 2018		September 30, 2018	
Rate Fix Date	Debenture Amount	Fixed All-in Interest Rate	Debenture Amount	Fixed All-in Interest Rate
March 2014	$ 29,000	3.951%	$ 29,000	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	$ 135,000	3.587%	$ 135,000	3.587%

As of December 31, 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. At December 31, 2018 and September 30, 2018, 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 December 31, 2018 and September 30, 2018, debt issuance costs related to the SBA Debentures were as follows (dollars in thousands):

	December 31, 2018	September 30, 2018
Total Debt Issuance Costs	$ 5,138	$ 5,138
Amortized Debt Issuance Costs	3,151	3,042
Unamortized Debt Issuance Costs	$ 1,987	$ 2,096

For the three months ended December 31, 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 December 31	
	2018	2017
SBA Debentures interest	$ 1,221	$ 1,376
Amortization of debt issuance costs	108	143
Total	$ 1,329	$ 1,519
Weighted average stated interest rate	3.6%	3.6%
Weighted average outstanding balance	$ 135,000	$ 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.

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, when applicable, 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 months ended December 31, 2018 and 2017, the Company incurred base management fees to MCC Advisors of $3.2 million and $4.1 million, respectively. The Company did not waive management fees under the Fee Waiver Agreement during the three months ended December 31, 2018 and 2017.

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 months ended December 31, 2018 and 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.

As of December 31, 2018 and September 30, 2018, $3.2 million and $3.3 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 the administration 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 months ended December 31, 2018 and 2017, we incurred $1.0 million and $0.9 million in administrator expenses, respectively.

As of December 31, 2018 and September 30, 2018, $1.0 million and $0.8 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 “Current 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. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates have submitted an exemptive application to the SEC for an exemptive order that would supersede the Current Exemptive Order (the “Superseding Exemptive Order”) and would permit Sierra to participate in negotiated co- investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the board of directors determines that it would be in Sierra’s best interest to participate in the transaction. The Current Exemptive Order will remain in effect unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. 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 December 31, 2018 and September 30, 2018, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

Unfunded commitments

As of December 31, 2018 and September 30, 2018, we had commitments under loan and financing agreements to fund up to $19.8 million to 16 portfolio companies and $36.1 million to 17 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 December 31, 2018 and September 30, 2018 is shown in the table below (dollars in thousands):

	December 31, 2018	September 30, 2018
Dynamic Energy Services International LLC - Revolver	$ 3,331	$ —
Accupac, Inc. - Delayed Draw Term Loan	2,612	2,612
DataOnline Corp. - Revolver	1,890	1,890
Barry’s Bootcamp Holdings, LLC - Revolver	1,760	2,200
1888 Industrial Services, LLC - Revolver	1,617	719
Barry’s Bootcamp Holdings, LLC - Delayed Draw Term Loan	1,271	1,271
SFP Holding, Inc. - Delayed Draw Term Loan	1,257	2,765
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	1,057
Redwood Services Group, LLC - Revolver	1,050	1,750
Alpine SG, LLC - Revolver	1,000	1,000
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Black Angus Steakhouses, LLC - Revolver	848	625
Manna Pro Products, LLC - Delayed Draw Term Loan	429	429
Path Medical, LLC - Delayed Draw Term Loan C	295	—
RMS Holding Company, LLC - Revolver	225	2,327
Central States Dermatology Services, LLC - Delayed Draw Term Loan	137	137
Access Media Holdings, LLC - Series AAA Preferred Equity	101	173
SavATree, LLC - Delayed Draw Term Loan	73	123
Impact Group, LLC - Delayed Draw Term Loan	—	8,567
Redwood Services Group, LLC - Delayed Draw Term Loan	—	4,839
SMART Financial Operations, LLC - Delayed Draw Term Loan	—	2,400
Brook & Whittle Holding Corp. - Delayed Draw Term Loan	—	310
Total	$ 19,846	$ 36,087

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 months ended December 31, 2018 and 2017 (dollars in thousands):

	For the three months ended December 31	
	2018	2017
Origination fee	$ 199	$ 1,456
Amendment fee	114	179
Administrative agent fee	76	162
Prepayment fee	72	20
Other fees	—	32
Fee income	$ 461	$ 1,849

Note 10. Directors Fees

The Company's independent directors each receive an annual fee of $90,000. They also receive $3,000, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting, and $2,500, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. The chairman of the audit committee receives an annual fee of $25,000 and the chairman of each other committee receives an annual fee of $10,000 for their additional services in these capacities. In addition, other members of the audit committee receive an annual fee of $12,500, and other members of each other committee receive an annual fee of $6,000. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act).

On January 26, 2018, the board of directors established a special committee comprised solely of its independent directors (the "MCC Special Committee"), for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on the MCC Special Committee, each independent director received a one-time retainer of $25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company's policies for reimbursement of members of the board of directors. In addition, the chairman of the MCC Special Committee receives a monthly fee of $15,000 and other members receive a monthly fee of $10,000.

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 months ended December 31, 2018 and 2017, we accrued $0.3 million and $0.1 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 December 31, 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 months ended December 31, 2018 and 2017 (dollars in thousands, except share and per share amounts):

	For the three months ended December 31	
	2018	2017
Basic and diluted:		
Net increase/(decrease) in net assets from operations	$ (10,077)	$ (31,944)
Weighted average common shares outstanding	54,474,211	54,474,211
Earnings per common share-basic and diluted	$ (0.18)	$ (0.59)

Note 12. Financial Highlights

The following is a schedule of financial highlights for the three months ended December 31, 2018 and 2017:

	For the three months ended December 31	
	2018	2017
Per share data[1]:		
Net asset value per share at beginning of period	$ 5.90	$ 8.45
Net investment income[2]	0.03	0.13
Net realized gains/(losses) on investments	(1.04)	—
Net unrealized appreciation/(depreciation) on investments	0.83	(0.72)
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	—	—
Loss on extinguishment of debt	—	—
Net increase/(decrease) in net assets	(0.18)	(0.59)
Distributions from net investment income	(0.10)	(0.16)
Distributions from tax return of capital	—	—
Distributions from net realized gains	—	—
Net asset value at end of period	$ 5.61	$ 7.71
Net assets at end of period	$ 305,653,884	$ 419,769,455
Shares outstanding at end of period	54,474,211	54,474,211
Per share market value at end of period	$ 2.66	$ 5.22
Total return based on market value[3]	(29.11)%	(9.97)%
Total return based on net asset value[4]	(1.91)%	(6.05)%
Portfolio turnover rate[5]	23.91%	22.70%

The following is a schedule of ratios and supplemental data for the three months ended December 31, 2018 and 2017:

	For the three months ended December 31	
	2018	2017
Ratios:		
Ratio of net investment income to average net assets after waivers(5)(6)	2.05%	6.25%
Ratio of total expenses to average net assets after waivers(5)(6)	14.53%	11.46%
Ratio of incentive fees to average net assets after waivers(6)	—%	—%
Supplemental Data:		
Ratio of net operating expenses and credit facility related expenses to average net assets(5)(6)(11)	14.53%	11.46%
Percentage of non-recurring fee income(7)	2.71%	8.18%
Average debt outstanding(8)	$ 419,919,724	$ 468,261,799
Average debt outstanding per common share	$ 7.71	$ 8.60
Asset coverage ratio per unit(9)	2,124	2,288
Total Debt Outstanding(12):		
Revolving Credit Facility	$ —	$ 47,000,000
Term Loan Facility	$ —	$ 102,000,000
2021 Notes	$ 74,012,825	$ 74,012,825
2023 Notes	$ 77,846,800	$ 102,846,800
2024 Notes	$ 120,156,489	$ —
SBA Debentures	$ 135,000,000	$ 150,000,000
Average market value per unit:		
Facilities(10)	N/A	N/A
SBA debentures(10)	N/A	N/A
2021 Notes	$ 25.07	$ 25.83
2023 Notes	$ 24.69	$ 25.21
2024 Notes	$ 259.16	N/A

(1) Table may not foot due to rounding.

(2) Net investment income excluding management and incentive fee waivers based on total weighted average common stock outstanding equals $0.03 and $0.13 per share for the three months ended December 31, 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.

(6) For the three months ended December 31, 2018, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were 2.05%, 14.53%, 0.00%, and 14.53%, respectively. For the three months ended December 31, 2017, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were 6.25%, 11.46%, 0.00%, and 11.46%, respectively.

(7) Represents the impact of the non-recurring fees as a percentage of total investment income.

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

(9) 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 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.

(11) Excludes incentive fees.

(12) Total amount of each class of senior securities outstanding at the end of the period excluding debt issuance costs.

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 three months ended December 31, 2018 and 2017:

Date Declared	Record Date	Payment Date	Amount Per Share
During the three months ended December 31, 2018			
11/16/2018	12/5/2018	12/20/2018	$ 0.10
			$ 0.10

Date Declared	Record Date	Payment Date	Amount Per Share
During the three months ended December 31, 2017			
10/31/2017	11/22/2017	12/22/2017	$ 0.16
			$ 0.16

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 three months ended December 31, 2018, except as disclosed below.

On February 10, 2019, the Company’s board of directors declared a quarterly dividend of $0.05 per share, payable on March 12, 2019, to stockholders of record at the close of business on February 22, 2019. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099 after the end of the calendar year.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Medley Capital Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities of Medley Capital Corporation (the Company), including the consolidated schedules of investments, as of September 30, 2018 and 2017, the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended September 30, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2018 and 2017, and the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended September 30, 2018 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 4, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of September 30, 2018 and 2017, by correspondence with the custodian, directly with designees of the portfolio companies, debt agents and brokers, as applicable, or by other appropriate auditing procedures where replies were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2010

New York, New York
December 4, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Medley Capital Corporation

Opinion on Internal Control over Financial Reporting

We have audited Medley Capital Corporation's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Medley Capital Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of assets and liabilities of the Company, including the consolidated schedule of investments as of September 30, 2018 and 2017, the related consolidated statements of operations, changes in net assets and cash flows, for each of the three years in the period ended September 30, 2018, and the related notes and our report dated December 4, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Item 9A of Form 10-K, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York
December 4, 2018

Medley Capital Corporation

Consolidated Statements of Assets and Liabilities

	September 30, 2018	September 30, 2017
ASSETS		
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of $428,717,777 and $625,108,198, respectively)	$ 393,149,374	$ 575,495,698
Affiliated investments (amortized cost of $102,546,973 and $91,026,729, respectively)	100,640,804	90,071,365
Controlled investments (amortized cost of $233,421,693 and $197,918,352, respectively)	161,639,736	171,423,836
Total investments at fair value	655,429,914	836,990,899
Cash and cash equivalents	75,665,981	108,571,958
Interest receivable	6,377,076	9,371,048
Other assets	3,420,442	3,321,822
Deferred offering costs	354,754	307,015
Fees receivable	187,276	765,756
Receivable for dispositions and investments sold	160,257	231,895
Total assets	$ 741,595,700	$ 959,560,393
LIABILITIES		
Revolving credit facility payable (net of debt issuance costs of $0 and $1,777,181, respectively)	$ —	$ 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 $8,238,300 and $4,122,533, respectively)	276,909,028	172,751,776
SBA debentures payable (net of debt issuance costs of $2,095,329 and $2,845,694, respectively)	132,904,671	147,154,306
Management and incentive fees payable (see Note 6)	3,347,674	4,312,004
Interest and fees payable	3,280,018	3,759,891
Accounts payable and accrued expenses	2,935,833	1,863,546
Administrator expenses payable (see Note 6)	808,546	859,794
Deferred revenue	192,152	259,552
Due to affiliate	39,051	81,347
Deferred tax liability	—	911,936
Total liabilities	$ 420,416,973	$ 499,131,076
Guarantees and Commitments (see Note 8)		
NET ASSETS		
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	698,586,770	705,046,098
Total distributable earnings/(loss)	(377,462,517)	(244,671,255)
Total net assets	321,178,727	460,429,317
Total liabilities and net assets	$ 741,595,700	$ 959,560,393
NET ASSET VALUE PER SHARE	$ 5.90	$ 8.45

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Operations

	For the years ended September 30		
	2018	**2017**	**2016**
INVESTMENT INCOME			
Interest from investments			
Non-controlled/non-affiliated investments:			
Cash	$ 39,636,027	$ 65,398,561	$ 98,057,236
Payment-in-kind	3,815,332	9,970,327	8,009,607
Affiliated investments:			
Cash	2,177,167	1,950,454	667,000
Payment-in-kind	3,398,660	774,543	—
Controlled investments:			
Cash	1,521,820	2,045,830	949,732
Payment-in-kind	3,560,572	5,099,935	4,531,210
Total interest income	54,109,578	85,239,650	112,214,785
Dividend income (net of provisional taxes of $(437,584), $0 and $511,510, respectively)	7,991,444	4,232,453	1,046,476
Interest from cash and cash equivalents	245,356	163,599	32,242
Fee income (see Note 9)	4,474,220	6,620,376	7,455,466
Total investment income	66,820,598	96,256,078	120,748,969
EXPENSES			
Base management fees (see Note 6)	14,723,910	17,772,593	19,469,583
Incentive fees (see Note 6)	—	895,675	11,492,006
Interest and financing expenses	27,918,291	31,402,538	30,276,926
Professional fees	4,430,233	2,192,210	2,276,902
Administrator expenses (see Note 6)	3,582,162	3,848,299	3,915,506
General and administrative	2,170,904	2,555,448	2,336,025
Directors fees	1,270,523	646,758	543,847
Insurance	542,314	396,797	494,136
Expenses before management and incentive fee waivers	54,638,337	59,710,318	70,804,931
Management fee waiver (see Note 6)	(380,000)	(47,941)	(142,546)
Incentive fee waiver (see Note 6)	—	(43,663)	(3,504,103)
Total expenses net of management and incentive fee waivers	54,258,337	59,618,714	67,158,282
Net investment income before excise taxes	12,562,261	36,637,364	53,590,687
Excise tax expense	(157,922)	(267,183)	—
NET INVESTMENT INCOME	12,404,339	36,370,181	53,590,687
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS			
Net realized gain/(loss) from investments			
Non-controlled/non-affiliated investments	(89,221,587)	(40,007,550)	(39,382,650)
Affiliated investments	—	3,391,500	—
Controlled investments	—	(36,470,249)	—
Net realized gain/(loss) from investments	(89,221,587)	(73,086,299)	(39,382,650)
Net unrealized appreciation/(depreciation) on investments			
Non-controlled/non-affiliated investments	14,044,097	(7,611,264)	(4,571,897)
Affiliated investments	(950,805)	501,163	—
Controlled investments	(45,287,441)	28,754,467	(37,685,558)
Net unrealized appreciation/(depreciation) on investments	(32,194,149)	21,644,366	(42,257,455)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	474,352	1,091,788	87,333
Loss on extinguishment of debt (see Note 5)	(2,386,957)	(1,096,682)	—
Net realized and unrealized gain/(loss) on investments	(123,328,341)	(51,446,827)	(81,552,772)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (110,924,002)	$ (15,076,646)	$ (27,962,085)
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ (2.04)	$ (0.28)	$ (0.50)
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	$ 0.23	$ 0.67	$ 0.97
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	54,474,211	54,474,211	55,399,646
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.52	$ 0.76	$ 1.12

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets

	For the years ended September 30		
	2018	**2017**	**2016**
OPERATIONS			
Net investment income	$ 12,404,339	$ 36,370,181	$ 53,590,687
Net realized gain/(loss) from investments	(89,221,587)	(73,086,299)	(39,382,650)
Net unrealized appreciation/(depreciation) on investments	(32,194,149)	21,644,366	(42,257,455)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	474,352	1,091,788	87,333
Loss on extinguishment of debt	(2,386,957)	(1,096,682)	—
Net increase/(decrease) in net assets from operations	(110,924,002)	(15,076,646)	(27,962,085)
SHAREHOLDER DISTRIBUTIONS			
Distributions from earnings	(22,025,185)	(41,400,401)	(62,122,756)
Return of capital	(6,301,403)	—	—
Net decrease in net assets from shareholder distributions	(28,326,588)	(41,400,401)	(62,122,756)
COMMON SHARE TRANSACTIONS			
Offering costs	—	(12,778)	(46,429)
Repurchase of common stock under stock repurchase program (0, 0 and 1,862,941 shares, respectively)	—	—	(12,869,972)
Net increase/(decrease) in net assets from common share transactions	—	(12,778)	(12,916,401)
Total increase/(decrease) in net assets	(139,250,590)	(56,489,825)	(103,001,242)
Net assets at beginning of year	460,429,317	516,919,142	619,920,384
Net assets at end of year	$ 321,178,727	$ 460,429,317	$ 516,919,142
Net asset value per common share	$ 5.90	$ 8.45	$ 9.49
Common shares outstanding at end of year	54,474,211	54,474,211	54,474,211

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Cash Flows

	For the years ended September 30		
	2018	**2017**	**2016**
Cash flows from operating activities			
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	$ (110,924,002)	$ (15,076,646)	$ (27,962,085)
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	(9,545,703)	(14,743,799)	(14,442,519)
Net amortization of premium/(discount) on investments	(959,112)	(1,362,534)	(874,204)
Amortization of debt issuance costs	3,583,158	4,587,474	3,550,181
Net realized (gain)/loss from investments	89,221,587	73,086,299	39,382,650
Net deferred income taxes	(911,936)	(1,091,788)	206,368
Net unrealized (appreciation)/depreciation on investments	32,194,149	(21,644,366)	42,257,455
Proceeds from sale and settlements of investments	267,611,933	281,354,722	333,056,400
Purchases, originations and participations	(196,961,869)	(239,496,926)	(97,472,088)
Loss on extinguishment of debt	2,386,957	1,096,682	—
(Increase)/decrease in operating assets:			
Interest receivable	2,993,972	(388,894)	560,393
Other assets	(98,620)	(2,428,682)	(336,853)
Fees receivable	578,480	637,627	(13,749)
Receivable for dispositions and investments sold	71,638	457,484	(110,511)
Increase/(decrease) in operating liabilities:			
Management and incentive fees payable, net	(964,330)	(246,615)	(5,403,915)
Interest and fees payable	(479,873)	2,045,868	400,092
Accounts payable and accrued expenses	1,072,287	(799,404)	159,508
Administrator expenses payable	(51,248)	(130,442)	(10,610)
Deferred revenue	(67,400)	(110,253)	(32,224)
Due to affiliate	(42,296)	(9,212)	(18,605)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	78,707,772	65,736,595	272,895,684
Cash flows from financing activities			
Borrowings on debt	140,775,690	213,863,443	147,112,825
Paydowns on debt	(217,500,000)	(232,500,000)	(251,800,000)
Debt issuance costs paid	(6,515,112)	(1,536,137)	(4,363,830)
Payments of cash dividends	(28,326,588)	(41,400,401)	(62,122,756)
Offering costs paid	(47,739)	(76,805)	(80,944)
Repurchase of common stock under stock repurchase program	—	—	(12,869,972)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(111,613,749)	(61,649,900)	(184,124,677)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(32,905,977)	4,086,695	88,771,007
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	108,571,958	104,485,263	15,714,256
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 75,665,981	$ 108,571,958	$ 104,485,263
Supplemental Information:			
Interest paid during the year	$ 24,676,749	$ 24,692,824	$ 26,249,761
Supplemental non-cash information:			
Payment-in-kind interest income	$ 10,774,564	$ 15,844,805	$ 12,540,818
Net amortization of premium/(discount) on investments	$ 959,112	$ 1,362,534	$ 874,204
Amortization of debt issuance costs	$ (3,583,158)	$ (4,587,474)	$ (3,550,181)
Non-cash purchase of investments	$ 7,443,658	$ 118,256,477	$ 31,883,728
Non-cash sale of investments	$ 7,443,658	$ 118,256,477	$ 31,883,728

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2018

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
3SI Security Systems, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	6/16/2023	$ 17,325,000	$ 17,325,000	$ 17,325,000	5.4%
				17,325,000	17,325,000	17,325,000	
Accupac, Inc.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[13][19]	9/14/2023	9,788,793	9,788,793	9,788,793	3.1%
				9,788,793	9,788,793	9,788,793	
Alpine SG, LLC[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	13,398,750	13,398,750	13,398,750	4.2%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	6,617,630	6,617,630	6,617,630	2.1%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	—	—	—	0.0%
				20,016,380	20,016,380	20,016,380	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/25/2023	6,500,000	6,500,000	6,565,000	2.1%
				6,500,000	6,500,000	6,565,000	
Asurion, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[13]	8/4/2025	7,000,000	7,091,560	7,140,000	2.2%
				7,000,000	7,091,560	7,140,000	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	6/17/2020	13,891,687	13,891,687	13,958,367	4.3%
				13,891,687	13,891,687	13,958,367	
Barry's Bootcamp Holdings, LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	7,628,570	7,628,570	7,505,750	2.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	7/14/2022	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	7/14/2022	2,200,000	2,200,000	2,200,000	0.7%
				9,828,570	9,828,570	9,705,750	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				—	416,250	—	
Black Angus Steakhouses, LLC[7]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	7,495,536	7,495,536	7,373,065	2.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	4/24/2020	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14][17]	4/24/2020	267,857	267,857	267,857	0.1%
				7,763,393	7,763,393	7,640,922	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Brook & Whittle Holding Corp.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	10/17/2023	1,320,297	1,320,297	1,331,381	0.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][18]	10/17/2023	—	—	—	0.0%
				1,320,297	1,320,297	1,331,381	
Central States Dermatology Services, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	4/20/2022	1,076,331	1,076,331	1,076,331	0.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14][19]	4/20/2022	270,991	270,991	270,991	0.1%
				1,347,322	1,347,322	1,347,322	
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (Prime + 5.50% PIK)[10][15]	4/1/2019	1,375,911	1,210,237	234,042	0.1%
		Senior Secured First Lien Term Loan C (Prime + 8.50% PIK)[10][15]	4/1/2019	10,352,733	4,060,507	—	0.0%
		Preferred Facility (Prime + 7.00% PIK)[10][15]	4/1/2019	5,883,641	—	—	0.0%
		Equity - 232 Common Units		—	—	—	0.0%
				17,612,285	5,270,744	234,042	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/28/2025	4,010,025	3,992,123	4,034,486	1.3%
				4,010,025	3,992,123	4,034,486	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/30/2019	12,890,000	12,890,000	12,890,000	4.0%
		Equity - 350 Common Units		—	700,000	521,203	0.2%
				12,890,000	13,590,000	13,411,203	
CT Technologies Intermediate Holdings, Inc.[12]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	7,223,250	2.2%
				7,500,000	7,500,000	7,223,250	
DataOnline Corp.[7]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14]	7/31/2025	16,000,000	16,000,000	16,000,000	5.0%
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)[14][17]	7/31/2024	—	—	—	0.0%
				16,000,000	16,000,000	16,000,000	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)[16]	10/1/2019	2,418,494	2,418,494	2,418,494	0.8%
		Preferred Equity (8.00% PIK)		3,866,737	3,866,737	3,866,737	1.2%
				6,285,231	6,285,231	6,285,231	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK)[10][16]	5/6/2019	20,952,402	18,674,779	6,040,577	1.9%
				20,952,402	18,674,779	6,040,577	
Engineered Machinery Holdings, Inc.	Capital Equipment	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[14]	7/18/2025	1,671,064	1,656,132	1,662,708	0.5%
				1,671,064	1,656,132	1,662,708	
FKI Security Group, LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	3/30/2020	11,281,250	11,281,250	11,281,250	3.5%
				11,281,250	11,281,250	11,281,250	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		6,677,895	6,677,895	6,677,895	2.1%
		Equity - 150 Common Units		—	—	1,753,260	0.6%
				6,677,895	6,677,895	8,431,155	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor)[14]	9/26/2019	10,930,000	10,930,000	10,930,000	3.4%
				10,930,000	10,930,000	10,930,000	
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	2/7/2023	9,950,349	9,950,349	9,950,349	3.1%
				9,950,349	9,950,349	9,950,349	
Global Accessories Group, LLC[12]	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)[8]	10/15/2019	20,000,000	20,000,000	19,268,000	6.0%
				20,000,000	20,000,000	19,268,000	
The Imagine Group, LLC[24]	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor)[13]	6/21/2023	3,000,000	2,962,275	2,750,100	0.9%
				3,000,000	2,962,275	2,750,100	
Impact Group, LLC[7][25]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	6/27/2023	3,457,319	3,457,319	3,457,319	1.1%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][19]	6/27/2023	1,427,914	1,427,914	1,427,914	0.5%
				4,885,233	4,885,233	4,885,233	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2022	14,062,500	14,062,500	13,048,594	4.1%
				14,062,500	14,062,500	13,048,594	
Jackson Hewitt Tax Service Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash)	5/31/2023	7,000,000	7,000,000	7,000,000	2.2%
				7,000,000	7,000,000	7,000,000	
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	2/15/2022	19,529,449	19,529,449	19,765,755	6.2%
				19,529,449	19,529,449	19,765,755	
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 1.01% of Outstanding Equity[20]	2/19/2024	—	955,680	50,000	0.0%
				—	955,680	50,000	
Manna Pro Products, LLC[7]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	12/8/2023	5,453,570	5,453,570	5,434,482	1.7%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13][19]	12/8/2023	670,363	670,363	666,517	0.2%
				6,123,933	6,123,933	6,100,999	
Midcoast Energy, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	8/1/2025	3,000,000	2,970,391	3,003,900	0.9%
				3,000,000	2,970,391	3,003,900	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 11.50% PIK, 0.75% LIBOR Floor)[10][14]	12/31/2018	21,925,733	19,746,873	8,814,145	2.7%
				21,925,733	19,746,873	8,814,145	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	8,151,557	7,813,946	7,654,312	2.4%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	2,808,500	2,808,500	2,637,182	0.8%
		Warrants - 1.56% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				10,960,057	11,122,197	10,291,494	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[10][16]	7/8/2020	2,103,712	2,103,712	1,051,856	0.3%
		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	1,051,856	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt	7/31/2020	761,905	761,905	761,905	0.2%
		Unsecured Debt	7/31/2021	761,905	761,905	761,905	0.2%
				1,523,810	1,523,810	1,523,810	
Redwood Services Group, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	6/6/2023	6,022,406	6,022,406	6,022,406	1.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[13]	6/6/2023	1,373,485	1,373,485	1,373,485	0.4%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	6/6/2023	—	—	—	0.0%
				7,395,891	7,395,891	7,395,891	
RMS Holding Company, LLC[7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14]	11/16/2022	15,269,745	15,269,745	15,269,745	4.8%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[14][17]	11/16/2022	1,073,204	1,073,204	1,066,744	0.3%
				16,342,949	16,342,949	16,336,489	
SavATree, LLC[7]	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14]	6/2/2022	1,858,855	1,858,855	1,858,855	0.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14][19]	6/2/2022	43,225	43,225	43,225	0.0%
				1,902,080	1,902,080	1,902,080	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)	8/31/2019	850,000	850,000	850,000	0.3%
				850,000	850,000	850,000	
Seotowncenter, Inc.	Services: Business	Equity - 3,249.697 Common Units		—	500,000	532,885	0.2%
				—	500,000	532,885	
SFP Holding, Inc.[7]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14]	9/1/2022	9,739,371	9,739,371	9,739,371	3.0%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][17]	9/1/2022	1,005,364	1,005,364	1,005,364	0.3%
		Equity - 1.42% Company Interest		—	736,905	736,905	0.2%
				10,744,735	11,481,640	11,481,640	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[10][14]	7/31/2020	7,330,098	7,136,156	3,512,583	1.1%
				7,330,098	7,136,156	3,512,583	
SMART Financial Operations, LLC[7]	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	11/22/2021	2,775,000	2,775,000	2,775,833	0.9%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	11/22/2021	2,325,000	2,325,000	2,326,418	0.7%
		Equity - 700,000 Class A Preferred Units		—	700,000	700,000	0.2%
				5,100,000	5,800,000	5,802,251	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	2/17/2022	7,387,500	7,387,500	7,461,375	2.3%
				7,387,500	7,387,500	7,461,375	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,814	274,367	0.1%
				—	263,814	274,367	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2025	4,000,000	3,945,676	4,000,000	1.2%
				4,000,000	3,945,676	4,000,000	
Trans-Fast Remittance LLC[7]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	3,567,857	3,567,857	3,571,557	1.1%
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	1,875,000	1,875,000	1,875,000	0.6%
				5,442,857	5,442,857	5,446,557	
Vail Holdco Corp	Wholesale	Equity - 10,702 Shares of Series A Preferred Stock (12.50% PIK)[8]		10,702,000	10,276,214	10,234,323	3.2%
		Equity - 7,700 Shares of Junior Convertible Preferred Stock		7,700,000	7,700,000	7,700,000	2.4%
		Warrants - 0.4875% of Outstanding Equity		—	425,787	580,416	0.2%
				18,402,000	18,402,001	18,514,739	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor)[14]	4/28/2023	808,000	734,073	734,553	0.2%
		Equity - 5,441 Class A Units		—	302,464	302,464	0.1%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	361,667	0.1%
				808,000	1,398,204	1,398,684	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	9/26/2024	13,807,500	13,807,500	13,807,500	4.3%
		Equity - 1,500 Common Units		—	1,500,000	1,500,000	0.5%
				13,807,500	15,307,500	15,307,500	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest[9]		—	518,283	698,024	0.2%
				—	518,283	698,024	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[14]	2/12/2024	4,225,918	4,225,918	4,225,918	1.3%
				4,225,918	4,225,918	4,225,918	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 438,395,898**	**$ 428,717,777**	**$ 393,149,374**	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Affiliated Investments:							
1888 Industrial Services, LLC[7] [23]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14]	9/30/2021	$ 8,984,232	$ 8,984,232	$ 8,984,232	2.8%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[14]	9/30/2021	21,762,155	19,326,112	19,725,217	6.1%
		Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14][17]	9/30/2021	3,593,693	3,593,693	3,593,693	1.1%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				34,340,080	31,904,037	32,303,142	
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK)[10]	7/22/2020	9,072,532	8,446,385	5,876,279	1.8%
		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		899,200	899,200	(172,800)	(0.1)%
		Equity - 16 Common Units		—	—	—	0.0%
				12,371,732	11,745,585	5,703,479	
Brantley Transportation LLC[12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	12,829,552	9,000,000	2,882,800	0.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[13]	8/2/2017	503,105	503,105	503,105	0.2%
		Equity - 7.5 Common Units		—	—	—	0.0%
				13,332,657	9,503,105	3,385,905	
Caddo Investors Holdings 1 LLC	Forest Products & Paper	Equity - 6.15% Membership Interest		2,500,000	2,500,000	2,500,000	0.8%
				2,500,000	2,500,000	2,500,000	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		31,468,755	31,468,755	31,468,755	9.8%
		Preferred Equity - A-1 Preferred (3.00% PIK)		4,072,311	4,072,311	4,072,311	1.3%
		Equity - 57,300 Class B Units		—	57,300	9,825,804	3.1%
				35,541,066	35,598,366	45,366,870	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,166,292	1,166,292	1,166,292	0.4%
		Equity - 129,588 Class B Units		—	129,588	215,116	0.1%
				1,166,292	1,295,880	1,381,408	
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	6,670,000	6,670,000	6,670,000	2.1%
		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				**$ 105,921,827**	**$ 102,546,973**	**$ 100,640,804**	
Controlled Investments:[5]							
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	$ 30,252,541	$ 20,846,571	$ 12,657,663	3.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	9/25/2020	13,604,437	9,686,866	5,692,096	1.8%

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
		Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[14]	9/25/2020	2,242,721	2,242,721	2,242,721	0.7%
		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%
				46,099,699	33,176,173	20,592,480	
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	78,575,000	78,370,891	24.4%
				—	78,575,000	78,370,891	
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13]	11/9/2020	4,005,990	4,005,990	4,005,990	1.2%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	11,837,367	11,837,367	11,837,367	3.7%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	7,479,397	7,479,397	7,479,397	2.3%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				23,322,754	32,873,676	23,322,754	
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK)[10][16]	5/5/2019	29,590,984	22,880,599	—	0.0%
		Senior Secured First Lien Term Loan (8.00% PIK)[10]	5/5/2019	4,392,738	4,337,049	1,374,048	0.4%
		Unsecured Debt (8.00% PIK)[10]	7/24/2025	28,912,172	22,727,575	—	0.0%
		Equity - 5,055.56 Common Units		—	872,698	—	0.0%
				62,895,894	50,817,921	1,374,048	
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 0.00% Cash)[15]	12/31/2019	401,346	401,346	401,346	0.1%
		Unsecured Debt (10.00% Cash)[21]		360,000	360,000	360,000	0.1%
		Unsecured Debt (1.00% Cash)[22]		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% PIK, 2.00% LIBOR Floor)[14]	5/2/2022	15,112,754	15,112,754	15,112,754	4.7%
		Preferred Equity (12.00% PIK)		5,850,794	5,850,794	5,850,795	1.8%
		Equity - 397,466 Common Units		—	12,936,879	12,937,518	4.0%
				20,963,548	33,900,427	33,901,067	
Subtotal Controlled Investments				**$ 154,690,237**	**$ 233,421,693**	**$ 161,639,736**	
Total Investments, September 30, 2018				**$ 699,007,962**	**$ 764,686,443**	**$ 655,429,914**	204.1%

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

(2) Par amount includes accumulated payment-in-kind ("PIK") interest and is net of repayments.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $17,795,949, $120,259,250, and $102,463,301, respectively. The tax cost basis of investments is $757,893,215 as of September 30, 2018.

(4) Percentage is based on net assets of $321,178,727 as of September 30, 2018.

(5) Control Investments are defined by the Investment Company Act of 1940, as amended (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, 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 $29,502,323 and 9.2% of net assets as of September 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 September 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 September 30, 2018, 13.5% 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 September 30, 2018 was 2.24%.

(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, 2018 was 2.39%.

(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 September 30, 2018 was 5.25%.

(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, 2018 was 2.39%.

(17) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(18) This investment earns 0.75% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.

(19) This investment earns 1.00% commitment fee on all unused commitment as of September 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 September 30, 2018 (see Note 4).

(21) This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG 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.

(22) This investment shall convert to equity upon TPG Plastics, LLC obtaining all environmental and product testing 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.

(24) Investment changed its name from Imagine! Print Solutions, LLC during FY 2018.

(25) Investment changed its name from Impact Sales, LLC during FY 2018.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2017

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
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)[14]	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.[7]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[13][18]	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)[14]	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)[14]	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 Floor)[14]	6/30/2019	14,262,133	14,262,133	14,342,001	3.1%
				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)[13]	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[7]	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	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)[14]	7/14/2022	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14][17]	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[7]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	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)[14]	4/24/2020	—	—	—	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14][17]	4/24/2020	376,360	376,360	343,324	0.1%
				8,077,253	8,077,253	7,718,514	
Central States Dermatology Services, LLC[7]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[14]	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)[14][18]	4/20/2022	155,930	155,930	155,930	0.0%
				1,243,178	1,243,178	1,243,178	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Comfort Holding, LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[13]	2/3/2025	1,000,000	961,738	850,200	0.2%
				1,000,000	961,738	850,200	
CP OPCO, LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 4.25% ABR Floor)[10]	3/31/2019	1,244,335	1,210,237	338,459	0.1%
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 4.25% ABR Floor)[10]	3/31/2019	9,088,659	4,060,507	—	0.0%
		Preferred Facility (ABR + 7.00% PIK, 3.75% ABR Floor)[10]	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%
				15,630,470	5,270,744	338,459	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[13]	7/26/2025	5,000,000	4,975,352	4,975,000	1.1%
				5,000,000	4,975,352	4,975,000	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	9/30/2019	13,277,500	13,277,500	13,246,962	2.9%
		Equity - 350 Common Units		—	700,000	273,808	0.1%
				13,277,500	13,977,500	13,520,770	
CT Technologies Intermediate Holdings, Inc.[12]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[13]	12/1/2022	7,500,000	7,500,000	7,500,000	1.6%
				7,500,000	7,500,000	7,500,000	
DHISCO Electronic Distribution, Inc.	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 8.50% PIK, 1.50% LIBOR Floor)[14]	11/10/2019	4,005,143	4,005,143	4,005,143	0.9%
		Senior Secured First Lien Term Loan B (LIBOR + 11.00% PIK, 1.50% LIBOR Floor)[14]	11/10/2019	14,732,716	14,732,716	14,732,716	3.2%
		Senior Secured First Lien Term Loan C (LIBOR + 12.25% PIK, 1.50% LIBOR Floor)[10][14]	11/10/2019	12,751,998	11,600,575	6,375,999	1.4%
		Senior Secured First Lien Term Loan D (LIBOR + 13.25% PIK, 1.50% LIBOR Floor)[10][14]	11/10/2019	11,956,119	4,701,476	—	0.0%
		Equity - 1,230,769 Class A Units		—	1,230,769	—	0.0%
				43,445,976	36,270,679	25,113,858	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)[16]	10/1/2018	3,460,972	3,417,279	3,495,581	0.8%
		Preferred Equity (8.00% PIK)		3,571,500	3,571,500	3,571,500	0.8%
				7,032,472	6,988,779	7,067,081	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (13.50% PIK + LIBOR)[16]	6/6/2018	18,201,153	18,201,153	15,492,821	3.4%
				18,201,153	18,201,153	15,492,821	
Engineered Machinery Holdings, Inc.[7]	Capital Equipment	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[14]	7/18/2025	1,519,149	1,504,143	1,503,957	0.3%
		Senior Secured Second Lien Delayed Draw Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[14][19]	7/18/2025	21,702	21,487	19,894	0.0%
				1,540,851	1,525,630	1,523,851	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
FKI Security Group, LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	3/30/2020	11,656,250	11,656,250	11,656,250	2.5%
				11,656,250	11,656,250	11,656,250	
Footprint Acquisition, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash)[15]	2/27/2020	5,117,626	5,117,626	5,117,626	1.1%
		Preferred Equity (8.75% PIK)		6,124,188	6,124,188	5,427,255	1.2%
		Equity - 150 Common Units		—	—	—	0.0%
				11,241,814	11,241,814	10,544,881	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor)[14]	9/26/2019	12,410,000	12,410,000	12,517,967	2.7%
				12,410,000	12,410,000	12,517,967	
Friedrich Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[13]	2/7/2023	10,000,000	10,000,000	10,094,000	2.2%
				10,000,000	10,000,000	10,094,000	
Global Accessories Group, LLC[12]	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.0%
				—	151,337	151,339	
Harrison Gypsum, LLC[12]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 1.50% LIBOR Floor)[13]	12/21/2018	52,137,471	52,137,471	50,667,194	11.0%
				52,137,471	52,137,471	50,667,194	
Heligear Acquisition Co.[8]	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	20,478,000	4.4%
				20,000,000	20,000,000	20,478,000	
The Imagine Group, LLC[25]	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor)[14]	6/21/2023	3,000,000	2,956,403	2,955,000	0.6%
				3,000,000	2,956,403	2,955,000	
Impact Sales, LLC[7][26]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	12/30/2021	2,605,312	2,605,312	2,621,986	0.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14][18]	12/30/2021	119,711	119,711	125,307	0.0%
				2,725,023	2,725,023	2,747,293	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13]	8/18/2022	14,812,500	14,812,500	14,812,500	3.2%
				14,812,500	14,812,500	14,812,500	
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.25% Cash)[15]	3/6/2019	20,100,000	20,100,000	20,071,860	4.4%
				20,100,000	20,100,000	20,071,860	
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[14]	2/15/2022	21,234,375	21,234,375	21,412,744	4.7%
				21,234,375	21,234,375	21,412,744	
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK)[16]	2/19/2019	13,865,893	13,531,508	13,386,133	2.9%
		Warrants - 0.98% of Outstanding Equity[21]	2/19/2024	—	955,680	—	0.0%
				13,865,893	14,487,188	13,386,133	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
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)[13]	5/31/2017	4,915,635	4,915,635	4,915,635	1.1%
		Senior Secured Second Lien Term Loan (17.00% PIK)[10]	5/4/2017	15,519,966	15,167,277	7,759,983	1.7%
				20,435,601	20,082,912	12,675,618	
Nation Safe Drivers Holdings, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor)[14]	9/29/2020	35,278,846	35,278,846	35,278,846	7.7%
				35,278,846	35,278,846	35,278,846	
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor)[14]	12/31/2018	21,127,331	21,127,331	21,127,331	4.6%
				21,127,331	21,127,331	21,127,331	
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	18,992,318	4.1%
				21,755,233	21,755,233	18,992,318	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	8,459,113	8,034,525	8,503,947	1.8%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[14]	10/11/2021	2,808,500	2,808,500	2,823,385	0.6%
		Warrants - 1.56% of Outstanding Equity	1/9/2027	—	499,751	83,018	0.0%
				11,267,613	11,342,776	11,410,350	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK)[16]	7/8/2020	2,085,870	2,085,870	1,844,534	0.4%
		Equity - 479,283 Common Units[20]		—	129,406	38,343	0.0%
		Warrants - 2.8% of Outstanding Equity[21]	7/8/2020	—	52,757	21,103	0.0%
				2,085,870	2,268,033	1,903,980	
Prince Mineral Holding Corp.[8]	Wholesale	Senior Secured First Lien Note (11.50% Cash)[21]	12/15/2019	6,800,000	6,767,560	7,066,560	1.5%
				6,800,000	6,767,560	7,066,560	
Reddy Ice Corporation	Beverage & Food	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor)[14]	11/1/2019	17,000,000	17,000,000	16,117,700	3.5%
				17,000,000	17,000,000	16,117,700	
SavATree, LLC[7]	Environmental Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[14][18]	6/2/2022	1,330,000	1,330,000	1,330,000	0.3%
				1,330,000	1,330,000	1,330,000	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Warrants - 5.52% of Outstanding Equity	3/18/2019	—	793,523	2,188,676	0.5%
				—	793,523	2,188,676	
Seotowncenter, Inc.[12]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	9/11/2019	23,697,976	23,697,976	23,697,976	5.1%
		Equity - 3,249.697 Common Units		—	500,000	419,731	0.1%
				23,697,976	24,197,976	24,117,707	
SFP Holding, Inc.[7]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)[14][17]	9/1/2022	6,222,222	6,222,222	6,222,222	1.4%
		Equity - 1.42% Company Interest		—	600,000	600,000	0.1%
				6,222,222	6,822,222	6,822,222	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[14]	7/31/2020	7,648,798	7,648,798	7,337,492	1.6%
				7,648,798	7,648,798	7,337,492	
SMART Financial Operations, LLC[7]	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[14]	11/22/2021	2,775,000	2,775,000	2,848,500	0.6%
		Equity - 700,000 Class A Preferred Units		—	700,000	735,000	0.2%
				2,775,000	3,475,000	3,583,500	
SRS Software, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor)[14]	2/17/2022	7,462,500	7,462,500	7,527,424	1.6%
				7,462,500	7,462,500	7,527,424	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.75% LIBOR Floor)[13]	8/19/2019	4,346,364	4,346,364	4,346,364	0.9%
		Equity - 263,814.43 Class A Units		—	263,814	205,775	0.0%
				4,346,364	4,610,178	4,552,139	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[14]	8/18/2025	4,000,000	3,940,532	3,940,000	0.9%
				4,000,000	3,940,532	3,940,000	
Taylored Freight Services, LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor)[14]	11/1/2017	14,895,052	14,895,052	14,895,052	3.2%
				14,895,052	14,895,052	14,895,052	
Trans-Fast Remittance LLC[7]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13][17]	12/2/2021	3,567,857	3,567,857	3,661,282	0.8%
		Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[13]	12/2/2021	1,875,000	1,875,000	1,875,000	0.4%
				5,442,857	5,442,857	5,536,282	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[9]	5/14/2021	1,958,668	1,109,768	1,091,958	0.2%
		Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[9]	5/13/2022	24,000,000	21,696,167	4,080,000	0.9%
				25,958,668	22,805,935	5,171,958	
Watermill-QMC Midco, Inc.	Automotive	Equity - Partnership Interest[23]		—	518,283	672,213	0.1%
				—	518,283	672,213	
Wheels Up Partners LLC[12]	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor)[14]	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**	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Affiliated Investments:							
1888 Industrial Services, LLC[7][22]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor)[14]	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)[14]	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)[14][17]	9/30/2021	—	—	—	0.0%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				28,730,522	25,691,709	28,730,522	
Access Media Holdings, LLC[7]	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%
		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[7][12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	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)[13]	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[11]	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**	
Controlled Investments:[5]							
Capstone Nutrition[12]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][14]	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)[10][14]	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[11]	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[7][22]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor)[13]	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)[13]	11/9/2020	10,604,502	10,604,502	10,604,502	2.3%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[13]	11/9/2020	6,518,046	6,518,046	6,518,046	1.4%
		Equity - 787.4 Class A Units		—	9,550,922	9,550,922	2.1%
				20,628,538	30,179,460	30,179,460	

Company[1]	Industry	Type of Investment[6]	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK)[10][16]	5/5/2019	25,470,636	22,880,599	24,500,205	5.3%
		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)[10]	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	
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor)[14]	5/2/2022	14,966,563	14,966,563	14,966,563	3.3%
		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.
(3) 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.
(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.
(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.
(25) Investment changed its name from Imagine! Print Solutions, LLC during FY 2018.
(26) Investment changed its name from Impact Sales, LLC during FY 2018.

See accompanying notes to consolidated financial statements.

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 $121.3 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.

Agreements and Plans of Mergers

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, dated as of August 9, 2018, by and between the Company and Sierra (the "MCC Merger Agreement"), the Company will merge with and into Sierra, with Sierra as the surviving entity (the "Combined Company") in the merger (the "MCC Merger"). Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive 0.8050 shares of the Sierra's common stock. Simultaneously, pursuant to the Agreement and Plan of Merger (the "MDLY Merger Agreement"), dated as of August 9, 2018, by and among MDLY, Sierra, and Sierra Management, Inc., a newly formed Delaware corporation and a wholly owned subsidiary of Sierra ("Merger Sub"), MDLY will merge with and into Merger Sub, with Merger Sub as the surviving company in the Merger (the "MDLY Merger" together with the MCC Merger, the "Mergers"), and MDLY's existing asset management business will continue to operate as a wholly owned subsidiary of the Combined Company. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, will be converted into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to $3.44 per share. In addition, MDLY's stockholders will have the right to receive certain dividends and/or other payments. If the Mergers are successfully consummated, Sierra's common stock will be listed on the NYSE under the symbol "SRA" and the TASE, with such listings expected to be effective as of the closing date of the Mergers. Upon completion of the Mergers, the investment portfolios of the Company and Sierra would be combined, Merger Sub, as a successor to MDLY, would be a wholly owned subsidiary of the Combined Company, and the Combined Company would be internally managed by its wholly controlled adviser subsidiary.

The Mergers are subject to the satisfaction or waiver of closing conditions, including, but not limited to: (a) the approval of the MCC Merger and the MDLY Merger by the Sierra's stockholders by the affirmative vote of at least a majority of all its stockholders, the approval of the adoption of the MCC Merger Agreement by our stockholders, and the approval of the adoption of the MDLY Merger Agreement by MDLY's stockholders, voting separately at their respective special meetings; (b) the receipt of an exemptive order from the SEC, an exemptive application for which has been filed by Sierra, the Company and MDLY and certain of their subsidiaries; and (c) the approval by the SBA relating to the transfer of MCC's SBIC license. No assurance can be given that such SEC exemptive order will be issued or SBA approval will be received or that any of the other closing conditions will be satisfied or waived.

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 consolidated financial statements have been prepared on the accrual basis of accounting in conformity 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 consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-K and Article 10 of Regulation S-X of the Securities Act of 1933. In the opinion of management, the 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. 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 years ended September 30, 2018, 2017, and 2016, the Company earned approximately $10.8 million, $15.8 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 years ended September 30, 2018, 2017, and 2016 was approximately $4.5 million, $6.6 million, and $7.5 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 years ended September 30, 2018, 2017, and 2016, $73.0 million, $42.9 million, and $15.7 million, respectively, of our realized losses were related to certain non-cash restructuring transactions, which is included in 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 September 30, 2018, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $48.1 million, or 7.3% 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. At September 30, 2016, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $55.9 million, or 6.1% 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 became effective for the Company on October 1, 2018. During implementation, the Company determined that the Company's 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. The Company identified no changes to the recognition, timing or classification of revenues most closely associated with financial instruments, including interest and dividend income, realized gains and losses, up-front fees, interest and dividend income. The Company will elect to adopt the new guidance using the modified retrospective approach as of the date of initial application on October 1, 2018. At this time, electing the modified retrospective approach would result in no cumulative effect adjustment to the opening balance of net assets at the date of initial application.

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 October 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.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. This guidance is effective for the Company on January 1, 2020 and early adoption is permitted. The Company is currently assessing the potential impact of this guidance to the fair value disclosures.

In October 2018, the SEC adopted amendments (the "Amendments") to certain disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, U.S. GAAP requirements, or changes in the information environment. In part, the Amendments require an investment company to present distributable earnings in total, rather than showing the three components of distributable earnings. The compliance date for the Amendments is for all filings on or after November 5, 2018. Management has adopted the Amendments and included the required disclosures in the Company's consolidated financial statements herein. Prior periods have been reclassified to confirm to the current year presentation.

Federal Income Taxes

The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to continue to qualify for the tax treatment applicable to RICs. 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, and 2016, 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, and 2016, an excise tax expense of $0.2 million and $0.3 million was recorded in the fiscal years ended September 30, 2018 and 2017, respectively.

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 September 30, 2018, the Company did not record a deferred tax liability on the Consolidated Statements of Assets and Liabilities. As of September 30, 2017, the Company recorded a deferred tax liability of $0.9 million on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net realized and unrealized gain/(loss) on investments in the Consolidated Statements of Operations. For the years ended September 30, 2018, 2017 and 2016, the change in provision for deferred taxes on the unrealized depreciation on investments was $0.5 million, $1.1 million and $0.1 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. For the fiscal year ended September 30, 2018, the Company's Taxable Subsidiaries provisional tax is based on the new lower blended federal corporate tax rate of 24.25%. 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.

Permanent differences between ICTI and net investment income for financial reporting purposes are reclassified among capital accounts in the financial statements to reflect their tax character. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. During the years ended September 30, 2018, 2017 and 2016, the Company reclassified for book purposes amounts arising from permanent book/tax differences related to the different tax treatment of distributions and closing fees as follows:

	For the years ended September 30		
	2018	2017	2016
Capital in excess of par value	$ (157,925)	$ (267,183)	$ —
Accumulated undistributed net investment income/(loss)	280,924	3,746,825	(1,008,000)
Accumulated net realized gain/(loss) from investments	(122,999)	(3,479,642)	1,008,000

For income tax purposes, distributions paid to stockholders are reported as ordinary income, return of capital, long term capital gains or a combination thereof. The tax character of distributions paid for the years ended September 30, 2018, 2017 and 2016 were as follows:

	For the years ended September 30		
	2018	2017	2016
Ordinary income	$ 22,025,185	$ 41,400,401	$ 62,122,756
Distributions of long-term capital gains	—	—	—
Return of capital	6,301,403	—	—
Distributions on a tax basis	$ 28,326,588	$ 41,400,401	$ 62,122,756

For federal income tax purposes, the cost of investments owned at September 30, 2018, 2017 and 2016 were approximately $757.9 million, $903.8 million, and $999.0 million, respectively.

At September 30, 2018, 2017 and 2016, the components of distributable earnings/(accumulated deficits) on a tax basis detailed below differ from the amounts reflected in the Company's Consolidated Statements of Assets and Liabilities by temporary and other book/tax differences, primarily relating to the tax treatment of certain fee income and organizational expenses, as follows:

	For the years ended September 30		
	2018	2017	2016
Undistributed ordinary income	$ —	$ 17,570,891	$ 8,793,113
Accumulated capital and other losses[1]	(268,569,450)	(177,904,733)	(99,177,258)
Other temporary differences	(6,429,766)	(17,099,606)	(11,708,070)
Unrealized appreciation/(depreciation)	(102,463,301)	(67,237,807)	(86,369,176)
Components of distributable earnings/(accumulated deficits) at year end	$ (377,462,517)	$ (244,671,255)	$ (188,461,391)

(1) Under the Regulated Investment Company Modernization Act of 2010, net capital losses recognized for tax years beginning after December 22, 2010, may be carried forward indefinitely, and their character is retained as short-term or long-term losses. As of September 30, 2018, the Company a had long-term capital loss carryforward available to offset future realized capital gains of $268,569,450.

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 September 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 September 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	$ 475,801	62.2%	$ 395,015	60.3%
Senior Secured Second Lien Term Loans	49,162	6.4	48,890	7.5
Senior Secured First Lien Notes	20,000	2.6	19,268	2.9
Unsecured Debt	26,108	3.4	3,381	0.5
MCC Senior Loan Strategy JV I LLC	78,575	10.3	78,371	11.9
Equity/Warrants	115,040	15.1	110,505	16.9
Total	$ 764,686	100.0%	$ 655,430	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
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 September 30, 2018 and 2017, the total fair value of warrants was $1.0 million and $2.3 million, respectively, and were included in investments at fair value on the Consolidated Statement of Assets and Liabilities. During the years ended September 30, 2018 and 2017, the Company acquired two and one warrant positions, respectively.

Total unrealized depreciation related to warrants for the years ended September 30, 2018 and 2017 was $1.3 million and $3.4 million, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. Total unrealized appreciation related to warrants for the year ended September 30, 2016 was $2.1 million 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.

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

	Fair Value	Percentage
Services: Business	$ 95,021	14.5%
Construction & Building	92,850	14.2
Multisector Holdings	78,371	12.0
High Tech Industries	65,662	10.0
Healthcare & Pharmaceuticals	46,020	7.0
Energy: Oil & Gas	45,584	7.0
Aerospace & Defense	36,714	5.6
Hotel, Gaming & Leisure	32,487	5.0
Containers, Packaging & Glass	24,219	3.7
Banking, Finance, Insurance & Real Estate	22,587	3.4
Wholesale	18,515	2.8
Services: Consumer	16,940	2.6
Consumer goods: Durable	15,307	2.3
Automotive	13,027	2.0
Capital Equipment	12,944	2.0
Metals & Mining	8,814	1.3
Consumer goods: Non-durable	6,252	0.9
Retail	5,802	0.9
Media: Broadcasting & Subscription	5,703	0.9
Chemicals, Plastics & Rubber	4,078	0.6
Environmental Industries	3,283	0.5
Media: Advertising, Printing & Publishing	2,750	0.4
Forest Products & Paper	2,500	0.4
Total	$ 655,430	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
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.

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

	Fair Value	Percentage
Northeast	$ 167,803	25.6%
West	155,519	23.7
Midwest	118,291	18.1
Southeast	76,676	11.7
Mid-Atlantic	71,962	11.0
Southwest	65,179	9.9
Total	$ 655,430	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

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 during the years ended September 30, 2018 and 2017 were as follows:

Name of Investment[3]	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
Affiliated Investments								
1888 Industrial Services, LLC[4]	Senior Secured First Lien Term Loan A	$ 8,984,232	$ —	$ —	$ —	$ —	$ 8,984,232	$ 629,767
	Senior Secured First Lien Term Loan B	19,746,290	2,618,635	—	(2,639,708)	—	19,725,217	2,713,056
	Revolving Credit Facility	—	3,593,693	—	—	—	3,593,693	129,351
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	8,340,525	105,860	—	(2,570,106)	—	5,876,279	212,656
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—
	Preferred Equity Series AAA	43,200	536,000	—	(752,000)	—	(172,800)	—
	Equity	—	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	7,719,520	—	—	(4,836,720)	—	2,882,800	—
	Senior Secured First Lien Delayed Draw Term Loan	668,105	(165,000)	—	—	—	503,105	41,950
	Equity	—	—	—	—	—	—	—
Caddo Investors Holdings 1 LLC	Equity	—	2,500,000	—	—	—	2,500,000	89,688
JFL-NGS Partners, LLC	Preferred Equity A-2	30,552,190	916,565	—	—	—	31,468,755	924,928
	Preferred Equity A-1	3,953,700	118,611	—	—	—	4,072,311	119,693
	Equity	63,603	—	—	9,762,201	—	9,825,804	—
JFL-WCS Partners, LLC	Preferred Equity Class A	—	1,166,292	—	—	—	1,166,292	47,738
	Equity	—	129,588	—	85,528	—	215,116	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	667,000
	Equity	3,330,000	—	—	—	—	3,330,000	—
Total Affiliated Investments		$ 90,071,365	$ 11,520,244	$ —	$ (950,805)	$ —	$ 100,640,804	$ 5,575,827
Controlled Investments								
Capstone Nutrition	Senior Secured First Lien Term Loan	$ 18,002,715	$ 43,174	$ —	$ (5,388,226)	$ —	$ 12,657,663	$ —
	Senior Secured First Lien Delayed Draw Term Loan	7,789,760	532,868	—	(2,630,532)	—	5,692,096	—
	Senior Secured First Lien Incremental Delayed Draw	—	2,242,721	—	—	—	2,242,721	222,325
	Equity - Class B and C Units	—	—	—	—	—	—	—
	Equity - Common Units	—	—	—	—	—	—	—
MCC Senior Loan Strategy JV I LLC[1][2]	Equity	56,137,946	22,487,500	—	(254,555)	—	78,370,891	7,021,875
NVTN LLC	Senior Secured First Lien Term Loan	3,505,990	500,000	—	—	—	4,005,990	221,859
	Senior Secured First Lien Term Loan B	10,604,502	1,232,865	—	—	—	11,837,367	1,252,532
	Senior Secured First Lien Term Loan C	6,518,046	961,351	—	—	—	7,479,397	977,701
	Equity	9,550,922	—	—	(9,550,922)	—	—	—
OmniVere, LLC	Senior Secured First Lien Term Loan	24,500,205	—	—	(24,500,205)	—	—	—
	Senior Secured First Lien Term Loan	1,409,669	2,927,380	—	(2,963,001)	—	1,374,048	152,997
	Unsecured Debt	—	—	—	—	—	—	—
	Equity	—	—	—	—	—	—	—
TPG Plastics LLC	Senior Secured Second Lien Term Loan	—	—	401,346	—	—	401,346	7,153
	Unsecured Debt	—	—	360,000	—	—	360,000	12,921
	Unsecured Debt	—	—	646,996	—	—	646,996	2,322
	Equity	—	—	2,670,154	—	—	2,670,154	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	14,966,563	146,191	—	—	—	15,112,754	1,540,982
	Preferred Equity	5,500,000	350,795	—	—	—	5,850,795	691,600
	Equity	12,937,518	—	—	—	—	12,937,518	—
Total Controlled Investments		$ 171,423,836	$ 31,424,845	$ 4,078,496	$ (45,287,441)	$ —	$ 161,639,736	$ 12,104,267

Name of Investment[3]	Type of Investment	Fair Value at September 30, 2016	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at September 30, 2017	Income Earned
Affiliated Investments								
1888 Industrial Services, LLC[4][5]	Senior Secured First Lien Term Loan A	$ —	$ —	$ 8,984,232	$ —	$ —	$ 8,984,232	$ 15,713
	Senior Secured First Lien Term Loan B	—	15,257	19,746,290	(15,257)	—	19,746,290	66,248
	Revolving Credit Facility	—	—	—	—	—	—	250
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	—	411,431	7,832,358	96,736	—	8,340,525	817,488
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	184,000	—	(184,000)	—	—	—
	Preferred Equity Series AAA	—	363,200	—	(320,000)	—	43,200	—
	Equity	—	—	—	—	—	—	—
Brantley Transportation LLC	Senior Secured First Lien Term Loan	—	(51,055)	5,351,092	2,419,483	—	7,719,520	(51,055)
	Senior Secured First Lien Delayed Draw Term Loan	—	30,605	637,500	—	—	668,105	43,343
	Equity	—	—	—	—	—	—	—
Dream Finders Homes, LLC[3]	Senior Secured First Lien Term Loan B	—	(3,591,895)	1,702,497	(1,502,102)	3,391,500	—	851,203
	Preferred Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	—	—	30,552,190	—	—	30,552,190	278,736
	Preferred Equity A-1	—	3,953,700	—	—	—	3,953,700	36,071
	Equity	—	57,300	—	6,303	—	63,603	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	667,000
	Equity	3,330,000	—	—	—	—	3,330,000	—
Total Affiliated Investments		$ 10,000,000	$ 1,372,543	$ 74,806,159	$ 501,163	$ 3,391,500	$ 90,071,365	$ 2,724,997
Controlled Investments								
1888 Industrial Services, LLC[4][5]	Senior Secured First Lien Term Loan A	$ 8,984,232	$ —	$ (8,984,232)	$ —	$ —	$ —	$ 541,003
	Senior Secured First Lien Term Loan B	14,889,405	1,801,521	(19,746,290)	3,055,364	—	—	2,220,060
	Revolving Credit Facility	—	—	—	—	—	—	27,255
	Equity	—	—	—	—	—	—	6,622
Capstone Nutrition	Senior Secured First Lien Term Loan	14,615,564	—	—	3,387,151	—	18,002,715	—
	Senior Secured First Lien Delayed Draw Term Loan	6,324,142	—	—	1,465,618	—	7,789,760	—
	Equity	—	—	—	—	—	—	—
	Equity	—	—	—	—	—	—	—
Lydell Jewelry Design Studio, LLC	Senior Secured First Lien Term Loan	5,707,522	(181,578)	—	8,562,347	(14,088,291)	—	—
	Senior Secured First Lien Delayed Draw Term Loan	1,500,000	(276,513)	—	—	(1,223,487)	—	155,461
	Equity	—	—	—	—	—	—	
	Equity	—	—	—	—	—	—	
MCC Senior Loan Strategy JV I LLC[1][2]	Equity	31,252,416	23,975,000	—	910,530	—	56,137,946	4,156,250
NVTN LLC	Senior Secured First Lien Term Loan	—	1,980,789	1,525,201	—	—	3,505,990	151,132
	Senior Secured First Lien Term Loan B	—	—	10,604,502	—	—	10,604,502	955,110
	Senior Secured First Lien Term Loan C	—	—	6,518,046	—	—	6,518,046	732,441
	Equity	—	—	9,550,922	—	—	9,550,922	—
OmniVere, LLC	Senior Secured First Lien Term Loan	22,360,258	827,584	—	1,312,363	—	24,500,205	828,406
	Senior Secured First Lien Term Loan	—	1,409,669	—	—	—	1,409,669	44,174
	Unsecured Debt	11,336,861	1,972,687	—	(13,309,548)	—	—	—
	Equity	—	—	—	—	—	—	—
United Road Towing, Inc	Senior Secured Second Lien Term Loan	18,725,607	(18,725,607)	—	—	—	—	652,723
	Preferred Equity Class C	1,186,268	(2,255,263)	—	15,150,910	(14,081,915)	—	8,242
	Preferred Equity Class C-1	—	(466,844)	—	2,456,143	(1,989,299)	—	1,572
	Preferred Equity Class A-2	—	(675,694)	—	4,664,855	(3,989,161)	—	2,420
	Equity	—	—	—	1,098,096	(1,098,096)	—	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	—	10,466,563	4,500,000	—	—	14,966,563	632,897
	Preferred Equity	—	—	5,500,000	—	—	5,500,000	186,247
	Equity	—	—	12,936,880	638	—	12,937,518	—
Total Controlled Investments		$ 136,882,275	$ 19,852,314	$ 22,405,029	$ 28,754,467	$ (36,470,249)	$ 171,423,836	$ 11,302,015

(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.

(5) During the year ended September 30, 2017, the Company entered into certain transactions which changed its percentage of the investment's voting securities. As a result, the Company has changed it's classification for the investment during the fiscal year.

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 years ended September 30, 2018, 2017 and 2016. 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 years ended September 30, 2018, 2017 and 2016.

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 September 30, 2018, there were four participation agreements outstanding with an aggregate fair value of $22.0 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 years ended September 30, 2018, 2017 and 2016, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of $21.8 million, $11.7 million and $26.4 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 September 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 September 30, 2018 relating to these commitments, of which $78.6 million was from the Company. As of September 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 September 30, 2018 and 2017, there was approximately $179.3 million and $130.5 million outstanding under the JV Facility, respectively.

At September 30, 2018 and 2017, MCC JV had total investments at fair value of $251.9 million and $184.2 million, respectively. As of September 30, 2018 and 2017, MCC JV's portfolio was comprised of senior secured first lien term loans to 56 and 46 borrowers, respectively. As of September 30, 2018 and 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 September 30, 2018 and 2017:

	September 30, 2018	September 30, 2017
Senior secured loans[1]	$ 256,547,053	$ 187,473,188
Weighted average current interest rate on senior secured loans[2]	7.39%	6.69%
Number of borrowers in MCC JV	56	46
Largest loan to a single borrower[1]	$ 11,115,786	$ 11,346,929
Total of five largest loans to borrowers[1]	$ 47,982,607	$ 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.

MCC JV Loan Portfolio as of September 30, 2018

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	6/7/2022	$ 11,115,786	$ 11,115,786	$ 11,115,786	12.4%
				11,115,786	11,115,786	11,115,786	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	11/22/2023	2,942,775	2,936,535	2,942,775	3.3%
				2,942,775	2,936,535	2,942,775	
Avantor, Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	11/21/2024	5,528,200	5,455,199	5,583,482	6.2%
				5,528,200	5,455,199	5,583,482	
BW NHHC HOLDCO INC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%)[1]	5/15/2025	6,284,250	6,184,580	6,170,505	6.9%
				6,284,250	6,184,580	6,170,505	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	11/29/2023	5,403,750	5,363,877	5,402,669	6.0%
				5,403,750	5,363,877	5,402,669	
CD&R TZ Purchaser, Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2023	3,428,127	3,392,563	3,370,192	3.8%
				3,428,127	3,392,563	3,370,192	
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	4/10/2025	2,867,813	2,854,412	2,853,473	3.2%
				2,867,813	2,854,412	2,853,473	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.50%)[1]	10/4/2024	7,634,615	7,613,184	7,584,990	8.5%
		Delayed Draw Term Loan (LIBOR + 4.50%)[1]	10/4/2024	2,297,782	2,297,782	2,282,846	2.5%
				9,932,397	9,910,966	9,867,836	
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	242,807	213,451	41,301	0.0%
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	1,826,953	717,016	—	0.0%
		Senior Secured First Lien Term Loan D (ABR + 7.00% PIK, 5.25% ABR Floor)[1][3]	4/1/2019	1,038,290	—	—	0.0%
		Equity - 41 Common Units	4/1/2019	—	—	—	0.0%
				3,108,050	930,467	41,301	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	12/1/2021	4,175,053	4,080,739	4,064,414	4.5%
				4,175,053	4,080,739	4,064,414	
Deliver Buyer, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	5/1/2024	531,987	530,704	530,657	0.6%
				531,987	530,704	530,657	
DigiCert, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	10/31/2024	1,488,750	1,482,238	1,488,750	1.7%
				1,488,750	1,482,238	1,488,750	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Elite Comfort Solutions, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	1/15/2021	5,507,602	5,507,602	5,507,602	6.1%
				5,507,602	5,507,602	5,507,602	
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	8/1/2025	3,750,000	3,713,265	3,712,500	4.1%
				3,750,000	3,713,265	3,712,500	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	1/20/2021	2,938,931	2,930,787	2,656,794	3.0%
				2,938,931	2,930,787	2,656,794	
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	12/23/2024	4,950,125	4,933,531	4,950,125	5.5%
				4,950,125	4,933,531	4,950,125	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/20/2023	8,792,361	8,792,361	8,792,361	9.9%
				8,792,361	8,792,361	8,792,361	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/30/2022	1,820,455	1,802,712	1,694,479	1.9%
		Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/30/2022	12,358	12,238	11,503	0.0%
				1,832,813	1,814,950	1,705,982	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor)[1]	4/26/2025	4,107,353	4,094,567	4,114,746	4.6%
				4,107,353	4,094,567	4,114,746	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	6/21/2022	7,880,000	7,820,824	7,437,932	8.3%
				7,880,000	7,820,824	7,437,932	
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	4/3/2023	4,925,000	4,887,744	4,905,300	5.5%
				4,925,000	4,887,744	4,905,300	
Intermedia Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2025	3,000,000	2,970,580	2,970,000	3.3%
				3,000,000	2,970,580	2,970,000	
Isagenix International, LLC	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	6/16/2025	2,937,813	2,922,007	2,894,920	3.2%
				2,937,813	2,922,007	2,894,920	
Jackson Hewitt Tax Services Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	5/31/2023	6,000,000	6,000,000	6,000,000	6.7%
				6,000,000	6,000,000	6,000,000	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	5/1/2024	6,225,584	6,131,648	6,194,456	6.9%
				6,225,584	6,131,648	6,194,456	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	4/26/2024	4,999,557	4,919,799	4,960,560	5.5%
				4,999,557	4,919,799	4,960,560	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/18/2022	5,423,077	5,400,078	5,450,192	6.1%
				5,423,077	5,400,078	5,450,192	
Loparex International B.V.	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	4/11/2025	6,650,000	6,615,014	6,716,500	7.5%
				6,650,000	6,615,014	6,716,500	
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	12/8/2023	3,060,208	3,060,208	3,049,498	3.4%
		Delayed Draw Term Loan (LIBOR + 6.00%)[1]	12/8/2023	376,167	376,167	374,850	0.4%
				3,436,375	3,436,375	3,424,348	
Midcoast Energy, LLC	Energy: Oil & gas	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/1/2025	4,000,000	3,960,877	4,005,200	4.5%
				4,000,000	3,960,877	4,005,200	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	7/14/2022	4,557,382	4,549,251	4,557,382	5.1%
				4,557,382	4,549,251	4,557,382	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	3/28/2025	4,228,750	4,209,044	4,207,606	4.7%
				4,228,750	4,209,044	4,207,606	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	4/29/2024	3,441,288	3,427,525	3,441,288	3.8%
				3,441,288	3,427,525	3,441,288	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	8/19/2022	4,911,410	4,911,410	4,911,410	5.5%
				4,911,410	4,911,410	4,911,410	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	4/3/2024	6,160,625	6,103,585	6,099,019	6.8%
				6,160,625	6,103,585	6,099,019	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	11/30/2021	4,875,423	4,875,423	4,807,655	5.4%
				4,875,423	4,875,423	4,807,655	
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	8/3/2024	1,992,273	1,982,463	1,982,311	2.2%
				1,992,273	1,982,463	1,982,311	
Recorded Books Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.50%)[1]	8/29/2025	4,000,000	3,960,299	3,960,299	4.4%
				4,000,000	3,960,299	3,960,299	
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	5/25/2023	5,205,684	5,173,271	5,212,452	5.8%
				5,205,684	5,173,271	5,212,452	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor)[1]	2/3/2025	3,457,625	3,449,777	3,457,625	3.9%
				3,457,625	3,449,777	3,457,625	
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	2/28/2022	2,720,536	2,683,070	2,720,808	3.0%
				2,720,536	2,683,070	2,720,808	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	10/30/2022	3,904,564	3,873,416	3,904,564	4.4%
				3,904,564	3,873,416	3,904,564	
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	11/29/2024	9,925,000	9,881,191	9,925,000	11.1%
				9,925,000	9,881,191	9,925,000	
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	11/11/2024	5,211,928	5,196,997	5,191,602	5.8%
				5,211,928	5,196,997	5,191,602	
SMB Shipping Logistics, LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	2/5/2024	2,493,671	2,469,513	2,468,734	2.8%
				2,493,671	2,469,513	2,468,734	
Starfish Holdco, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	8/16/2024	3,955,025	3,921,489	3,955,025	4.4%
				3,955,025	3,921,489	3,955,025	
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	3/9/2023	4,975,000	4,930,568	4,975,000	5.6%
				4,975,000	4,930,568	4,975,000	
The KEYW Corporation	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor)[1]	5/8/2024	3,337,209	3,321,534	3,305,172	3.7%
				3,337,209	3,321,534	3,305,172	
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	5/28/2021	4,923,664	4,923,664	4,923,664	5.5%
				4,923,664	4,923,664	4,923,664	
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	10/11/2024	4,987,500	4,974,219	5,001,964	5.6%
				4,987,500	4,974,219	5,001,964	
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[1]	1/31/2025	2,462,625	2,451,451	2,462,625	2.7%
				2,462,625	2,451,451	2,462,625	
United Road Services, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	9/1/2024	3,880,000	3,863,202	3,880,000	4.3%
				3,880,000	3,863,202	3,880,000	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Vertex Aerospace Services Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 4.75%)[1]	6/29/2025	1,496,250	1,488,975	1,511,213	1.7%
				1,496,250	1,488,975	1,511,213	
Wheels Up Partners LLC	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor)[1]	10/15/2021	4,437,529	4,333,078	4,380,729	4.9%
				4,437,529	4,333,078	4,380,729	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	2/12/2024	8,217,063	8,217,063	8,217,063	9.2%
				8,217,063	8,217,063	8,217,063	
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	9/29/2022	2,625,500	2,625,500	2,622,349	2.9%
				2,625,500	2,625,500	2,622,349	
Total Investments, September 30, 2018				**$ 256,547,053**	**$ 252,887,053**	**$ 251,913,917**	281.2%

(1) Represents the annual current interest rate as of September 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 September 30, 2018.

(4) Percentage is based on MCC JV's net assets of $89,580,037 as of September 30, 2018.

MCC JV Loan Portfolio as of September 30, 2017

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	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)[1]	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)[1]	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)[1]	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)[1]	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% LIBOR Floor)[1]	4/22/2022	2,951,250	2,906,128	2,951,250	4.6%
				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)[1]	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)[1]	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)[1]	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)[1]	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)[1]	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)[1]	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 Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	7/21/2023	3,465,000	3,421,596	3,456,338	5.4%
				3,465,000	3,421,596	3,456,338	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
CP OPCO, LLC	Services: Consumer	Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 4.25% ABR Floor)[1][3]	4/1/2019	219,589	213,451	59,728	0.1%
		Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 4.25% ABR Floor)[1][3]	4/1/2019	1,603,881	717,016	—	0.0%
		Preferred Facility (ABR + 7.00% PIK, 3.75% ABR Floor)[1][3]	4/1/2019	934,849	—	—	0.0%
		Revolving Credit Facility (ABR + 3.50% Cash, 4.25% ABR Floor)[1]	4/1/2019	—	—	—	0.0%
		Equity - 41 Common Units		41	—	—	0.0%
				2,758,360	930,467	59,728	
CSP Technologies North America, LLC	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	1/31/2022	2,480,781	2,480,781	2,480,781	3.9%
				2,480,781	2,480,781	2,480,781	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	12/1/2021	5,218,206	5,063,171	5,218,206	8.1%
				5,218,206	5,063,171	5,218,206	
Elite Comfort Solutions, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	1/15/2021	5,810,616	5,810,616	5,810,616	9.1%
				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)[1]	12/22/2023	3,482,500	3,451,297	3,517,325	5.5%
				3,482,500	3,451,297	3,517,325	
Explorer Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor)[1]	5/2/2023	979,038	976,115	982,758	1.5%
				979,038	976,115	982,758	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	1/20/2021	2,969,466	2,957,674	2,908,592	4.5%
				2,969,466	2,957,674	2,908,592	
Global Eagle Entertainment Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor)[1]	1/6/2023	4,147,500	4,079,692	4,116,394	6.4%
				4,147,500	4,079,692	4,116,394	
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	6/20/2023	6,708,188	6,708,188	6,708,188	10.5%
				6,708,188	6,708,188	6,708,188	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	6/30/2022	1,851,563	1,828,706	1,773,982	2.8%
				1,851,563	1,828,706	1,773,982	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor)[1]	3/18/2024	3,110,895	3,096,476	3,110,895	4.8%
				3,110,895	3,096,476	3,110,895	
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	6/21/2022	7,960,000	7,884,180	7,880,400	12.3%
				7,960,000	7,884,180	7,880,400	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Infogroup, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	4/3/2023	4,975,000	4,928,990	4,925,250	7.7%
				4,975,000	4,928,990	4,925,250	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	5/1/2024	8,000,000	7,857,692	8,000,000	12.5%
				8,000,000	7,857,692	8,000,000	
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	4/26/2024	6,500,000	6,377,734	6,516,250	10.3%
				6,500,000	6,377,734	6,516,250	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	8/18/2022	5,000,000	4,950,691	4,950,000	7.7%
				5,000,000	4,950,691	4,950,000	
Lighthouse Network, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	10/13/2023	4,466,250	4,427,648	4,466,250	7.1%
				4,466,250	4,427,648	4,466,250	
MB Aerospace ACP Holdings II Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	12/15/2022	5,163,678	5,128,257	5,163,678	8.0%
				5,163,678	5,128,257	5,163,678	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	7/14/2022	2,932,340	2,932,340	2,932,340	4.6%
				2,932,340	2,932,340	2,932,340	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	4/29/2024	4,987,500	4,963,982	4,962,563	7.7%
				4,987,500	4,963,982	4,962,563	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	8/22/2022	4,962,025	4,962,025	4,962,025	7.7%
				4,962,025	4,962,025	4,962,025	
Pomeroy Group LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	11/30/2021	2,343,582	2,288,650	2,329,989	3.6%
		Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor)[1]	11/30/2021	419,501	409,668	417,068	0.7%
				2,763,083	2,698,318	2,747,057	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	11/30/2021	4,962,500	4,921,159	4,996,741	7.8%
				4,962,500	4,921,159	4,996,741	
Quorum Health Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.75%, 1.00% LIBOR Floor)[1]	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)[1]	5/25/2023	4,987,500	4,940,019	4,937,625	7.7%
				4,987,500	4,940,019	4,937,625	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets[4]
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	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)[1]	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)[1]	8/16/2024	5,000,000	4,950,395	4,950,000	7.7%
				5,000,000	4,950,395	4,950,000	
Sundial Group Holdings LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor)[1]	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)[1]	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)[1]	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)[1]	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)[1]	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)[1]	3/1/2023	728,165	724,860	735,446	1.1%
				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.

Below is certain summarized financial Information for MCC JV as of September 30, 2018 and 2017, and for the years ended September 30, 2018, 2017 and 2016:

	September 30, 2018	September 30, 2017
Selected Consolidated Statement of Assets and Liabilities Information:		
Investments in loans at fair value (cost: of $252,887,053 and $183,950,100, respectively)	$ 251,913,920	$ 184,241,231
Cash	14,035,722	8,908,117
Other assets	2,614,208	597,831
Total assets	$ 268,563,850	$ 193,747,179
Line of credit (net of debt issuance costs of $1,408,462 and $1,789,953, respectively)	$ 177,871,538	$ 128,690,047
Other liabilities	379,030	440,959
Interest payable	733,245	458,518
Total liabilities	178,983,813	129,589,524
Members' capital	89,580,037	64,157,655
Total liabilities and members' capital	$ 268,563,850	$ 193,747,179

	For the year ended September 30, 2018	For the year ended September 30, 2017	For the year ended September 30, 2016
Selected Consolidated Statement of Operations Information:			
Total revenues	$ 17,017,831	$ 10,359,041	$ 3,916,605
Total expenses	(9,054,415)	(5,239,634)	(2,480,499)
Net unrealized appreciation/(depreciation)	(1,358,880)	(181,485)	486,437
Net realized gain/(loss)	1,048,233	852,684	(1,415,210)
Net income/(loss)	$ 7,652,769	$ 5,790,606	$ 507,333

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%. 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.

After performing the income analysis for the year ended September 30, 2018, our investment in OmniVere, LLC exceeded the 10% threshold under Rule 4-08(g). Accordingly, the following tables show summarized unaudited financial information for OmniVere, LLC:

	September 30, 2018	September 30, 2017
Balance Sheet Data[(1)]		
Current assets	$ 4,382,427	$ 9,835,601
Non-current assets	$ 43,058,791	$ 49,299,270
Current liabilities	$ 4,443,543	$ 8,500,669
Non-current liabilities	$ 116,088,427	$ 99,679,770

	For the twelve months ended September 30, 2018	For the twelve months ended September 30, 2017	For the twelve months ended September 30, 2016
Summary of Operations[(1)]			
Total revenues	$ 16,576,365	$ 32,339,457	$ 37,064,767
Cost of sales	12,020,480	22,178,656	29,211,587
Operating expenses	15,902,280	23,831,050	18,130,485
Other expenses	12,709,467	10,875,720	11,050,052
Net loss	$ (24,055,862)	$ (24,545,969)	$ (21,327,357)

After performing the income analysis for the year ended September 30, 2017, our investment in NVTN LLC exceeded the 10% threshold under Rule 4-08(g). Accordingly, the following tables show summarized unaudited financial information for NVTN LLC:

Balance Sheet Data(1)	September 30, 2018	September 30, 2017
Current assets	$ 3,615,917	$ 4,952,291
Non-current assets	$ 33,770,103	$ 34,375,960
Current liabilities	$ 2,550,219	$ 2,216,025
Non-current liabilities	$ 32,474,480	$ 29,531,858

Summary of Operations(1)	For the twelve months ended September 30, 2018	Period from November 9, 2016 through September 30, 2017
Total revenues	$ 31,260,430	$ 38,347,251
Cost of sales	7,920,057	9,289,103
Operating expenses	22,637,032	27,105,300
Other expenses	4,267,307	6,707,925
Net loss	$ (3,563,966)	$ (4,755,077)

(1) All amounts are unaudited.

The Company also determined that the assets of MCC JV represented greater than 10% of its total assets and also generated more than 10% 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 September 30, 2018 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 395,015	$ 395,015
Senior Secured Second Lien Term Loans	—	—	48,890	48,890
Senior Secured First Lien Notes	—	—	19,268	19,268
Unsecured Debt	—	—	3,381	3,381
Equity/Warrants	—	50	110,455	110,505
Total	$ —	$ 50	$ 577,009	$ 577,059
MCC Senior Loan Strategy JV I LLC(1)				78,371
Total Investments, at fair value				$ 655,430

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(1)				56,138
Total Investments, at fair value				$ 836,991

(1) Certain investments that are measured at fair value using NAV have not been categorized in the fair value 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.

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended September 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	25,218	1,028	6	3,381	6,344	35,977
Originations	106,664	17,093	—	—	25,245	149,002
Sales	(29,291)	(17,714)	(7,013)	—	—	(54,018)
Settlements	(135,524)	(75,460)	—	—	(2,500)	(213,484)
Net realized gains/(losses) from investments	(50,726)	(37,670)	239	—	(1,174)	(89,331)
Net transfers in and/or out of Level 3	—	—	7,067	—	59	7,126
Net unrealized gains/(losses)	(58,489)	25,787	(1,509)	—	2,221	(31,990)
Balance as of September 30, 2018	$ 395,015	$ 48,890	$ 19,268	$ 3,381	$ 110,455	$ 577,009

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the year ended September 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	13,015	8,059	—	4,445	387	25,906
Originations	185,462	39,440	—	1,973	65,079	291,954
Sales	(45,701)	(38,500)	—	(30,552)	—	(114,753)
Settlements	(164,622)	(69,510)	—	(15,000)	(2,312)	(251,444)
Net realized gains/(losses) from investments	(41,455)	(7,587)	—	(289)	(23,564)	(72,895)
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	25,135	(9,613)	(570)	(13,386)	17,558	19,124
Balance as of September 30, 2017	$ 537,163	$ 135,826	$ 20,478	$ —	$ 80,260	$ 773,727

Net change in unrealized loss included in earnings related to investments still held as of September 30, 2018 and 2017, was approximately $72.1 million and $29.9 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 quarter in which the reclassifications occur. During the year ended September 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 year ended September 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 September 30, 2018 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 175,233	Income Approach (DCF)	Market yield	7.18% - 16.87% (10.80%)
Senior Secured First Lien Term Loans	113,178	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple[1] EBITDA Multiple[1] Discount rate Expected Proceeds	0.75x - 1.35x (0.87x) 3.50x - 7.00x (5.93x) 10.00% - 18.00% (16.77%) $0.0M - $127.5M ($76.8M)
Senior Secured First Lien Term Loans	106,604	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	19,268	Income Approach (DCF)	Market yield	14.17%
Senior Secured Second Lien Term Loan	33,376	Income Approach (DCF)	Market yield	8.99% - 14.17% (11.29%)
Senior Secured Second Lien Term Loans	15,113	Market Approach (Guideline Comparable)/Income Approach (DCF)	Revenue Multiple[1] EBITDA Multiple[1] Discount Rate	0.60x - 0.80x (0.70x) 6.75x - 7.75x (7.25x) 15.50% - 17.50% (16.50%)
Senior Secured Second Lien Term Loan	401	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Unsecured Debt	—	Enterprise Value Analysis	Expected Proceeds	$0.0M - $0.0M ($0.0M)
Unsecured Debt	3,381	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	6,678	Income Approach (DCF)	Market yield	8.75%
Equity	97,107	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis	Revenue Multiple[1] EBITDA Multiple[1] Discount rate Expected Proceeds	0.70x - 1.35x (0.69x) 4.50x - 13.00x (9.60x) 10.00% - 21.50% (14.79%) $0.0M - $5.7M ($0.0M)
Equity	6,670	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Total	**$ 577,009**			

The following table has been modified to conform to the current year presentation, and presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2017 (dollars in 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)
Senior Secured First Lien Term Loans	184,059	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF)	Revenue Multiple[1] EBITDA Multiple[1] Discount rate	0.60x - 3.00x (1.42x) 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[1] EBITDA Multiple[1] 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[1] 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
Equity	41,367	Market Approach (Guideline Comparable) / Market Approach (Comparable Transactions) / Income Approach (DCF)	Revenue Multiple[1] EBITDA Multiple[1] Discount rate Expected Proceeds	0.70x - 3.00x (0.74x) 5.00x - 8.63x (7.10x) 10.00% - 20.50% (16.42%) $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 September 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.

However, in March 2018, the Small Business Credit Availability Act modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements are met. Under the 1940 Act, 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 1940 Act 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. 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.

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 September 30, 2018 and 2017 was as follows (dollars in thousands):

	September 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	$ —	$ —	$ —	$ —	$ 200,000	$ 68,000	$ 68,000	$ 68,000
Term Loan Facility	—	—	—	—	102,000	102,000	102,000	102,000
2021 Notes	74,013	74,013	74,013	74,960	74,013	74,013	74,013	77,121
2023 Notes	89,847	89,847	89,847	89,128	102,847	102,847	102,847	103,464
2024 Notes	121,276	121,276	121,276	112,993	N/A	N/A	N/A	N/A
SBA Debentures	135,000	135,000	135,000	135,000	150,000	150,000	150,000	150,000
Total	$ 420,136	$ 420,136	$ 420,136	$ 412,081	$ 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 resulted in 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 resulted in 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 had 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 was LIBOR (with no minimum) plus 2.75% and had a revolving period that was to end 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.

On September 28, 2018, the Company voluntarily satisfied and terminated the commitments under the Revolving Credit Facility in accordance with its terms. The termination was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $1.0 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

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 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 September 30, 2017, the valuation of the 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 September 30, 2018 and 2017, debt issuance costs related to the Facilities were as follows (dollars in thousands):

	September 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	8,747	4,491	6,769	3,444
Unamortized Debt Issuance Costs	$ —	$ —	$ 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 years ended September 30, 2018, 2017 and 2016 (dollars in thousands):

	For the years ended September 30		
	2018	**2017**	**2016**
Revolving Facility interest	$ 729	$ 586	$ 2,116
Revolving Facility commitment fee	1,521	2,419	2,491
Term Facility interest	1,505	6,662	6,047
Amortization of debt issuance costs	1,087	2,870	1,948
Agency and other fees	138	77	79
Total	$ 4,980	$ 12,614	$ 12,681
Weighted average stated interest rate	4.4%	4.0%	3.4%
Weighted average outstanding balance	$ 50,900	$ 182,711	$ 241,522

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 resulted in 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 resulted in 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 $121.3 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. As of September 30, 2018, the Company has not repurchased any of the 2024 Notes.

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 September 30, 2018 and 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 September 30, 2018 and 2017, debt issuance costs related to the Unsecured Notes were as follows (dollars in thousands):

	September 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	1,756	1,656	965	5,852	1,475	1,127	1,078	N/A	3,680
Unamortized Debt Issuance Costs	$ —	$ 1,470	$ 1,446	$ 5,322	$ 8,238	$ —	$ 2,099	$ 2,024	N/A	$ 4,123

For the years ended September 30, 2018, 2017 and 2016, 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 years ended September 30		
	2018	2017	2016
2019 Unsecured Notes interest	$ —	$ 1,116	$ 2,850
2021 Unsecured Notes interest	4,811	4,811	3,782
2023 Unsecured Notes interest	5,857	5,686	3,889
2023 Unsecured Notes premium	(3)	(2)	N/A
2024 Unsecured Notes interest	4,366	N/A	N/A
Amortization of debt issuance costs	1,936	1,040	921
Total	$ 16,967	$ 12,651	$ 11,442
Weighted average stated interest rate	6.0%	6.4%	6.5%
Weighted average outstanding balance	$ 251,924	$ 182,016	$ 161,491

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 ("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 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 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 September 1, 2018, the Company repaid $15.0 million in aggregate principal amount of the SBA Debentures. The repayment was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of $0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

As of September 30, 2018 SBIC LP had $75.0 million in regulatory capital and had $135.0 million SBA Debentures outstanding that mature between March 2024 and September 2025. As of 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 September 30, 2018 and 2017 were as follows (dollars in thousands):

	September 30, 2018		September 30, 2017	
Rate Fix Date	Debenture Amount	Fixed All-in Interest Rate	Debenture Amount	Fixed All-in Interest Rate
September 2013	$ —	—%	$ 5,000	4.404%
March 2014	29,000	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	$ 135,000	3.587%	$ 150,000	3.639%

As of September 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. At September 30, 2018 and 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 September 30, 2018 and 2017, debt issuance costs related to the SBA Debentures were as follows (dollars in thousands):

	September 30, 2018	September 30, 2017
Total Debt Issuance Costs	$ 5,138	$ 5,138
Amortized Debt Issuance Costs	3,042	2,292
Unamortized Debt Issuance Costs	$ 2,096	$ 2,846

For the years ended September 30, 2018, 2017 and 2016, 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 years ended September 30		
	2018	2017	2016
SBA Debentures interest	$ 5,408	$ 5,458	$ 5,473
Amortization of debt issuance costs	563	679	681
Total	$ 5,971	$ 6,137	$ 6,154
Weighted average stated interest rate	3.6%	3.6%	3.7%
Weighted average outstanding balance	$ 148,767	$ 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.

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, when applicable, 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 years ended September 30, 2018, 2017 and 2016, the Company incurred base management fees to MCC Advisors of $14.7 million, $17.8 million, and $19.5 million, respectively.

For the year ended September 30, 2018, base management fees, net of the voluntary $0.4 million waiver, was $14.3 million. For the years ended September 30, 2017 and 2016, base management fees, net of $47,941 and $142,546 waived under the Fee Waiver Agreement, were $17.7 million and $19.3 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 year ended September 30, 2018, 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 years ended September 30, 2017 and 2016, the Company incurred $0.9 million and $11.5 million of incentive fees related to pre-incentive fee net investment income. For the years ended September 30, 2017 and 2016, incentive fees, net of $43,663 and $3.5 million waived under the Fee Waiver Agreement were $0.9 million and $8.0 million, respectively.

As of September 30, 2018 and 2017, $3.3 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 years ended September 30, 2018, 2017 and 2016, we incurred $3.6 million, $3.8 million, and $3.9 million in administrator expenses, respectively.

As of September 30, 2018 and 2017, $0.8 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 “Current 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. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates have submitted an exemptive application to the SEC for an exemptive order that would supersede the Current Exemptive Order (the “Superseding Exemptive Order”) and would permit Sierra to participate in negotiated co- investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the board of directors determines that it would be in Sierra’s best interest to participate in the transaction. The Current Exemptive Order will remain in effect unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. 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 September 30, 2018 and 2017, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

Unfunded commitments

As of September 30, 2018 and 2017, we had commitments under loan and financing agreements to fund up to $36.1 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 September 30, 2018 and 2017 is shown in the table below (dollars in thousands):

	September 30, 2018	September 30, 2017
Impact Group, LLC - Delayed Draw Term Loan	$ 8,567	$ 755
Redwood Services Group, LLC - Delayed Draw Term Loan	4,839	—
SFP Holding, Inc. - Delayed Draw Term Loan	2,765	1,778
Accupac, Inc. - Delayed Draw Term Loan	2,612	2,612
SMART Financial Operations, LLC - Delayed Draw Term Loan	2,400	4,725
RMS Holding Company, LLC - Revolver	2,327	—
Barry’s Bootcamp Holdings, LLC - Revolver	2,200	4,400
DataOnline Corp. - Revolver	1,890	—
Redwood Services Group, LLC - Revolver	1,750	—
Barry’s Bootcamp Holdings, LLC - Delayed Draw Term Loan	1,271	1,271
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
1888 Industrial Services, LLC - Revolver	719	1,797
Black Angus Steakhouses, LLC - Revolver	625	516
Manna Pro Products, LLC - Delayed Draw Term Loan	429	—
Brook & Whittle Holding Corp. - Delayed Draw Term Loan	310	—
Access Media Holdings, LLC - Series AAA Preferred Equity	173	277
Central States Dermatology Services, LLC - Delayed Draw Term Loan	137	254
SavATree, LLC - Delayed Draw Term Loan	123	167
CP OPCO, LLC - Revolver	—	1,973
Brantley Transportation LLC - Delayed Draw Term Loan	—	788
NVTN LLC - Delayed Draw Term Loan	—	250
Engineered Machinery Holdings, Inc. - Delayed Draw Term Loan	—	159
Total	$ 36,087	$ 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 years ended September 30, 2018, 2017 and 2016 (dollars in thousands):

	For the years ended September 30		
	2018	2017	2016
Origination fee	$ 2,780	$ 3,078	$ 1,381
Administrative agent fee	610	625	684
Amendment fee	579	1,323	2,563
Other fees	285	790	276
Prepayment fee	220	804	2,551
Fee income	$ 4,474	$ 6,620	$ 7,455

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.

On January 26, 2018, the board of directors established a special committee comprised solely of its independent directors (the "MCC Special Committee"), for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on the MCC Special Committee, each independent director received a one-time retainer of $25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company's policies for reimbursement of members of the board of directors. In addition, the chairman of the MCC Special Committee receives a monthly fee of $15,000 and other members receive a monthly fee of $10,000.

No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the years ended September 30, 2018, 2017 and 2016, we accrued $1.3 million, $0.6 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 September 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 years ended September 30, 2018, 2017 and 2016 (dollars in thousands, except share and per share amounts):

	For the years ended September 30		
	2018	2017	2016
Basic and diluted:			
Net increase/(decrease) in net assets from operations	$ (110,924)	$ (15,077)	$ (27,962)
Weighted average common shares outstanding	54,474,211	54,474,211	55,399,646
Earnings per common share-basic and diluted	$ (2.04)	$ (0.28)	$ (0.50)

Note 12. Financial Highlights

The following is a schedule of financial highlights for the years ended September 30, 2018, 2017, 2016, 2015 and 2014:

	For the years ended September 30				
	2018	2017	2016	2015	2014
Per share data[1]:					
Net asset value per share at beginning of year	$ 8.45	$ 9.49	$ 11.00	$ 12.43	$ 12.70
Net investment income[2]	0.23	0.67	0.97	1.27	1.58
Net realized gains/(losses) on investments	(1.64)	(1.34)	(0.71)	(1.06)	0.01
Net unrealized appreciation/(depreciation) on investments	(0.59)	0.39	(0.76)	(0.46)	(0.46)
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	0.01	0.02	—	(0.01)	(0.03)
Loss on extinguishment of debt	(0.04)	(0.02)	—	—	—
Net increase/(decrease) in net assets	(2.03)	(0.28)	(0.50)	(0.26)	1.10
Distributions from net investment income	(0.40)	(0.76)	(1.12)	(1.27)	(1.33)
Distributions from tax return of capital	(0.12)	—	—	—	(0.13)
Distributions from net realized gains	—	—	—	0.00	(0.02)
Issuance of common stock, net of underwriting costs	—	—	—	—	0.09
Repurchase of common stock under stock repurchase program	—	—	0.11	0.12	—
Offering costs	—	—	—	—	(0.01)
Other[5]	—	—	—	(0.02)	0.03
Net asset value at end of year	$ 5.90	$ 8.45	$ 9.49	$ 11.00	$ 12.43
Net assets at end of year	$ 321,178,727	$ 460,429,317	$ 516,919,142	$ 619,920,384	$ 729,856,881
Shares outstanding at end of year	54,474,211	54,474,211	54,474,211	56,337,152	58,733,284
Per share market value at end of year	$ 3.82	$ 5.97	$ 7.63	$ 7.44	$ 11.81
Total return based on market value[3]	(27.82)%	(12.73)%	19.37%	(27.56)%	(3.98)%
Total return based on net asset value[4]	(21.29)%	(0.68)%	0.42%	1.76%	9.73%
Portfolio turnover rate	26.46%	26.01%	8.86%	18.33%	33.95%

The following is a schedule of ratios and supplemental data for the years ended September 30, 2018, 2017, 2016, 2015, and 2013:

	For the years ended September 30				
	2018	2017	2016	2015	2014
Ratios:					
Ratio of net investment income to average net assets after waivers(6)	3.37%	7.50%	9.97%	11.00%	12.00%
Ratio of total expenses to average net assets after waivers(6)	14.77%	12.35%	12.49%	11.51%	10.40%
Ratio of incentive fees to average net assets after waivers(6)	—%	0.18%	1.49%	2.75%	3.00%
Supplemental Data:					
Ratio of net operating expenses and credit facility related expenses to average net assets(6)(12)	14.77%	12.17%	11.00%	8.75%	7.40%
Percentage of non-recurring fee income(7)	5.78%	6.23%	5.61%	6.80%	20.45%
Average debt outstanding(8)	$ 451,590,779	$ 514,726,703	$ 553,012,824	$ 568,202,466	$ 357,547,464
Average debt outstanding per common share	$ 8.29	$ 9.45	$ 9.98	$ 9.86	$ 7.55
Asset coverage ratio per unit(9)	2,126	2,327	2,414	2,318	2,732
Total Debt Outstanding(13):					
Revolving Credit Facility	$ —	$ 68,000,000	$ 14,000,000	$ 192,700,000	$ 146,500,000
Term Loan Facility	$ —	$ 102,000,000	$ 174,000,000	$ 174,000,000	$ 171,500,000
2019 Notes	$ —	$ —	$ 40,000,000	$ 40,000,000	$ 40,000,000
2021 Notes	$ 74,012,825	$ 74,012,825	$ 74,012,825	$ —	$ —
2023 Notes	$ 89,846,800	$ 102,846,800	$ 63,500,000	$ 63,500,000	$ 63,500,000
2024 Notes	$ 121,275,690	$ —	$ —	$ —	$ —
SBA Debentures	$ 135,000,000	$ 150,000,000	$ 150,000,000	$ 150,000,000	$ 100,000,000
Average market value per unit:					
Facilities(10)	N/A	N/A	N/A	N/A	N/A
SBA debentures(10)	N/A	N/A	N/A	N/A	N/A
2019 Notes(11)	N/A	$ 25.39	$ 25.44	$ 25.26	$ 25.62
2021 Notes	$ 25.48	$ 25.80	$ 25.48	N/A	N/A
2023 Notes	$ 25.02	$ 25.18	$ 25.19	$ 24.79	$ 24.76
2024 Notes	$ 273.95	N/A	N/A	N/A	N/A

(1) Table may not foot due to rounding.
(2) Net investment income excluding management and incentive fee waivers based on total weighted average common stock outstanding equals $0.22, $0.67, and $0.90 per share for the years ended September 30, 2018, 2017 and 2016, respectively. Net investment income based on total weighted average common stock outstanding equals $1.27 and $1.58 per share for the years ended September 30, 2015 and 2014, 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) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
(6) For the year ended September 30, 2018, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 3.26%, 14.88%, 0.00%, and 14.88%, respectively. For the year ended September 30, 2017, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 7.48%, 12.37%, 0.18%, and 12.18%, respectively. For the year ended September 30, 2016, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is 9.29%, 13.17%, 2.14%, and 11.03%, respectively.
(7) Represents the impact of the non-recurring fees as a percentage of total investment income.
(8) Based on daily weighted average carrying value of debt outstanding during the period.
(9) 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 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.
(11) During the year ended September 30, 2017, the 2019 Notes were redeemed in full and ceased trading on February 17, 2017. The average price for the year ended September 30, 2017 reflects the period from October 1, 2016 through February 17, 2017.
(12) Excludes incentive fees.
(13) Total amount of each class of senior securities outstanding at the end of the period presented.

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 years ended September 30, 2018 and 2017:

Date Declared	Record Date	Payment Date	Amount Per Share	
During the year ended September 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
8/2/2018	9/5/2018	9/20/2018		0.10
			$	0.52

Date Declared	Record Date	Payment Date	Amount Per Share	
During the year ended September 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
8/3/2017	8/23/2017	9/22/2017		0.16
			$	0.76

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.

The following table summarizes our share repurchases under our stock repurchase program for the years ended September 30, 2018, 2017, and 2016 (dollars in thousands, except share and per share amounts):

	For the years ended September 30		
	2018	**2017**	**2016**
Dollar amount repurchased	N/A[(1)]	N/A[(1)]	$ 12,870
Shares Repurchased	N/A[(1)]	N/A[(1)]	1,862,941
Average price per share	N/A[(1)]	N/A[(1)]	$ 6.91
Weighted average discount to Net Asset Value	N/A[(1)]	N/A[(1)]	31.0%

(1) The Company did not repurchase any shares during the years ended September 30, 2018 and 2017.

Note 15. Selected Quarterly Financial Data (Unaudited)

The following tables represent selected unaudited quarterly financial data for the Company during the years ended September 30, 2018, 2017, and 2016 (dollars in thousands, except per share amounts):

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Consolidated Statement of Operations data:				
Total investment income	$ 15,210	$ 13,945	$ 17,035	$ 20,631
Net investment income	741	904	3,580	7,179
Net realized and unrealized gain/(loss)	(23,059)	(27,753)	(31,391)	(39,213)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	—	194	190	90
Loss on extinguishment of debt	(1,218)	(11)	(1,158)	—
Net increase/(decrease) in net assets resulting from operations	(23,536)	(26,666)	(28,779)	(31,944)
Earnings per share	(0.43)	(0.49)	(0.53)	(0.59)
Net asset value per common share at period end	$ 5.90	$ 6.43	$ 7.02	$ 7.71

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Consolidated Statement of Operations data:				
Total investment income	$ 22,147	$ 23,696	$ 24,357	$ 26,056
Net investment income	8,624	9,569	8,042	10,135
Net realized and unrealized gain/(loss)	(20,446)	(7,353)	(19,834)	(3,809)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	309	783	—	—
Loss on extinguishment of debt	(640)	—	(456)	—
Net increase/(decrease) in net assets resulting from operations	(12,153)	2,999	(12,248)	6,326
Earnings per share	(0.22)	0.06	(0.22)	0.12
Net asset value per common share at period end	$ 8.45	$ 8.84	$ 8.94	$ 9.39

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Consolidated Statement of Operations data:				
Total investment income	$ 27,195	$ 28,412	$ 30,714	$ 34,427
Net investment income	12,396	10,954	14,575	15,666
Net realized and unrealized gain/(loss)	(16,110)	3,109	(13,994)	(54,646)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	486	(40)	(133)	(225)
Net increase/(decrease) in net assets resulting from operations	(3,228)	14,022	448	(39,204)
Earnings per share	(0.06)	0.26	0.01	(0.70)
Net asset value per common share at period end	$ 9.49	$ 9.76	$ 9.80	$ 10.01

Note 16. 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-K or would be required to be recognized in the Consolidated Financial Statements as of and for the year ended September 30, 2018, except as disclosed below.

On November 16, 2018, the Company's board of directors declared a quarterly dividend of $0.10 per share, payable on December 20, 2018, to stockholders of record at the close of business on December 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 November 30, 2018, the Company caused notices to be issued to the holders of the 2023 Notes regarding the Company's exercise of its option to redeem $12,000,000 in aggregate principal amount of the $89,846,800 in aggregate principal amount of issued and outstanding 2023 Notes on December 31, 2018.

MEDLEY CAPITAL CORPORATION

Common Stock
Preferred Stock
Subscription Rights
Warrants
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Item 25. Financial statements and exhibits

1. ***Financial Statements***

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2. ***Exhibits***

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

a	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 (File No. 333-166491), filed on November 22, 2010).
b.1	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 (File No. 333-166491), filed on November 22, 2010).
b.2	Amendment to Bylaws (Incorporated by reference to the Current Report on Form 8-K filed February 7, 2019).
c	Not Applicable.
d.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 (File No. 333-166491), filed on November 22, 2010).
d.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).
d.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).
d.4	Form of Second Supplemental Indenture between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit d.4 to the Registrant's Post- Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on March 15, 2013).
d.5	Deed of Trust, dated January 23, 2018, between Medley Capital Corporation and Mishmeret Trust Company, Ltd.[1]
d.6	Statement of Eligibility of Trustee on Form T-1[2]
e	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 (File No. 333-166491), filed on November 22, 2010).
f.1	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).

f.2	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).
f.3	Amendment No. 1, made as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated 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).
f.4	Amendment No. 2, made as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by that certain Amendment No. 1 to 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).
f.5	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).
f.6	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).
f.7	Amendment No. 1, made 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).
f.8	Amendment No. 2, made 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 (Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013).
f.9	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).
f.10	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, March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).
f.11	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).
f.12	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).
f.13	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).

f.14	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).
f.15	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).
f.16	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).
f.17	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).
f.18	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).
f.19	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).
f.20	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 thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 16, 2018).
f.21	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).
f.22	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).
f.23	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).

f.24	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).
f.25	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).
f.26	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, and Amended by Amendment No. 1 dated 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).
f.27	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).
f.28	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).
f.29	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).
g	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).
h	Form of Underwriting Agreement(2)
i	Not Applicable.
j	Form of Custody Agreement (Incorporated by reference to Exhibit 99.J 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).
k.1	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 (File No. 333-166491), filed on June 9, 2010).
k.2	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 (File No. 333-166491), filed on June 9, 2010).
k.3	Certificate of Appointment of Transfer Agent (Incorporated by reference to Exhibit 99.K.1 to the Registrant's Pre-effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-166491), filed on July 2, 2010).
k.4	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).
k.5	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).
k.6	Agreement and Plan of Merger, dated as of August 9, 2018, by and between Medley Capital Corporation and Sierra Income Corporation (Incorporated by reference to the Current Report on Form 8-K filed on August 15, 2018).
l	Opinion and Consent of Eversheds Sutherland (US) LLP(2)
m	Not Applicable.
n	Consent of Ernst & Young LLP(1)
o	Not Applicable.
p	Not Applicable.
q	Not Applicable.

r.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).
r.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).
99.1	Form of Preliminary Prospectus Supplement - Debt Offering (Incorporated by reference to Exhibit 99.2 to the Registration Statement on Form N-2 (File No. 333-208746), filed on March 25, 2016).

(1) Filed herewith.

(2) To be filed by amendment.

Item 26. Marketing arrangements

The information contained under the heading “Plan of Distribution” in this Registration Statement is incorporated herein by reference. Reference is also made to the Form of Underwriting Agreement for the Registrant’s shares of common stock to be filed by amendment to this registration statement.

Item 27. Other expenses of issuance and distribution

The following table sets forth the estimated (except for the SEC registration fee and the FINRA filing fee) expenses to be incurred in connection with the offering described in this registration statement:

SEC registration fee	$	—**
FINRA filing fee		—***
New York Stock Exchange listing fee*		****
Printing		****
Accounting fees and expenses		****
Legal fees and expenses		****
Miscellaneous fees and expenses		****
Total	$	****

* Assumes issuance of $700,000,000 of common stock

** No SEC registration fee is required as the full amount is offset against filing fees associated with unsold securities registered under a previous registration statement.

*** No FINRA filing fee is required as the full amount is offset against filing fees associated with unsold securities registered under a previous registration statement.

**** To be provided by amendment.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons controlled by or under common control with the registrant***

The following list sets forth each of the Registrant’s subsidiaries, the state under whose laws the subsidiaries are organized and the voting securities owned by the Registrant, directly or indirectly, in each subsidiary:

Medley SBIC LP (Delaware)	100%
Medley SBIC GP, LLC (Delaware)	100%
MCC Investment Holdings LLC (Delaware)	100%
MCC Investment Holdings AAR LLC (Delaware)	100%
MCC Investment Holdings AmveStar LLC (Delaware)	100%
MCC Investment Holdings Omnivere LLC (Delaware)	100%
MCC Investment Holdings RT1 LLC (Delaware)	100%
MCC Investment Holdings Sendero LLC (Delaware)	100%

Each of the Registrant’s subsidiaries is consolidated for financial reporting purposes.

In addition, the Registrant may be deemed to control certain portfolio companies. See “Portfolio Companies” in the prospectus.

Item 29. ***Number of holders of shares***

The following table sets forth the approximate number of record holders of the Company’s common stock as of April 4, 2019:

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	11

Item 30. ***Indemnification***

The information contained under the heading “Description of Capital Stock” is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the “Securities Act”) may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described above, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of an action suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis.

The Registrant has agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 31. ***Business and other connections of investment adviser***

A description of any other business, profession, vocation or employment of a substantial nature in which MCC Advisors, and each managing director, director or executive officer of MCC Advisors, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled “The Adviser”. Additional information regarding MCC Advisors and its officers and directors is set forth in its Form ADV, as filed with the SEC (SEC File No. 801-71515), and is incorporated herein by reference.

Item 32. ***Location of accounts and records***

The Registrant’s accounts, books and other documents are currently located at the offices of the Registrant, 280 Park Avenue, 6th Floor East, New York, NY 10017, and at the offices of the Registrant’s Custodian, U.S. Bank National Association, and Transfer Agent, American Stock Transfer & Trust Company.

Item 33. ***Management services***

Not applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of the Securities covered hereby until it amends the prospectus if (a) subsequent to the effective date of this registration statement, its NAV declines more than 10 percent from its NAV as of the effective date of this Registration Statement or (b) its NAV increases to an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Registrant undertakes in the event that the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by shareholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by the underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent underwriting thereof. Registrant further undertakes that if any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, the Registrant shall file a post-effective amendment to set forth the terms of such offering.

(4) The Registrant hereby undertakes:

a. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. to include any prospectus required by Section 10(a)(3) of the 1933 Act;

ii. to reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement; and

iii. to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in this registration statement.

b. That, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof; and

c. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

d. That, for the purpose of determining liability under the 1933 Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

e. That, for the purpose of determining liability of the Registrant under the 1933 Act to any purchaser in the initial distribution of securities, the undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

   i. any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act;

   ii. the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

   iii. any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(5)

a. For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

b. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) The Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery within two business days of receipt of a written or oral request, any Statement of Additional Information.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and the State of New York, on April 9, 2019.

Dated: April 9, 2019

MEDLEY CAPITAL CORPORATION

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brook Taube and Richard T. Allorto, Jr., and each of them (with full power to each of them to act alone) as true and lawful attorney-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any and all amendments to this Registration Statement (including post-effective amendments, or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) and otherwise), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorney-in-fact and agent the full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the foregoing, as to all intents and purposes as either of them might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form N-2 has been signed by the following persons on behalf of the Registrant, and in the capacities indicated, on April 9, 2019.

Name	Title
/s/ Brook Taube Brook Taube	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
/s/ Richard T. Allorto, Jr. Richard T. Allorto, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Seth Taube Seth Taube	Director
/s/ Jeff Tonkel Jeff Tonkel	Director
/s/ Arthur S. Ainsberg Arthur S. Ainsberg	Director
/s/ Karin Hirtler-Garvey Karin Hirtler-Garvey	Director

Exhibit d.5

Execution Copy January 23, 2018

Medley Capital Corporation

Deed of Trust
For Notes Offered to the Public

Prepared and executed on the 23 day of January 2018
Between Medley Capital Corporation and Mishmeret Trust Company Ltd.

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<u>DEED OF TRUST</u>

Made and entered into on January 23, 2018

Between: **Medley Capital Corporation**

File Number 4815200

280 Park Avenue, 6th Floor East,

New York, NY 10017

USA

Telephone: +1.212.759.0777

Fax: +1.212.759.0091

(the "**Company**")

The Company's address in Israel for purposes of service of process:

98 Yigal Alon Street, Tel Aviv 6789141

c/o Goldfarb Seligman & Co. Law Offices

Telephone: 03-6089999

Facsimile: 03-6089909

<u>on one side</u>;

And: **Mishmeret Trust Company, Ltd.**

46-48 Menachem Begin Road, Tel Aviv

ISRAEL

Tel: 03-6374352

Fax: 03-6374344

(hereinafter: the "**Trustee**")

<u>on the other</u>;

WHEREAS: The Company is incorporated under the laws of the State of Delaware, USA, shares of its common stock, par value $0.001 per share, and certain other securities are listed on the New York Stock Exchange ("**NYSE**") and, subject to the closing of the Offering, the Company's common stock as well as its Notes (Series A) will be listed on the Tel Aviv Stock Exchange Ltd.; and

WHEREAS: The Company's board of directors resolved on January 18, 2018 to approve an offering to the public in Israel of notes *('Igrot Hov')* (the "**Offering**" and the "**Notes**", as applicable) under the terms and conditions set forth in this Deed of Trust, and no additional act or resolution is required by the Company for the Offering and for its undertaking of the obligations set forth in this Deed of Trust; and

WHEREAS: The Company represents that it has obtained all approvals required under applicable law and/or contract for issuing the Notes, and there is no impediment by law (Israel and foreign law) and/or contract to effectuating the Offering; and

WHEREAS: In the context of the Offering, the Company intends to issue the Notes in the manner and in accordance with the provisions set forth in this Deed of Trust; and

WHEREAS: On January 1, 2018, S&P Global Ratings Maalot Ltd. ("**Maalot**") issued with respect to the Notes a rating of ilA+ (such rating, or any corresponding rating issued by a successor Rating Agency, the "**Base Credit Rating**") for a Note issuance by the Company in an amount of up to NIS 280 Million and also issued the Company a rating of ilA+/negative and on January 23, 2018, pursuant to the publication made by Maalot on January 1, 2018, Maalot announced that the Base Credit Rating is valid for a Note issuance of up to NIS 450 million; and

WHEREAS: The Trustee is a company limited by shares and is incorporated in Israel under the Companies Law, 5759-1999 (the "**Companies Law**"), whose main purpose is to engage in trusteeships; and

WHEREAS: The Trustee represents that there is no impediment under the Securities Law (as defined below) and/or any other law for its appointment as the trustee for the Notes, nor to its entering into this Deed of Trust with the Company, and that it complies with the requirements and the conditions of qualification, if any, to serve as trustee for the holders of the Notes; and

WHEREAS: The Company has requested the Trustee to serve as trustee for the Noteholders, and the Trustee has agreed to serve under Chapter E' of the Securities Law, all subject to and in accordance with the terms of this Deed of Trust; and

WHEREAS: The Trustee has no interest in the Company, and the Company has no interest in the Trustee; and

Now, therefore, it is agreed, declared and stipulated by the parties as follows:

1. **<u>Preamble, Interpretation and Definitions</u>**

1.1 The preamble to this Deed of Trust and the schedules attached hereto constitute a material and integral part hereof.

1.2 The division of this Deed of Trust into Sections and the provision of headings for such Sections are for the sake of convenience and reference only, and shall not be used for purposes of interpretation.

1.3 All references in this Deed of Trust in the plural shall also include the singular and *vice versa*, anything appearing in the masculine gender shall also include the feminine and *vice versa*, and any use of the word "person" shall also include a corporate body, all to the extent this Deed of Trust contains no express and/or implied provision to the contrary and/or to the extent the content or context does not dictate otherwise.

1.4 In this Deed of Trust, its schedules and the Notes, the following capitalized terms will have the meanings prescribed opposite them, unless stated specifically otherwise:

“Affiliate” –	A company in which another person (which is not its parent company) holds 25% or more of its Voting Stock or in which it may appoint 25% or more of its directors;
“Base Rate” –	The Representative Rate that will be known on the morning of the public tender as set on the day before the day of the public tender, and if no Representative Rate was set on that day, then the Representative Rate known on the day before the day of publication of the supplementary notice. The Base Rate shall be set forth in the supplementary notice;
“Note Certificate” –	A certificate in the form set forth in Schedule I to this Deed;
“Noteholder” or “Holder” –	As the term “holder” or “holder of obligation certificates” is defined in the Securities Law;
“Noteholders’ Meeting” –	A general meeting of the Noteholders convened in accordance with the terms of this Deed of Trust;
“Notes” –	The notes *(‘Igrot hov’)* issued by the Company pursuant to this Deed, the terms of which are set forth in the Note Certificate;
“Business Day” –	Any day on which the Stock Exchange Clearing House and most of the banks in Israel are open for carrying out transactions;
“Change of Control” –	If MCC Advisors LLC ceases to provide investment management and/or advisory services to the Company;
“Clearing House” –	The Tel Aviv Stock Exchange Clearing House Ltd.;
“Codex of Regulation” –	The Codex of Regulation – Title 5 – principles for conducting businesses, Part 2 – equity, measurement and risk management, Chapter 4 – managing investment assets, as published by the Capital Market, Insurance and Savings Authority of the Ministry of Finance, as updated from time to time;
“CFO Certificate” –	A confirmation (certificate) executed by the principal financial officer of the Company with respect to the Company’s compliance with specific provisions of this Deed of Trust, which in any event in which it is required under this Deed of Trust, will be in form satisfactory to the Trustee;

“Consumer Price Index” – The price index known in Israel as the “*madad hamechirim la-tzrchan*”, which includes vegetables and fruit and is published by the Israeli Central Bureau of Statistics, and any similar index published by any successor institute or body, whether or not such index will be based on the same data on which the existing index is based as of the date of this Deed, provided that if such similar index shall be published by a successor institute or body which has not determined the ratio between the existing index as of the date of this Deed and the similar index, such ratio shall be determined by the Israeli Central Bureau of Statistics, and in the event that such ratio shall not have been determined, then the ratio shall be determined by the Trustee following its consultation with an economic expert chosen by the Trustee for such purpose;

“Date of Issuance” – The Business Day on which proceeds derived from the issuance are deposited in the account of the arranger of the Offering and the Note Certificates are issued in accordance with this Deed of Trust;

“Deed” or the “Deed of Trust” – This Deed of Trust including the schedules attached hereto, which form an integral part thereof;

“Dollar” – United States dollar;

“Financial Statements” – The Company’s consolidated statements of assets and liabilities, consolidated statements of operations, consolidated statements of changes in net assets, consolidated statements of cash flows and consolidated schedules of investments for a given fiscal period filed with the U.S. Securities and Exchange Commission and prepared in accordance with U.S. GAAP and to the extent required according to any other accounting standard to which the Company may be subject, as it may be in effect from time to time (including additional statements), with a copy or a reference to such filing published on the TASE messaging system (‘*MAYA*’);

“Group” – The Company together with any other entity required to be consolidated by the Company in its Financial Statements in accordance with U.S. GAAP and to the extent required according to any other accounting standard to which the Company may be subject, as it may be in effect from time to time;

“Listing” or “Listed” – Listing or listed for trade on the Stock Exchange;

“Material Adverse Effect” –	A material adverse effect on the business or financial condition of the Group compared to the Date of Issuance, that impacts the Company’s ability to pay interest and/or Principal as set out in this Deed;
“NIS” –	New Israeli Shekel;
“Nominee Company” –	The Tel Aviv Stock Exchange Nominee Company Ltd. or any other substitute nominee company, provided that all of the securities that the Company is required to register with a nominee company in Israel will be registered in its name;
“Ordinary Resolution” –	A resolution adopted at a Noteholders’ Meeting, in which there were present (in person or through their representatives), at least two Noteholders that have at least twenty-five percent (25%) of the outstanding balance of the par value of the Notes or at an adjourned meeting in which there were present any number of holders (in person or through their representatives), by a simple majority;
“Payment Rate” –	In respect of any payment of Principal or interest under this Deed of Trust (including, without limitation, upon early redemption or acceleration of Notes), the Representative Rate published on the third Business Day before the applicable payment date, or if the Representative Rate was not published on such date, on the first subsequent Business Day;
“Principal” –	The aggregate outstanding balance of the principal amount of the Notes in circulation;
“Prospectus” –	The Company’s Shelf Prospectus and Supplementary Prospectus, dated January 22, 2018, under which the Company offered the Notes to the public in Israel;
“Public Tender” –	The public tender to be held in connection with the initial public offering of the Notes;
“Publication” or “to Publish” –	Publication on the U.S. Securities and Exchange Commission’s EDGAR website, publication on the Israel Security Authority’s MAGNA website or the Stock Exchange’s MAYA website, or if the Company is no longer a Reporting Company – also reporting to the Trustee in accordance with sub-Section 28.4 hereunder;
“Rating Agency” –	An Israeli company engaged in credit ratings that is registered under the Regulation of Activities of Credit Rating Companies Law, 5774-2014;

"Register" –	The register of Noteholders as referred to in Section 26 of this Deed;
"Reporting Company" –	As defined in the Securities Law (*'ta'agid medave'ach'*) or any company listed for trading on the TASE or on a stock exchange outside of Israel set forth in the Second Schedule or in the Third Schedule of the Securities Law;
"Representative Rate" –	The representative exchange rate of the Dollar to the NIS as published by the Bank of Israel, or any other official exchange rate of the Dollar to the NIS that may replace it, if applicable, provided that during any period in which the Bank of Israel does not publish exchange rates of the Dollar to the NIS, the Representative Rate shall be the exchange rate of the Dollar to the NIS determined by the Minister of Finance together with the Governor of the Bank of Israel for purposes of Dollar-linked government notes;
"Securities Law" –	The Securities Law, 5728-1968, and the regulations enacted thereunder, as in effect on the date of this Deed;
"Special Resolution" –	A resolution adopted at a Noteholders' Meeting, in which there were present (in person or through their representatives), at least two Noteholders that have at least twenty-five percent (25%) of the outstanding balance of the par value of the Notes or at an adjourned meeting in which there were present any number of holders (in person or through their representatives), by a 2/3 (two thirds) majority of Noteholders participating in the vote, excluding abstentions;
"Stock Exchange" or "TASE"–	The Tel Aviv Stock Exchange Ltd.;
"Trading Day" –	Any day on which trading takes place on the Stock Exchange;
"Trustee" –	Mishmeret Trust Company Ltd. or any other person which will act from time to time as trustee for the Noteholders under this Deed pursuant to Chapter E' of the Securities Law;
"U.S. GAAP" –	United States Generally Accepted Accounting Principles
"Voting Stock" –	The capital stock of any corporation or other legal entity as of any date that has a right to vote on the election of directors and in general meetings.

Other terms not defined above shall have the meaning prescribed in the Securities Law, unless it is written otherwise.

1.5 An Italics phrase appearing inside brackets and bordered by apostrophes is the Hebrew term of the phrase which it follows. In case that the English and the Hebrew phrases do not have the exact same meaning, for matters of interpretation of this Deed of Trust, the Hebrew meaning ascribed to such term shall prevail.

1.6 In any case of conflict between this Deed of Trust and its schedules, the provisions of this Deed of Trust shall govern. The Company hereby confirms and clarifies, that as of the date of this Deed, no conflict exists between this Deed of Trust and the documents ancilllary thereto and the provisions described in the Prospectus relating to this Deed and/or the Notes.

1.7 So long as the Notes are Listed, this Deed of Trust, including its schedules, shall be subject to the applicable provisions of the bylaws and guidelines of the Stock Exchange, as in effect from time to time, and anywhere the rules of the Stock Exchange apply or shall apply to any action under this Deed of Trust, the rules of the Stock Exchange shall govern.

1.8 Subject to applicable law, the restrictions applying to the Company vis-a-vis the Noteholders and the Trustee shall be limited to those restrictions set forth in this Deed of Trust or in the Note Certificate. The Company shall be entitled to carry out any act unless such act is explicitly prohibited under this Deed of Trust or the Note Certificate or under applicable law.

1.9 Wherever the phrase “including” is used, it shall be construed as an example that does not reduce or limit the generality of that certain term.

1.10 Wherever “subject to the provisions of applicable law” or a similar term is used, such as, but not limited to “according to applicable law”, it shall be construed as subject to the provisions of mandatory law.

2. Issuance of the Notes

2.1 The Company shall effect an initial issuance of the Notes, which shall be registered by name, in a total amount that will not be more than the amount that will be set forth in the supplementary notice it will publish pursuant to the Prospectus.

2.2 The Principal of the Notes shall be repaid in four (4) equal annual installments, each at the rate of twenty five percent (25%) of the original principal of the Notes, which shall be payable on February 27 of each of the years 2021-2024 (inclusive).

2.3 Principal on the Notes shall bear fixed annual interest at a rate to be determined in the public tender in response to the Offering (such rate, the “**Base Interest**” or the “**Annual Interest**”), subject to adjustments as set forth in Section 7 hereunder. Such interest shall be payable semi-annually in arrears, on August 27, 2018, on February 27 and August 27 of each of the years 2019 through 2023 (inclusive) and on February 27, 2024 (each, an “**Interest Payment Date**”), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the applicable Interest Payment Date (the “**Interest Period**”), except for the initial Interest Payment Date, which shall be August 27, 2018, for the period commencing on the first trading date after the date of closing of the subscriptions list and ending on the day immediately preceding such initial Interest Payment Date (the “**Initial Interest Period**”) and which shall be calculated on the basis of a 365-day year and the actual number of days in such period. The final interest payment shall be paid on February 27, 2024, together with final payment of the Principal and against the surrender of the Note Certificates to the Company and/or any third party as instructed by the Company.

The Company shall Publish the Annual Interest rate, the semi-annual interest rate (which shall apply to each full interest period in which the interest rate does not change and shall be calculated based on the Annual Interest rate divided by two (2)), and the interest amount that shall be payable for the Initial Interest Period, within two (2) Business Days of the Date of the Public Tender.

2.4 **Record date** – Payments on account of the Principal and/or any interest thereon shall be paid to the relevant Noteholder on the following dates:

2.4.1. Payments due on February 27– shall be paid to persons holding Notes at the end of the Trading Day on February 15.

2.4.2. Payments due on August 27 (excluding the last payment of Principal and interest) – shall be paid to persons holding Notes at the end of the Trading Day on August 15.

2.4.3. The final payment of Principal and interest shall be made against the surrender of the Note Certificates to the Company, on the date of payment, at a location in Israel as the Company shall instruct the Trustee, no later than five (5) Business Days prior to the last date of payment.

In the event a certain date of payment on account of Principal and/or interest is not a Business Day, the date of such payment shall be postponed to the following Business Day and no interest or other payment shall be due on account of such delay, and the “record date” for determining the eligibility for redemption or interest shall not be changed as a result of such postponement.

2.5 **Currency of repayment and linkage** – Other than payments for the fees and expenses set out in this Deed (including those of the Trustee), all payments required to be made by the Company under this Deed, including but not limited to, repayment of the Principal (whether scheduled, accelerated or upon an early redemption) and interest payments on the outstanding balance of the Principal, shall be made to the Noteholders in NIS, collectively linked to the Payment Rate, as follows: (i) if the Payment Rate is higher than the Base Rate, then such payment in NIS shall be increased proportionally to the rate of increase of the Payment Rate compared with the Base Rate; (ii) if the Payment Rate is lower than the Base Rate, then such payment in NIS shall be reduced proportionately to the rate of decline of the Payment Rate compared with the Base Rate; and (iii) if the Payment Rate is equal to the Base Rate, then such payment shall be made in the amount of NIS as originally scheduled. Unless explicitly stipulated, payments will not be linked to the Consumer Price Index.

2.6 **Offering** – The Notes are being offered initially in the framework of a public offering in Israel only.

2.7 **Default interest** – See Section 3.8 of the Terms and Conditions Overleaf.

2.8 **Stock Exchange Listing** - The Company shall List the Notes for trade on the Stock Exchange.

2.9 **Expansion of the series and issue of additional securities**:

<u>Expansion of the series</u>

2.9.1. The Company shall be entitled, from time to time, at its sole discretion, without being required to obtain approval from the Trustee or the Noteholders, to expand the series of Notes and issue additional Notes (whether by means of a public offering, private placement or otherwise), the terms and conditions of which will be the same as the terms and conditions of this series of Notes issued for the first time, at any price and in any manner as the Company deems fit, including at such discount or premium (including no discount or no premium) that differ from those applicable to other issuances of the Notes, provided the following conditions are met: (1) the expansion of the series of the Notes will not lead to the downgrading of the rating of the Notes, as in effect immediately prior to the expansion date, and prior written confirmation thereof is obtained from the Rating Agency, prior to the institutional tender for qualified investors being held, to the extent held, including by way of issuance of a rating approval for the Notes to be issued in the framework of the expansion (in the event more than one Rating Agency is rating the Notes, the higher rating shall apply); (2) a CFO Certificate will be delivered by the Company prior to the expansion date, and no later than two Trading Days prior to the date on which the institutional tender for qualified investors will be held, to the extent held, stating that (a) the Company is in compliance with all of the Financial Covenants (as defined below) immediately prior to the expansion and will be in compliance with all of the Financial Covenants on a pro forma basis after giving effect to the expansion of the series, all this without taking into account the cure and grace periods specified in Section 10.1 below. The CFO Certificate will include a calculation of the Financial Covenants prior to the expansion and on pro-forma basis as aforesaid; (b) immediately prior to the expansion, there are no grounds for accelerating the repayment of the Notes, nor will they be as a result of the expansion of the series of the Notes and that there is no reasonable concern as to the existence of any of the grounds for acceleration specified in Section 10.1 below; (c) the expansion will not affect the Company's ability to repay its debt as they become due; and (d) the Company meets its material obligations to the Noteholders; and (3) immediately prior to the expansion, there are no grounds for accelerating the repayment of the Notes, nor will they be as a result of the expansion.

2.9.2. The expansion shall be subject to the approval of the Stock Exchange for Listing the additional Notes.

2.9.3. The Trustee shall serve, subject to the provisions of this Deed of Trust, as Trustee for the Notes in circulation from time to time, including those issued in an expansion, and the Trustee's consent for serving as such for the expanded series shall not be required. Notes in circulation and any additional Notes that shall be issued in accordance with this Section 2.9 shall constitute (from their date of issuance) a single series for all intents and purposes, and this Deed of Trust for the Notes shall apply also to all additional Notes of the same series. The Notes issued in the expansion shall not confer any right to payment of Principal or interest if the record date for their payment lapsed prior to the date of issuance of the additional Notes. In the event of the issuance of additional Notes, the Trustee shall be entitled to demand an increase in the fees payable to it, in proportion to the increase in the amount of issued Notes (compared to the original issuance), and the Company hereby grants its consent to the increase in the Trustee's fees as set forth above.

2.9.4. In the event the discount rate applicable for the Notes issued in the expansion is different than the discount rate (if any) of the existing Notes in circulation at such time, the Company shall submit a request to the Israeli Tax Authority, if necessary, prior to expanding the series of Notes, to obtain its approval for the application of a uniform discount rate on withholding tax at source on the discount amount according to a formula weighting the different discount rates (if any). Should such approval be obtained, the Company shall calculate, upon expansion of the series, the weighted discount rate for all of the Notes, and the Company shall Publish in an immediate report together with the results of the offering prior to the Listing of the additional Notes, the uniform weighted discount rate and shall withhold tax at the payment dates of such Notes, according to such rate and the provisions of applicable law. In the event the Company shall fail to obtain such approval, the Company shall Publish, prior to the Listing of the additional Notes, the uniform discount rate, which shall be the highest discount rate created for the Notes. In any event, all the provisions of applicable law pertaining to taxation of the discount rate shall apply.

2.9.5. The applicable Stock Exchange members shall withhold tax at source, for purposes of Israeli tax law, upon payment of the Notes, according to the discount rate notified as set forth above. In addition, the Company shall withhold tax at source, in accordance with any other tax laws that may apply at the time. Accordingly, there may be instances in which tax shall be withheld at source for the discount at a rate that is higher than the discount fees determined for the Notes prior to the expansion of the series. In such event, a Noteholder that held Notes prior to an expansion of the series shall be entitled to submit a request to the Israel Tax Authority for the obtainment of a refund for tax withheld from the discount payment, in accordance with applicable law.

2.9.6. The Company shall notify the Trustee immediately after the adoption of a resolution by the Company's board of directors to expand the series of Notes and shall deliver to the Trustee immediately thereafter (on the aforesaid dates): (i) a CFO Certificate confirming the Company's compliance with the provisions of sub-Sections 2.9.1(1), (2) and (3) above and providing documentation thereof, all to the satisfaction of the Trustee; and (ii) the written approval of the Rating Agency as set forth in sub-Section 2.9.1(1). Publication of the Rating Agency's aforementioned approval or a rating report which affirms that the rating of the Notes shall not be prejudiced due to the expansion (including by way of a rating approval of the Notes to be issued in the framework of the expansion) shall satisfy the requirement of delivery of the approval of the Rating Agency to the Trustee as set forth in this sub-Section 2.9.6. For the removal of doubt, it is clarified that in the event of an expansion of the series that is performed for the purpose of using an At The Market (ATM) mechanism, the Company will deliver the abovementioned approval at the time of the expansion, i.e. at the date of the issuance of the additional Notes to the Company and/or a subsidiary thereof, as applicable (the creation of the cartridge), and not at the date of publication of the offering report regarding the additional Notes nor at the time of execution of actual ATM sales on the market.

2.9.7. For the avoidance of doubt, the obligations of the Company set forth in Sub-Sections 2.9.1-2.9.6 shall apply only with respect to additional issuances of Notes by way of expanding the series of Notes issued hereunder, and such obligations shall not apply with respect to issuances of notes by way of expansion of other series in circulation at such time, or with respect to new series of notes, or any other debt incurred by the Company, whether these other or new series, or other debt as aforesaid, are rated or not, without regard to the dates of issuance or incurrence of such debt or the proximity of such dates to the date of the expansion of the series or the date of change in rating.

Issuance of additional securities

2.9.8. Notwithstanding the foregoing and subject to the provisions of applicable law, the Company reserves the right to issue, at any time and from time to time (by means of a private placement or prospectus or shelf offering report or in any other way), additional series of notes or other securities of any kind or type, without being required to obtain the approval of the Trustee and/or the Noteholders existing at such time, and on such terms and conditions as it deems fit, including with respect to conditions of payment, interest and security, all without derogating from the payment obligations imposed on the Company pursuant to this Deed, provided only that any new note issued without any security (collateral) thereon shall not have any preference in regard to priority in repayment over the Notes at the time of a liquidation.

Notwithstanding the aforesaid, and insofar as the Company issues in Israel additional notes as stated in this Section 2.9.8 above (hereinafter in this Section 2.9.8 only: the "**Additional Issuance in Israel**"), the issuance will be subject to all the following conditions: (a) the Additional Issuance in Israel shall not negatively affect the credit rating of the Notes (Series A) that were initially issued under this Deed, as the rating will be at such time (i.e., the rating prior to the Additional Issuance in Israel). For the purpose of this Section, it is clarified that as long as the Notes are rated by more than one Rating Agency, the examination of the rating for the purposes of this Section at any time shall be according to the higher rating; (b) on the date of the Additional Issuance in Israel, the Company will be in compliance with the financial covenants set forth in Section 6.1 of this Deed, without taking into account the cure and grace periods set forth in Section 10 below; (c) the Company is not in breach of any of its material obligations to the Series A Noteholders and there is no grounds for acceleration set forth in Section 10 below; and (d) the Company will declare that the Additional Issuance in Israel would not impair the Company's ability to repay the Notes (Series A); and (e) on the date of the Additional Issuance in Israel, in accordance with its most recent Financial Statements published prior to the date of the Additional Issuance in Israel, and after retroactively taking into account the execution of the Additional Issuance in Israel, the Company will be in compliance with the Financial Covenants set forth in Section 6.1 of this Deed.

Prior to the issuance of an additional series of notes in Israel, the Company will provide the following confirmations and notices:

(a) The Company shall provide the Trustee with a CFO Certificate regarding the satisfaction of all the conditions stated in Section 2.9.8 above no later than 4 days prior to effecting the Additional Issuance in Israel, and a confirmation that the Additional Issuance in Israel does not have priority over the terms of the Notes (Series A) in liquidation, as set forth above in Section 2.9.8.

(b) The Company shall Publish a confirmation from all the Rating Agencies that rate the Company and the Notes at that time that such Additional Issuance in Israel will not affect the rating of the Notes (Series A) that were first issued under this Deed, as will be the rating at that time (including by way of ratification of the rating of the Notes (Series A)).

Without derogating from the aforesaid, the aforesaid rights of the Company do not derogate from the Trustee's right to examine the implications of such Additional Issuance in Israel, and does not derogate from the rights of the Trustee and / or the Noteholders under this Deed, including their right to accelerate the Notes as set forth in Section 10 below.

Subject to the provisions of any law, the Company shall notify the Trustee of such Additional Issuance in Israel a reasonable time prior to effecting such issuance and shall deliver to it any report that it shall Publish in connection with this matter under any law.

2.9.9. Nothing in the foregoing shall derogate from any of the rights of the Trustee and the Noteholders under this Deed of Trust, including from their right to immediate repayment of the Notes in accordance with the provisions of this Deed of Trust.

2.10 The provisions of this Deed of Trust shall apply to the Notes issued pursuant to this Deed and which shall be held from time to time by any purchaser of the Notes, unless otherwise provided herein. Each Note, whether issued on the Date of Issuance or as a result of an expansion of the Notes series, will have equal rights compared to any other Note in the series (*Pari-Passu)* without a priority to any Note. Notwithstanding the above, clause 52N1 to Securities Law will apply.

2.11 This Deed of Trust shall become effective on the first date the Notes are issued by the Company and shall apply as of the Date of Issuance. It is agreed that in the event the Offering is cancelled for any reason, this Deed of Trust shall be void *ab initio*.

3. **Appointment and Duties of the Trustee**

3.1 The Company hereby appoints the Trustee as trustee solely for the Noteholders.

3.2 The Trustee shall also serve as Trustee for a Person which was a Note Holder on a certain Record Date and in connection of due payment with such Record Date that was not paid.

3.3 As of the effective date of this Deed of Trust as set forth in Section 2.11 of this Deed, the duties of the Trustee shall be in accordance with applicable law and the provisions of the Deed.

3.4 In the event the Trustee is replaced with another Trustee, such other Trustee shall act as trustee for the Noteholders, including for those persons entitled to payments by virtue of the Notes that were not paid when due.

3.5 The Trustee is not required to act in any manner not explicitly set forth in this Deed of Trust in order to obtain any information, including information regarding the Company or its business or its ability to meet its obligations to the Noteholders and such action is not included among its duties.

4. **Powers of the Trustee**

4.1 The Trustee shall use the powers, permissions and authorities conferred upon it pursuant to the law and this Deed of Trust, at its sole discretion, or in accordance with a resolution of a Noteholders' Meeting and all subject to the provisions of applicable law which cannot be conditioned. The Trustee shall not be liable for any damage that may be caused as a result of an error in such discretion, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), willful misconduct or malicious intent.

4.2 The Trustee shall be entitled to deposit any deeds and other documents which evidence, represent and/or stipulate its rights in connection with the trusteeship subject of this Deed of Trust, including with respect to any asset that is in its possession at such time, in a safe deposit box and/or at another place it may select, including at any bank, with an attorney and/or with an accountant. The Trustee shall not be liable for any loss that may be incurred in connection with a deposit made in accordance with this Section 4.2, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), willful misconduct or malicious intent.

4.3 The Trustee is entitled to grant its consent and/or approval to any motion filed with a court brought on behalf of any Noteholder, and the Company shall compensate the Trustee for all reasonable expenses incurred due to such motion and any actions taken as a result therefrom or in connection therewith, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), willful misconduct or malicious intent.

4.4 The Trustee shall represent the Noteholders with respect to any matter deriving from the Company's obligations towards them, and for such purpose it shall be entitled to act for the exercise of the rights conferred to the Holders by law or in accordance with this Deed of Trust.

4.5 The Trustee may initiate any proceeding to protect the rights of the Holders in accordance with applicable law and the provisions set forth in this Deed of Trust.

4.6 The Trustee shall be entitled to appoint agents as set forth in Section 22 of this Deed.

4.7 Actions of the Trustee shall be valid even if a defect is discovered in its appointment or qualifications.

4.8 The Trustee's execution of this Deed of Trust does not constitute an opinion on its part with respect to the quality of the Notes or with respect to the advisability of investing therein.

4.9 The Trustee shall not be obliged to notify any party with respect to the execution of this Deed of Trust. The Trustee shall not interfere and shall not be entitled to interfere in any way in the conduct and management of the Company's business or its affairs, and no action or inaction on the part of the Company requires its approval, and these matters are not included among its duties. Nothing in this section shall limit the Trustee with respect to any action it is required to carry out in accordance with the provisions of this Deed or applicable law.

4.10 In the framework of its trusteeship, the Trustee may rely on any written document including letter of instructions, notice, request, consent or approval, appearing to be executed or prepared by any person or entity, which the Trustee believes in good faith that it had been executed or prepared by them unless the Trustee acted in bad faith or with gross negligence (unless exempt by law) or malicious intent.

4.11 It is clarified that termination of the Trustee's term of office shall not derogate from the rights, claims or demands of the Company and/or the Noteholders towards the Trustee if any, in so far as their grounds precede the termination date of the Trustee's term of office, and the Trustee shall not be released from any liability in accordance with applicable law. In addition, the termination of the Trustee's term of office shall not derogate from the rights, claims or demands of the Trustee towards the Company and/or the Noteholders, if any, in so far as their grounds precede the termination date of the Trustee's term of office, and the Company and/or Noteholders shall not be released from any liability in accordance with applicable law.

5. **Repurchase of Notes**

5.1 The Company reserves, subject to any law, the right to purchase all or a portion of the Notes at any time and from time to time, without derogating from the repayment obligation of the Notes in circulation. In the event of such purchase, the Company shall inform the Trustee in writing.

In the event of such purchase by the Company as aforesaid, such purchased Notes shall automatically expire and be cancelled and delisted from trade, and the Company shall not be entitled to reissue them.

In the event that the Notes are purchased by the Company in the framework of trading on the Stock Exchange, the Company will apply to the Clearing House to withdraw the certificates so purchased, and all unless otherwise determined by the provisions of the law as it may be at such time. If and in accordance with the provisions of the law at such time, the Notes are not cancelled nor delisted from trade on the Stock Exchange, the Company will be entitled to sell all or a portion of the purchased Notes, at its sole discretion, in accordance with the provisions of the law as it will be at such time, without receiving the authorization of the Trustee and/or the Noteholders.

The foregoing shall not derogate from the Company's right to repay the Notes in an early redemption as set forth in Section 9 below.

Any subsidiary of the Company and/or a corporation under its control and/or associated company (i.e., as defined in the Securities Regulations (Periodic and Immediate Reports), 5730-1970) and/or Affiliated company of the Company and/or a controlling stockholder of the Company (directly and/or indirectly) and/or any family member thereof *('Ben Mishpaha')* (namely, spouse and sibling, parent, parent's parent, descendant or descendant of the spouse, or spouse of any of the above), and/or any company under the control of any of the aforementioned (directly or indirectly) other than the Company itself (to which the provisions of this Section 5.1 above shall apply) (each, an "**Affiliated Holder**"), may purchase and/or sell at any time and from time to time on or off the Stock Exchange, including by means of an issuance by the Company, Notes that will be issued pursuant to the Deed of Trust. In the event of a purchase or sale as set forth above by a subsidiary of the Company and/or any company under its control, or in the event the Company becomes aware of a purchase or sale by any other Affiliated Holder, the Company shall notify the Trustee in writing with respect thereto no later than one Trading Day from the day it became aware of such purchase. Such Notes that will be held as aforesaid by an Affiliated Holder shall be deemed to be an asset of the applicable Affiliated Holder and, if they are Listed, shall not be delisted from trade on the Stock Exchange and shall be transferable as the other Notes. Notes that are owned by an Affiliated Holder shall not confer on the Affiliated Holder voting rights at any Noteholders' Meeting and shall not be taken into account for purposes of determining whether a legal quorum is present as required for convening such a meeting. Holders' meetings shall be held in accordance with the provisions of Schedule II to the Deed of Trust. An Affiliated Holder shall report to the Company, to the extent that it is required by law to do so, on the purchase of Notes by it and the Company shall provide to the Trustee, upon its demand, the list of Affiliated Holders and the quantities held by them on the date requested by the Trustee and this according to the said reports received as aforesaid from Affiliated Holders. For the purpose of this clause, an immediate report on the Magna filing system or the Maya website shall constitute a report to the Trustee for the purposes of this clause.

5.2 Nothing in this Section above shall in itself obligate the Company or any Affiliated Holder or the Noteholders to purchase and/or sell any Notes held by them.

6. **Covenants of the Company**

The Company undertakes to the Noteholders to pay all Principal and interest thereon, including any default interest in accordance with Section 2.7 above and interest applicable in the event of a decrease in rating and/or default of a Financial Covenant (as defined below) (all as applicable and in accordance with the provisions of this Deed), payable to the Noteholders in accordance with the terms of the Notes and to fulfill any other conditions and obligations imposed on it in accordance with the Notes and this Deed of Trust[1].

In addition, during the term of the Notes, the Company shall (unless the Noteholders by Special Resolution resolved on at a properly convened Extraordinary Meeting of the Noteholders have agreed otherwise) comply with the following covenants:

6.1 **Financial Covenants**:

6.1.1 The Total Net Assets of the Company (as set forth in the Financial Statements) shall not be less than 275 million US Dollars.

6.1.2 The ratio of the debt of the Company and its consolidated entities to their total assets shall not be more than 70%.

"**Debt**" shall mean – Interest-bearing debt from financial institutions, according to its terms (including if the actual interest rate is 0% or a negative interest rate).

The Company's compliance with the covenants set forth in sub-Sections 6.1.1 and 6.1.2 (such covenants, the "**Financial Covenants**") shall be measured on the Publication date of the consolidated Financial Statements for each fiscal quarter of the Company, commencing from the Publication date of the Company's Financial Statements as of and for the three months ending December 31, 2017. Within ten (10) days of the Publication of any of the Company's Financial Statements, the Company shall deliver a CFO Certificate to the Trustee with respect to the Company's compliance with each of the Financial Covenants including the calculation of each Financial Covenant in an active Excel spreadsheet. The Trustee will present the CFO Certificate to any Noteholder upon written request.

The terms employed in connection with the Financial Covenants shall be calculated and determined in accordance with U.S. GAAP as in effect from time to time.

6.2 Should the ratio of the Company's consolidated debt to total assets as aforesaid in Section 6.1.2 above exceed 65%, and as long as it so exceeds, the Company shall not make any additional loans.

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1 It should be noted that the Company is not subject to restrictions on distribution of dividends, except for restrictions under the applicable law.

6.3 **Investment Criteria**

6.3.1 No more than 8% of the Group's total assets together with total assets of any investment joint venture (measured at fair value) shall be invested in any single underlying portfolio company (i.e., a portfolio company required to be disclosed under Item 8.6(a) of Form N-2). It is clarified that the said limitation shall not apply to MCC Senior Loan Strategy JV I LLC and its consolidated subsidiaries and/or any other investment joint venture that may be formed from time to time by the Company or other loans to financing entities, i.e., entities which one or more of its main businesses include providing credit, including loans, *provided*, *however,* MCC Senior Loan Strategy JV I LLC and its consolidated subsidiaries and/or any other investment joint venture that may be formed from time to time by the Company shall not invest more than 8% of the Group's total assets together with any investment joint venture assets (measured at fair value) in a single underlying portfolio company) ("**Single Borrower Limitation**").

The Company's compliance with the Single Borrower Limitation shall be measured, with respect to each investment, on the date on which the loan agreement relevant to the investment is executed and with respect to the total assets of the Company as appearing in the Company's Financial Statements last Published prior to the date of measurement.

6.3.2 No more than 20% of the Company's total assets (measured at fair value) shall be invested in any single industry (as determined based on the classification used by the Company for financial reporting purposes) ("**Single Industry Limitation**").

The Company's compliance with the Single Industry Limitation shall be measured, with respect to each investment, on the date on which the loan agreement relevant to the investment is executed, and with respect to the total assets of the Company as appearing in the Company's Financial Statements last Published prior to the date of measurement. It is hereby clarified, that the Trustee cannot monitor this covenant independently and will rely fully on the CFO Certificate.

Each of the Single Borrower Limitation and the Single Industry Limitation shall be considered as a material obligation of the Company.

6.4 **Negative pledge**

The Company shall not create a *floating charge* (or something similar to it under the law that applies to the Company) on all its direct assets in favor of any third party to secure its obligations to such third party, unless it obtains the prior consent of the Noteholders by Special Resolution, or unless it grants, concurrently with granting such *floating charge* on all the direct assets of the Company as aforesaid in favor of a third party, a similar charge in favor of the Noteholders, and such charges shall be *pari passu* according to the ratio of the Company's debts to each of the parties. If any such charge is being effectuated, it shall be made in coordination with the Trustee and in forms approved by the Trustee. Such limitation shall not apply to any *blanket pledge* which secures or will secure the Company's obligations under any credit facility(ies), provided that the total indebtedness under the credit facility(ies) does not exceed 50% of the Company's total assets according to its last consolidated Financial Statements. In addition, and notwithstanding the above, the Company shall be entitled to create a charge that is not placed on all of the Company's assets, including for the purpose of (1) securing obligations against a loan or credit facility from a bank, financing institution or other entity primarily engaged in the business of commercial lending or other lender (including a financing facility used to fund the acquisition of a business or substantially all of the assets of a business and/or any refinancing of any credit facility), and/or (2) securing obligations under notes issued as part of one or more collateralized loan obligations into which the Company may sell or contribute a portion of its assets and cause such notes to be issued to institutional investors, provided such collateralized loan obligation is treated by the Company as balance sheet financing; all without being required to obtaining the consent of the Trustee and/or the Noteholders and without creating a charge in favor of the Noteholders.

For the avoidance of doubt, the foregoing shall not limit (1) the Company from creating fixed charges on all or any of its assets, (2) the Company from creating floating charges on one or more specific asset of the Company or (3) the ability of corporations controlled by the Company to create any type of charge (whether fixed or floating) on any (including all or most) of their assets, in each case without any limitation.

The Company undertakes to provide to the Trustee, at its request and at least once a year, at the expense of the Company, an approval signed by an attorney licensed in the United States (including the Company's internal legal counsel), certifying that after performing a careful examination, no liens were recorded in respect of the Company in the Company's registry or in public records in contravention of this Section.

For the avoidance of doubt, the Trustee is not responsible for examining the possibility and/or the need for registering negative pledges or any registration corresponding thereto in its nature and substance outside of Israel. The Company's declarations in this regard will be adequate with respect to the registration of charges.

The Company hereby declares that the Company has a revolving credit line outstanding with a financial institution that is secured by a blanket lien on the Company's assets, except for the Company's rights in the Company's wholly-owned subsidiary, Medley SBIC LP, a Delaware limited partnership. As of the date of the signing date of this Deed of Trust, the outstanding balance of the said credit line is 19 million Dollars.

The Company represents and warrants that as of the date of this Deed of Trust it has not created or registered floating charges covering all its direct assets in relation to which the aforementioned undertaking has been granted, except for as stated in this Deed of Trust.

6.5 **Rating**

The Company undertakes to take action, to the extent within its control, and so long as the Principal has not been fully repaid, to ensure the Notes shall be rated by a Rating Agency and, accordingly, the Company further undertakes, *inter alia*, to pay the Rating Agency the amounts, and to deliver to the Rating Agency the statements, required by it in the framework of the engagement between the Company and the Rating Agency. Among others, the Company's failure to pay the Rating Agency, and its failure to deliver the statements required by the Rating Agency, in the framework of the engagement between the Company and the Rating Agency, shall be deemed reasons and circumstances within the Company's control. For the avoidance of doubt, the placement of the Notes on a watch list or any other similar act performed by the Rating Agency shall not be deemed a termination of the rating.

The Company does not undertake not to replace the Rating Agency nor does it undertake not to terminate its engagement therewith during the term of the Notes. In the event the Company replaces the Rating Agency and/or terminates its engagement therewith, including in the event there is more than one Rating Agency that rates the Notes, the Company undertakes to notify the Trustee in writing regarding the circumstances of the replacement of the Rating Agency or the termination of its engagement therewith, as applicable, within no later than one (1) Business Day of the earlier of (i) the said replacement and (ii) the date of resolving to terminate the engagement with the Rating Agency. The Company shall further provide the Trustee with a comparison of the rating scales of the former Rating Agency and those of the new Rating Agency.

It is hereby clarified that the aforementioned provisions shall not derogate from the Company's right to replace a Rating Agency at any time or terminate the engagement of a Rating Agency (in the event it is not the only Rating Agency) at its sole discretion and for any reason it deems fit and without the Trustee and/or the Noteholders having any claim in such respect (without derogating from section 10.1.12 below).

6.6 The Company undertakes to maintain liquid balances (including by way of available credit facilities) at the level of annual interest for the Noteholders. Such balance will not be pledged in favor of the Trustee or the Noteholders and will not be used to secure any obligation of the Company under this Deed of Trust. Nothing in the above shall prejudice the Noteholders' rights as unsecured creditors of the Company under insolvency proceedings.

6.7 **<u>Appointment of a Representative of the Company in Israel</u>**

Until the date of the full, final and accurate settlement of the Notes under the terms of the Deed of Trust towards the Noteholders, the Company undertakes that it will have a representative on its behalf in Israel, to whom it will be possible to serve court documents to the Company and/or its officers in respect of all matters related to this Deed of Trust, in lieu of their service at the Company's address abroad, as set forth in the preamble to this Deed.

As of the date of execution of the Deed, the Company's representative in Israel is Goldfarb Seligman & Co. Law Office (the address of which is as specified in the preamble to this Deed) (the "**Company's Representative in Israel**"). Service upon the Company's Representative in Israel shall be considered valid and binding with respect to any claim and/or demand of the Trustee and/or the Holders of the Notes pursuant to this Deed of Trust. The Company may change the identity of a Company's Representative in Israel from time to time, provided that upon its replacement, the Company shall file an immediate report specifying the details of the new Company's Representative in Israel and deliver a written notice thereof to the Trustee immediately after the replacement of the said Representative. In the event of the appointment of a new representative, the immediate report and the notice to the Trustee shall include, in addition, the date on which the appointment of the new representative entered into effect. As long as the appointment of the new representative has not taken effect, the address of the replaced representative shall be the address for the said service.

6.8 **<u>Controlling Shareholder Transactions</u>**

The Company shall comply with the requirements of Section 57 of the Investment Company Act of 1940, as amended ("**Investment Company Act**"), which places prohibitions and restrictions business development companies, such as the Company, relating to (1) transactions between a business development company and its affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of such affiliates or underwriters, including, for the avoidance of doubt, the Company's investment advisers and holders of greater than 5% of the Company's outstanding voting securities (each of those mentioned in this section above, as defined in the Investment Company Act); and (2) a requirement that a majority of the directors be persons other than "interested persons," as that term is defined in the Investment Company Act.

6.9 **<u>Expenses Cushion</u>**

Without derogating from the provisions of Section 23 of the Deed of Trust, out of the net proceeds from the Offering (i.e., after deducting the offering expenses), the Company shall pay to the Trustee an amount equal to 300 thousand Dollars (according to the Representative Rate known on the first Trading Day after the date of the Public Tender) to be used for the payment of ongoing expenses and administrative expenses of the Trustee in the event that the Notes are called for immediate repayment and/or in the event the Company committed a material or fundamental breach of the provisions of the Deed of Trust (the "**Prepaid Expenses**"). It is clarified that the actual expenses will be borne by the Company whilst the Trustee will deposit the Prepaid Expenses in a bank account, in one of Israel's five largest banks, opened by it in its name in trust for the Noteholders only and which will secure these payments. The Trustee shall be permitted to make use of the Prepaid Expenses for the purposes set forth above at its discretion. Should the Trustee use the Prepaid Expenses as set forth above, the Company shall pay the Trustee, within 14 Business Days from the date the Company received from the Trustee a written demand for such payment, additional amounts so that the Trustee will have in such account Prepaid Expenses of 300 thousand Dollars. The Prepaid Expenses shall be kept by the Trustee as set forth above until the date of full and final repayment of the Notes. After full and final repayment of the Notes, the balance, if any, of the Prepaid Expenses will be transferred (together with all proceeds accrued thereon), inasmuch as it has not been used, to the Company in accordance with details to be provided by the Company to the Trustee in writing and in advance.

In the event that the Prepaid Expenses are not sufficient to cover the expenses of the Trustee in connection with the immediate repayment of the Notes and/or the breach of the provisions of the Deed of Trust by the Company as stated above, the Trustee shall act in accordance with the provisions of Section 23 below.

For the removal of doubt it is hereby clarified, that the account in which the Prepaid Expenses are deposited, will be managed solely by the Trustee, which will have sole signatory rights therein. The Prepaid Expenses will be invested in accordance with Section 13 below. The Trustee will not be liable towards the Noteholders and/or the Company to any loss that will be incurred due to these investments.

The Trustee will provide the Company, upon its written request, information on the manner of investment of the Prepaid Expenses and the balance thereof. The Company shall bear all costs of opening said account, its management and its closing.

The Company's undertakings pursuant to this Section 6.9 shall be deemed a material undertaking of the Company.

6.10 The Company will do its best efforts to maintain its status as a "business development company" under the Investment Company Act. Insofar as it loses its status as aforesaid, the Company shall publish an immediate report and shall notify the Trustee within 5 business days from the date it became aware of it.

7. **Interest Rate Adjustments**

7.1 **Mechanism for interest rate adjustment due to rating change**

7.1.1 In the event the Base Credit Rating is downgraded by one "notch" (i.e., one rating decline) or more during any Interest Period (the "**Downgraded Rating**"), the interest rate on the outstanding balance of the Principal shall be increased by a rate of 0.25% per annum (in addition to the Base Interest) against the first downgraded notch from the Base Credit Rating, plus 0.25% against each additional downgraded notch, up to a maximum additional interest rate of one and a quarter percent (1.25%) per annum above the Base Interest, commencing on the date of the publication of the applicable Downgraded Rating by the applicable Rating Agency and until the earlier of (i) the full repayment of the Principal and (ii) the date on which the applicable Rating Agency subsequently upgrades the rating of the Notes to a rating that is higher than the Downgraded Rating (such rating, the "**Upgraded Rating**").

7.1.2 It is hereby clarified that the maximum increase in Base Interest pursuant to this Section 7.1 shall not exceed one and a quarter percent (1.25%) per annum, regardless of any cumulative Downgraded Ratings and regardless of whether the credit rating is first downgraded and later ceases to be rated.

7.1.3 By no later than two (2) Business Day following the receipt of notice of the Rating Agency regarding the downgrading of the Notes' rating to the Downgraded Rating, the Company shall Publish an immediate report as follows: (A) the fact that the rating was downgraded, the Downgraded Rating and the commencement date of the Downgraded Rating (the "**Rating Downgrading Date**"); (B) the interest rate that the Principal shall bear for the period commencing on the first day of the then-current Interest Period and until the Rating Downgrading Date (calculated on the basis of a 365-day year and the actual number of days in such period) (in this sub-Section 7.1.3 the "**Original Interest**"); (C) the interest rate the Principal shall bear commencing on the Rating Downgrading Date and until the following Interest Payment Date (assuming no other events affecting such interest rate shall occur and calculated on the basis of a 365-day year and the actual number of days in such period); (D) the weighted interest rate to be paid by the Company to the Noteholders on the next Interest Payment Date, deriving from the interest payments described in clauses (B) and (C) above; (E) the annual interest rate reflected from the weighted interest rate; and (F) the updated annual interest rate and the semi-annual interest rate for the period commencing on the next Interest Payment Date (i.e., the period commencing immediately following the period during which the Rating Downgrading Date occurred).

7.1.4 In the event the Rating Downgrading Date occurs within the four (4) days prior to the record date for a given interest payment and ending on the Interest Payment Date closest to such record date (in this sub-Section 7.1.4, the "**Deferral Period**"), the Company shall pay the Original Interest to the Noteholders on such Interest Payment Date, and the amount of interest deriving from the additional interest at a rate equal to the additional interest rate per annum for the Deferral Period (calculated on the basis of a 365-day year and the actual number of days in such period) shall be paid on the following Interest Payment Date. The Company shall Publish an immediate report which includes the amount of additional interest to be paid on such following Interest Payment Date.

7.1.5 It is hereby clarified, that in the event that after the downgrading of the rating in a manner affecting the Base Interest, the Rating Agency shall issue an Upgraded Rating, then the Interest rate shall be decreased by a rate of 0.25% per annum for each notch above the Downgraded Rating, up to a total maximum decrease in the interest rate of one and a quarter percent (1.25%) per annum (i.e., such that the increase in rating to the Base Credit Rating shall reinstate the Base Interest on the outstanding balance of the Principal, without any additional interest), and until the full discharge of the unpaid balance of the Principal or until a change in the rating of the Notes in accordance with and subject to the provisions of this Section 7.1.

7.1.6 In the event the Notes cease to be rated for reasons attributable to the Company (e.g., due to the Company's failure to meet its obligations towards the Rating Agency, including its failure to comply with its payment and/or reporting obligations to the Rating Agency), commencing on the date of such rating cessation and until the earlier of: (1) the full repayment of the Principal; and (2) the date on which the Notes become rated again, additional interest shall be paid at the rate of 1% per annum above the Base Interest (calculated on the basis of a 365-day year and the actual number of days in such period), including in the event of a call for immediate repayment of the Notes by the Noteholders pursuant to Section 10.1. For the avoidance of doubt, it is hereby clarified that (1) in the event the Notes cease to be rated for reasons not attributable to the Company, the interest rate on the Notes shall not be changed and the provisions of this sub-Section 7.1.6 shall not apply, and (2) in the event the Notes were rated by more than one Rating Agency, the interest rate adjustment pursuant to this sub-Section 7.1.6 shall not apply for so long as the Notes are rated by at least one Rating Agency.

7.1.7 In the event the Notes cease to be rated by a Rating Agency, the Company shall Publish an immediate report as to the circumstances associated with such cessation.

7.1.8 In the event the Notes are rated by more than one Rating Agency, the lower rating shall be deemed to be the applicable rating for the Notes, as updated from time to time.

7.1.9 Any change in the rating outlook of the Notes and/or any downgrade in rating due to a change in the methodology or rating scales of the applicable Rating Agency shall not be deemed a change in the rating and shall not have any effect on (including by way of increase and/or decrease of) the interest rate applicable on the Principal.

7.2 **Mechanism for adjusting interest rate as a result of non-compliance with Financial Covenants**

7.2.1 In the event the Company does not have total net assets of at least US $285 million or it is not in compliance with the Financial Covenant set forth in Section 6.1.2 above (each such instance of non-compliance, a "**Deviation**"), the annual interest rate on the outstanding balance of the Principal shall be increased by a rate of one-half percent (0.5%) per annum (in addition to the Base Interest) for each Financial Covenant with respect to which there exists a Deviation for the period commencing on the date of the Company's Publication of Financial Statement according to which a Deviation has occurred (the "**Deviation Date**") and until the earlier of: (1) the full repayment of the Principal; and (2) the Company's Publication of Financial Statements and such a CFO Certificate in which such Deviation is shown to have been remedied. Notwithstanding the foregoing, the maximum increase in Base Interest pursuant to this sub-Section 7.2.1 shall not exceed one half percent (0.5%) per annum.

7.2.2 By no later than one (1) Business Day from the delivery of a CFO Certificate pursuant to Section 6.1 regarding a Deviation from a Financial Covenant (one or more) according to financial statements published by the Company, the Company shall provide the Trustee with a notice including information and shall publish in an immediate report details as follows: (A) details regarding the non-compliance with the Financial Covenants; (B) the precise accurate interest rate that the Principal shall bear for the period commencing on the first day of the then-current Interest Period and until the Deviation Date (calculated on the basis of a 365-day year and the actual number of days in such period) (in this sub-Section 7.2.2, the "**Original Interest**"); (C) the interest rate the Principal shall bear commencing on the Deviation Date and until the following Interest Payment Date (assuming no other events affecting such interest shall occur and calculated on the basis of a 365-day year and the actual number of days in such period); (D) the weighted interest rate to be paid by the Company to the Noteholders on the next Interest Payment Date, deriving from the interest payments described in clauses (B) and (C) above; (E) the annual interest rate reflected from the weighted interest rate; and (F) the updated annual interest rate and the semi-annual interest rate for the period commencing on the next Interest Payment Date (i.e., that period commencing immediately following the period during which the Deviation occurred).

7.2.3 In the event a Deviation occurs within the four (4) days prior to the record date for a given Interest Payment and ending on the Interest Payment Date closest to such record date (in this sub-Section 7.2.3, the "**Deferral Period**"), the Company shall pay the Noteholders, on such Interest Payment Date, the Original Interest, and the amount of interest deriving from the additional interest at a rate equal to the additional interest rate per annum for the Deferral Period (calculated on the basis of a 365-day year and the actual number of days in such period) shall be paid on the following Interest Payment Date. The Company shall notify in an immediate report the amount of such additional interest that shall be paid on such following Interest Payment Date.

7.2.4 In the event that after the occurrence of a Deviation in a manner affecting the Base Interest, the Company delivers a CFO Certificate pursuant to Section 6.1 wherein a Deviation is shown to have been remedied, then the Interest rate shall be decreased by a rate of one-quarter percent (0.25%) per annum for each Financial Covenant for which a Deviation is shown in the CFO Certificate to have been remedied, up to a total maximum decrease of a half percent (0.5%) per annum (i.e., such that if all Deviations are remedied, the Base Interest (as determined in the tender) on the outstanding balance of the Principal on the Notes will be reinstated, without any additional interest) and this for a period commencing on the date of Publication of the Financial Statements which evidence the termination of the Deviation as aforesaid and until the earlier of the full discharge of the unpaid balance of the Principal or until the creation of an additional Deviation (the interest rate shall be calculated for any partial interest period on the basis of a 365-day year and the actual number of days in such period). In such instance, the Company shall act in accordance with Sections 7.2.2 and 7.2.3 above, with the changes required deriving from the fact that the Deviation ceased to exist.

7.3 Notwithstanding the foregoing, in the event of a downgrading of the rating entitling the Noteholders to additional interest pursuant to Section 7.1 above and a Deviation entitling the Noteholders to additional interest pursuant to Section 7.2, the maximum aggregate additional interest which will be received by the Noteholders shall not deviate from the rate of 2% per annum.

7.4 In addition to the above, in the event that the Rating Agency reduced the rating of the Notes to a rating equal to or lower than "ilBB+", and as long as the rating is equal or lower to such rating, the interest rate on the outstanding balance of the Principal of the Notes will increase by two percent (2%) per annum (i.e., such that, together with the additional interest payable to the Noteholders under Section 7.1, the Base Interest will be increased by a total rate of up to 3.25%, and if the additional interest is 2% per annum as aforesaid in Section 7.3 above, the Base Interest will be increased at a total rate of 4%). In such instance as well as in the event the rating is increased to a rating higher than "ilBB+" (in which case the Company will cease paying this additional 2%), the Company will act in accordance with section 7.1.2–7.1.4, *mutatis mutandis.*

8. **<u>Security and Seniority of the Notes</u>**

8.1 The Notes are not secured by any collateral, and are classified by the Company as senior unsecured Notes (senior unsecured debt).

8.2 The Trustee has not examined, nor shall it be under any obligation to examine, the need for furnishing collateral to secure the payments to the Noteholders. By its entering into this Deed of Trust, including by its consenting to serve as a trustee for the Noteholders, the Trustee is not expressing any opinion, whether expressed or implied, with respect to the Company's ability to meet its obligations to the Noteholders. Nothing in the foregoing shall derogate from the duties of the Trustee according to applicable law and/or this Deed of Trust.

8.3 All of the Notes shall rank *pari passu* with one another in respect of the Company's obligations pursuant to the Notes, and without any Note having a preferential right or priority over another, and together shall rank *pari passu* with all other senior unsecured obligations of the Company, other than obligations having priority pursuant to applicable law.

8.4 Subject to Section 6.4 above and without derogating from the provisions of Section 10 below, the Company shall be entitled, from time to time, at its sole and absolute discretion, to sell, pledge, lease, assign, deliver or otherwise transfer, all, most or some of its assets, in any way whatsoever, without the consent of the Trustee and/or the Noteholders. It is hereby clarified that no limitation shall apply to the Company with respect to the grant of guarantees for the benefit of other(s), including to corporations held by it, directly or indirectly, and subject to Section 2.9.8 above, the Company shall not be prohibited from obtaining any new credit.

9. **<u>Early Redemption</u>**

9.1 <u>Early Redemption Initiated by the Company</u>

The Company may, at its sole discretion, at any time after sixty (60) days from the Date of the Listing of the Notes, to effect the early redemption of all or a portion of the Notes, subject to the provisions of the bylaws of the Stock Exchange and the guidelines promulgated thereunder, as in effect at the relevant time, and in such case the following provisions shall apply:

9.1.1 The frequency of the early redemptions shall not exceed one early redemption per quarter. In the event that an early redemption is scheduled for a quarter in which an interest payment date, a partial redemption payment date or a final redemption payment date is also scheduled, the early redemption shall be effected on the date prescribed for such payment. For purposes hereof, a "**quarter**" shall mean any of the following periods: January through March, April through June, July through September, or October through December.

9.1.2 The minimum amount of any early redemption shall not be less than 1 million NIS. Notwithstanding the aforementioned, the Company may effectuate an early redemption in an amount lower than 1 million NIS provided that the frequency of the early redemptions shall not exceed one early redemption per year. If a partial early redemption is effected, the final redemption amount shall not be less than three million two hundred thousand (3,200,000) NIS. Any amount that shall be paid in an early redemption by the Company shall be paid with respect to all of the Noteholders, pro rata to the par value of the Notes held by them.

9.1.3 Upon the Company's resolution to effectuate an early redemption, and in any event no less than seventeen (17) days and not more than forty five (45) days prior to the effective date of the early redemption (the "**Early Redemption Date**"), the Company shall Publish an immediate report about the execution of the early redemption.

9.1.4 The Early Redemption Date shall not occur during the period between the record date for payment of interest and the date of its actual payment. In the immediate report as aforementioned, the Company shall include the number of Notes (expressed as the amount of Principal) subject to early redemption as well as the interest accrued on said amount of Principal until the Early Redemption Date.

9.1.5 On a partial Early Redemption Date, if any, the Company shall notify an immediate report the following details: (1) the percentage of the partial redemption in terms of the outstanding balance; (2) the percentage of the partial redemption in terms of the original series; (3) the interest rate in partial redemption on the portion of the Principal that is to be redeemed; (4) the interest rate to be paid, calculated with respect to the outstanding balance; (5) an update of the remaining partial redemption rates, in terms of the original series; (6) the record date for entitlement to receive early redemption of the Principal, which shall be twelve (12) days before the Early Redemption Date. A partial early redemption will be carried out pari passu to each one of the Noteholders.

9.1.6 In the event a partial redemption, if any, the Company shall pay to the Noteholders the interest accrued until the Early Redemption Date only on the portion of the Principal being redeemed in the early redemption rather than on the total outstanding balance of Notes and all as part of the early partial redemption amount that will be determined in accordance with Section 9.1.7 below.

9.1.7 The amount that shall be paid to the Noteholders in the case of early redemption shall be the greatest of the following: (1) the liability value of the Notes in circulation that are to be redeemed early, i.e., the Principal plus accrued interest and linkage, until the date of early redemption; (2) the market value of the Notes that are to be redeemed early (based on the average closing price of the Notes on the Stock Exchange for the 30 trading days prior to the board resolution approving such redemption); However, in the event that the redemption date is on an interest payment date, the interest amount, which will be paid separately, will be deducted from the aforementioned average Note closing price; and (3) the balance of the cash flow of the Notes subject to early redemption, according to the original amortization table (i.e., Principal plus interest differentials), considering the date of early redemption, discounted at the Government Bond Yield (as defined hereunder) plus annual interest of 1.2%. The discount of the Notes subject to early redemption shall be calculated as of the date of early redemption and until the last payment date set forth with respect to the Notes subject to early redemption (i.e., February 27, 2024). In this respect, "**Government Bond Yield**" means the average weighted yield (gross) to maturity, in a period of seven Business Days, ending two Business Days prior to the date of the early redemption notice, of two series of Israeli Government Dollar-linked Notes, bearing interest at a fixed rate, and having an average duration most similar to the average duration of the Notes at the relevant time, i.e., one series with the most similar average duration higher than the average duration of the Notes at the relevant time, and one series with the most similar average duration lower than the average duration of the Notes at the relevant time, and whose weighting will reflect the average duration of the Notes at the relevant time. Set forth is an example illustrating said calculation:

If the average duration ('*MAHAM*') of Government Bond A is 4 years, and the average duration of Government Bond B is 2 years, and the average duration of the balance of the Notes is 3.5 years, the yield shall be calculated as follows:

$4X + 2(1-X) = 3.5$

Whilst

X = weight of the yield of Government Bond A.

1-X = weight of the yield of Government Bond B.

According to the calculation, the annual yield of Government Bond A shall be weighted at a rate of seventy five percent (75%) of the yield, and the average yield of Government Bond B shall be weighted at a rate of twenty five percent (25%) of the yield.

MAHAM = average duration.

9.1.8 The Company shall present the Trustee with a CFO Certificate detailing the manner of calculation of the early redemption amount, including an active Excel spreadsheet which demonstrates the calculation performed by the Company, all in wording to the satisfaction of the Trustee, no later than two (2) Business Days after the decision of the relevant organs of the Company regarding early redemption of the Notes.

9.1.9 Payments made in the scope of a partial redemption shall be deemed to have been made on account of payments of Principal closest in time to the Early Redemption Date.

9.1.10 On the Early Redemption Date, the par value of Notes outstanding shall decrease and future payments of the Principal shall be reduced pursuant to sub-Section 9.1.9, and in the event of redemption of all the Notes, the Notes shall be extinguished and shall not accrue interest after the redemption date.

9.2 Early Redemption Initiated by the Stock Exchange

In the event that the Stock Exchange decides to delist the Notes in circulation, because the value of the Notes has decreased below the minimum amount prescribed in the Stock Exchange rules regarding the delisting of Notes, the Company shall effect an early redemption of the Notes, as follows

9.2.1 Within forty five (45) days from the date of the resolution of the board of directors of the Stock Exchange to delist the Notes as set forth above, the Company shall announce by an immediate report an early redemption date on which a Holder of Notes shall be entitled to redeem such Notes.

9.2.2 The early redemption date shall occur no earlier than seventeen (17) days from the date of publication of the notice and no later than forty-five (45) days after such date, but not during the period between the record date for an interest payment and the date of actual payment thereof.

9.2.3 On the early redemption date, the Company shall redeem the Notes that the Holders thereof requested to redeem, at the par value of such Notes and interest accrued thereon until the date of actual payment (collectively linked to the Payment Rate) (calculated on the basis of a 365-day year and the actual number of days that elapsed since the date of the last interest payment).

9.2.4 Determination of an early redemption date as set forth above shall not prejudice the redemption rights of any of the Holders of Notes who shall not redeem them on the foregoing early redemption date, but such Notes shall be delisted from the Stock Exchange and, among other things, the tax implications deriving therefrom shall apply to such Notes.

9.2.5 Notes that have been redeemed as set forth herein shall be extinguished and shall not accrue interest after the redemption date. Early redemption of the Notes as aforementioned shall deny the holders of the Notes that shall be redeemed, the right to payment on account of Principal and/or of interest for the period after the date of redemption. The notice of the early redemption date will be published by an immediate report delivered to the ISA and the Stock Exchange. Such notice shall specify the amount set for early redemption.

9.3 For the avoidance of doubt, the provisions of this Deed pertaining to withholding tax at source shall also apply in full in the events described in this Section 9.

10. **Acceleration**

10.1. Upon the occurrence of one or more of the events set forth below, the Trustee and the Noteholders shall be entitled to accelerate the balance of the amount due to the Noteholders under the Notes:

10.1.1. If the Company fails to pay the Noteholders any amount it is obligated to pay under the Notes and/or this Deed of Trust, within seven (7) Business Days after the relevant payment due date.

10.1.2. If the Company is in fundamental breach of the terms of the Notes and/or this Deed of Trust and/or does not fulfill any of its material obligations in the framework of any of them, and the Trustee has provided notice to the Company to remedy the breach and the Company fails to remedy such breach within seven (7) Business Days from the date such notice of breach was received.

10.1.3. If it turns out that a material representation of the Company's representations under the Notes and/or this Deed of Trust is not correct or is not complete, and the Trustee has provided notice to the Company to remedy the breach, and the Company failed to remedy such breach within fourteen (14) days from the date notice of such breach was received.

10.1.4. If the Company adopts a resolution to wind up (except for winding up as a result of a merger with another company and provided the surviving company (if not the Company) assumed all obligations of the Company towards the Noteholders) or if a permanent and final liquidation order is granted by a court with respect to the Company, or a permanent liquidator is appointed with respect to the Company.

10.1.5. If a provisional liquidation order has been granted by a court or a temporary liquidator has been appointed with respect to the Company or any other judicial decision is granted with similar substance and such order, or appointment or decision is not set aside or cancelled within forty five (45) days from the date of grant of the order, appointment or decision, as the case may be. Notwithstanding the foregoing, the Company shall not be afforded any additional cure period with respect to motions filed by the Company or orders granted at its request or with its consent.

10.1.6. If an order of attachment is imposed on, or if any execution action is issued against, all or substantially all of the Company's assets (as computed below), and the order of attachment is not removed, or the action is not cancelled, within forty five (45) days from the date imposed or executed. Notwithstanding the foregoing, the Company shall not be afforded any additional cure period with respect to motions filed by the Company or orders granted at its request or if any of the foregoing occurs with its consent.

10.1.7. If a motion was filed for receivership or appointment of a receiver (provisional or permanent) with respect to all or substantially all of the Company's assets (as computed below), or if an order is granted for the appointment of a provisional receiver with respect to the Company or all or substantially all of its assets (as computed below), and such motion or order is not cancelled within forty five (45) Business Days from the date of its filing or grant, or if an order is granted for the appointment of a permanent receiver with respect to the Company or all or substantially all of its assets (as computed below). Notwithstanding the foregoing, the Company shall not be afforded any additional cure period with respect to motions filed by the Company or with its consent or orders granted at its request or with its consent.

10.1.8. (A) If the Company files for a stay of proceedings order under Section 350 of the Companies Law, or a similar proceeding in accordance with applicable law, or if such order is granted; or if the Company files for a motion to effect an arrangement or settlement with the Company's creditors in accordance with Section 350 of the Companies Law**,** or a similar proceeding in accordance with applicable law (except for purposes of effectuating (i) a merger with another company and/or a restructuring of the Company, including changes in the Company's capital structure which are not prohibited under the terms of this Deed and/or (ii) an arrangement between the Company and its stockholders which does not affect the Company's ability to repay the Notes, and which is not otherwise prohibited under this Deed of Trust); or if the Company offers its creditors in some other manner an arrangement or settlement as aforesaid due to its inability to meet its obligations thereto as they fall due or if any such motions are filed at the Company's demand or with its consent; or (B) if a motion was filed under Section 350 of the Companies Law (or any similar proceeding in accordance with applicable law) against the Company and without its consent and not set aside or cancelled within forty five (45) days of the filing thereof.

10.1.9. If the Company ceases or gives notice of its intention to cease its payments or ceases or gives notice of its intention to cease carrying on business, as they may be from time to time.

10.1.10. If the Company's ceases to be regulated as a business development company or closed-end fund each within the meaning of the Investment Company Act, as it may be in effect from time to time, or if the Company does not have a license or permit it is required to have, under applicable law, for the purpose of its classification and/or status as a business development company or a closed-end fund as aforesaid.

10.1.11. If there occurs a Material Adverse Effect on the Company's business in relation to its condition on the Date of Issuance, and there is a substantial concern the Company will not be able to repay the Notes when due.

10.1.12. If the Notes cease to be rated by a Rating Agency for reasons and/or circumstances under the Company's control. An occurrence of the aforementioned event shall not constitute grounds for the acceleration of payment so long as the Notes are rated by one Rating Agency.

10.1.13. (A) If a another series of publicly traded notes of the Company (on a standalone basis) was accelerated, or (B) if (1) any other financial indebtedness, one or more (if accelerated at the same time or in proximity to one another), of the Company (on a standalone basis) and/or its consolidated entities, which is not a non-recourse loan, in a cumulative amount in excess of fifty million Dollars (US $50,000,000), or (2) any other financial indebtedness, one or more (if accelerated at the same time or in proximity to one another), of the Company (on a standalone basis) and/or its consolidated entities, in an aggregate amount in excess of one hundred million Dollars (US $100,000,000), is accelerated due to a default by the Company, unless such acceleration is rescinded (including by way of settling such debt) within ten (10) Business Days from the date of notice of such acceleration.

10.1.14. If the Company effectuates a merger (as defined in the Companies Law or as defined under applicable law, including a merger pursuant to Section 350 of the Companies Law or any similar proceeding under applicable law) with another entity (which is not a company consolidated in the Financial Statements of the Company) without receiving the prior consent, by simple majority, of the Noteholders, unless the surviving entity represents to the Noteholders and the Trustee, at least ten (10) Business Days prior to the effective date of such merger, that there is no reasonable concern that the surviving entity will not be able to meet its obligations towards the Noteholders as a result of such merger.

10.1.15. If the Company sold, other than in the ordinary course of its business, all or substantially all of its assets (as computed below) within a 6-month period (except if during the 12-month period following such sale, the Group acquired other assets associated with its area of activity in an amount not lower than 50% of the consideration received from the assets sold) without the prior approval of the Noteholders' Meeting at a special meeting and by Special Resolution. For the purpose of this sub-Section, the sale of loans or debt securities shall be deemed to be the ordinary course of business of the Company.

10.1.16. If the Company fails to comply with one or more of the Financial Covenants set forth in Section 6.1 above, for two consecutive quarters.

10.1.17. If the Company breaches a condition under Section 2.9.1 with respect to an expansion of the series of the Notes or breaches a condition under Section 2.9.8 with respect to an Additional Issuance in Israel.

10.1.18. If the Stock Exchange has suspended the trading of the Notes, except on the grounds of the creation of lack of clarity, as specified in Part IV of the Stock Exchange bylaws, and such suspension has not been canceled within sixty (60) days.

10.1.19. If the Notes are delisted from the Stock Exchange.

10.1.20. If a Change of Control occurs, and the Company has not published a tender offer for the purchase of all of the Notes, at a price not lower than their liability value (pari), within 45 days of such occurrence.

10.1.21. If the Company ceases to be a Reporting Company.

10.1.22. If the Company fails to nominate a Company's Representative in Israel as set forth in Section 6.7 above, for a period of at least 30 consecutive days.

10.1.23. If the Company fails to publish any Financial Statements that it is required to publish under applicable law or under this Deed of Trust within 30 days from the last date it is required to publish them.

10.1.24. If there is a substantial concern that the Company would fail to meet its material obligations to the Noteholders.

10.1.25. If the Notes' rating will drop below il/BBB- of Maalot (or a corresponding rating that will be determined by another Rating Agency, that will replace Maalot), except for a downgrade described in sub-Section 7.1.9 above.

10.1.26. In case a "Going Concern" note will be recorded in the Company's Financial Statements for two (2) consecutive quarters.

Sub-sections 10.1.4 – 10.1.8 will apply upon the occurrence of legal proceedings as set forth therein, whether according to Israeli law and whether according to foreign law applicable to the Company.

With respect to sub-Sections 10.1.6, 10.1.7 and 10.1.15, "**substantially all of the Company's assets**" shall mean one or more assets, owned by the Group, with an overall stated value, according to the most recent Financial Statements of the Company Published prior to the occurrence of the relevant event, constituting at least 50% of the total assets of the Group, on the basis of such Financial Statements.

10.2. Upon the occurrence of any of the events set forth in Section 10.1 above and in accordance with the provisions thereof including its sub-sections:

10.2.1 The Trustee shall be required to convene a Noteholders' Meeting, which shall be held twenty-one (21) days following the date of the notice of the meeting (or any earlier date according to the provisions of sub-Section 10.2.7 hereunder), and the agenda of which shall include a resolution to call for the acceleration of payment of the outstanding Notes due to the occurrence of any of the events specified in Section 10.1 above.

10.2.2 The notice of the aforesaid meeting shall state that if the Company shall cause the cancellation, remedy or removal of the event specified in Section 10.1 above for which the meeting has been called, prior to the date of the meeting, the meeting of the Noteholders shall be cancelled.

10.2.3 Nothing in the foregoing shall prevent the Trustee from convening a Noteholders' Meeting at an earlier date according to the provisions of sub-Section 10.2.7 below.

10.2.4 The resolution of the Noteholders to accelerate the payment of the Notes shall be adopted at a Noteholders' Meeting at which Holders of at least fifty percent (50%) of the outstanding Principal of the Notes were present, by a majority vote of the Holders participating in the vote, or by majority of the votes of the participants at an adjourned meeting of the Noteholders in which Holders of at least twenty percent (20%) of the outstanding Principal amount of the Notes were present.

10.2.5 If prior to the aforesaid meeting, the events specified in Section 10.1 above for which the meeting has been called are not cancelled, remedied or removed, and the resolution of the meeting of the Noteholders as set forth in sub-Section 10.2.1 above to accelerate the payment of the outstanding Notes has been adopted in accordance with sub-Section 10.2.4 above, the Trustee shall be required, within a reasonable period of time, to accelerate the payment of the outstanding Notes, provided it provides the Company with seven (7) days' prior written notice of its intention to do so and the event due to which the resolution was adopted was not cancelled, remedied or removed within such period.

10.2.6 A copy of the notice of the meeting as set forth in sub-Section 10.2.1 above shall be sent by the Trustee to the Company immediately upon publishing the notice and shall constitute advance written notice to the Company regarding its intention to act toward the acceleration of payment of the outstanding Notes.

10.2.7 The Trustee may, at its sole discretion, shorten and even cancel the twenty-one (21) day period (as set forth in sub-Section 10.2.1 above) and/or the seven (7) day notice period (as set forth in sub-Section 10.2.5 above), if the Trustee is of the opinion that there is reasonable concern that delivering such notice or delaying the meeting or acceleration date shall prejudice the possibility to accelerate the payment of the Notes.

10.2.8 If any of the sub-Sections of Section 10.1 above sets forth a cure period during which the Company may act or adopt resolutions resulting in the removal of the grounds for acceleration, the Trustee or the Noteholders shall be entitled to accelerate the payment of the outstanding Notes as set forth in this Section 10 only upon the lapse of such period and if the grounds therefor were not removed within such period, provided, however, the Trustee may shorten the period prescribed in the Deed of Trust if it believes that a delay may materially prejudice the rights of the Noteholders.

10.2.9 In the event the Company is provided notice whereby the Notes have been accelerated for immediate repayment according to the provisions of this Section 10, the Company undertakes to carry out, from time to time and at any time requested to do so by the Trustee, all reasonable actions necessary to allow exercise of the authorities conferred on the Trustee, and in particular the Company shall carry out all the following actions, no later than 10 Business Days of the date of the Trustee's request:

10.2.9.1. Transfer and deliver to the Trustee the Principal and accrued interest (if any, including default interest pursuant to Section 3.8 of the Terms and Conditions Overleaf) of the Notes due for repayment, collectively linked to the Payment Rate, whether their scheduled due dates have occurred or not. Such amounts will be applied according to the priorities of Section 12 below. Should the Company transfer the full amount of the Principal and interest (after the amount was applied according to Section 12 below) as set forth above, the Company shall be deemed to have discharged its obligations towards the Noteholders with respect to the relevant payment of Principal and interest (if any), and the Noteholders and/or the Trustee shall have no claim against the Company in connection with such payments; and

10.2.9.2. Provide any declarations and/or execute all documents and/or perform and/or cause the performance of all actions necessary and/or required according to law for validating the exercise of authority, power and rights of the Trustee and/or its representative in connection with the immediate repayment.

10.2.9.3. Provide all notices, orders and instructions as the Trustee deems beneficial in connection with the immediate repayment.

For purpose of this Section 10 – written notice executed by the Trustee and confirming that an action requested by it, within the scope of its authority, is reasonable, shall constitute *prima facie* evidence thereof.

10.2.10 Immediate repayment shall be made of the outstanding Notes, in the amount of Principal and interest accrued thereon, whilst the interest shall be calculated for the period commencing after the last day for which interest was paid and until the date of actual repayment of the Notes (calculation to be based on of a 365-day year and the actual number of days in such period), collectively linked to the Payment Rate.

10.2.11 Subject to the provisions of applicable law, the duties of the Trustee under this Section 10 are subject to its actual knowledge of the facts, events, circumstances and occurrences specified therein.

10.2.12 Notwithstanding the foregoing, if in connection with non-compliance with Financial Covenants as set forth in sub-Section 10.1.16 above, the Company requests in writing that the Trustee appoints an Emergency Committee, the Trustee shall act in accordance with the provisions set forth in Schedule III to this Deed.

10.2.13 For the avoidance of doubt it is hereby clarified that the right of acceleration set forth above and / or acceleration shall not derogate from any other or additional relief available to the Noteholders or to the Trustee under the terms of the Notes, and under the provisions of this Deed of Trust or in accordance with the law, and failure to accelerate the Notes upon the occurrence of any of the events specified in Section 10.1 above shall not constitute any waiver of the rights of the Noteholders or of the Trustee.

11. **Claims and Proceedings by the Trustee**

11.1. Without derogating from any provision of this Deed of Trust, the Trustee shall be entitled, at its sole discretion, and with written notice to the Company of 7 days in advance insofar as such notice would not impair the rights of the Noteholders, and subject to Section 23 (Indemnification of the Trustee) shall be obliged to do so if so required by a Ordinary Resolution adopted by the Noteholders in accordance with the provisions hereunder, to initiate all such legal proceedings as it deems fit for the exercise and/or protection of the rights of the Noteholders and/or enforcement of the performance by the Company of any undertaking of the Company pursuant to this Deed of Trust. Notwithstanding the foregoing, the right to accelerate repayment shall be governed by the provisions of Section 10 above and not pursuant to this Section 11.

11.2. The Trustee may, at its sole discretion, submit a motion to the court to receive instructions on any matter connected with and/or pertaining to this Deed of Trust. For the avoidance of doubt, the Trustee shall not delay the submission of such a motion where such delay is likely to prejudice the rights of the Noteholders.

11.3. Subject to the provisions of this Deed of Trust, the Trustee may, but shall not be required to, convene a Noteholders' Meeting at any time in order to discuss and/or receive instructions on any matter pertaining to this Deed of Trust, provided that the meeting is convened promptly and the delay thereof is not likely to prejudice the rights of the Noteholders.

11.4. The Trustee may, at its sole discretion, delay the performance of any act thereby pursuant to this Deed of Trust, for purposes of referring to a Noteholders' Meeting and/or court for instructions as to how to act, provided that the Trustee is not entitled to delay proceedings initiated following the approval of the Noteholders at a Noteholders' Meeting to cause the acceleration of Notes or to take any proceedings and when the delay is likely to prejudice the rights of the Noteholders.

11.5. For the avoidance of doubt, nothing in the foregoing provisions shall prejudice and/or derogate from the Trustee's right hereby conferred on it to refer to the court, at its sole discretion, even before the Notes are payable, for purposes of issuance of any order in connection with its role as trustee. Expenses accrued under this clause will be covered according to Section 23 (Indemnification of the Trustee).

12. **Trust over Receipts**

All amounts received by the Trustee from the Company in accordance with this Deed, other than the Trustee's fees and expenses, shall be held in trust by the Trustee. Amounts received by the Trustee from the Company in accordance with this Deed shall first be applied by it for payment of the Trustee's remuneration and reasonable expenses, payments, levies and obligations incurred by the Trustee or imposed on it in the course of or as a consequence of its performance of any action associated with its role pursuant to this Deed or otherwise in connection with the terms and conditions of hereof (provided that the Trustee shall not receive duplicative fees from both the Company and from the Noteholders). The balance shall be applied, unless otherwise decided by a Special Resolution in advance from the Noteholders, for the following purposes and according to the following order of priorities: **first** – for repayment to Noteholders, if any, who incurred obligations and made payments beyond their Pro Rata Portion (as defined in Section 23 below) in connection with an Indemnification Obligation pursuant to Section 23 below; **second** – for repayment to Noteholders who incurred obligations and made payments in accordance with their Pro Rata Portion in connection with an Indemnification Obligation pursuant to Section 23 below; **third** - for payment to the Noteholders, to the extent applicable, of any default interest due to them in accordance with the terms of the Notes, *pari passu* and *pro rata*, without any individual Noteholder being entitled to any preference or right of priority over another; **fourth** – for payment to Noteholders of late Principal amounts due thereto in accordance with the terms of the Notes, *pari passu* and *pro rata*, without any individual Noteholder being entitled to any preference or right of priority over another; **fifth** – for payment to Noteholders of interest payments due to them in accordance with the terms of the Notes, *pari passu* and *pro rata*, without any individual Noteholder being entitled to any preference or right of priority over another; **sixth** – for payment to Noteholders of the Principal, regardless of whether or not the Principal has come due at that time, *pari passu* and *pro rata*, without any individual Noteholder being entitled to any preference or right of priority over another. Any excess amounts, to the extent that they remain after the completion of all of the abovementioned distributions, shall be paid by the Trustee to the Company or to any successor entity. Withholding tax shall be withheld from any payments to the Noteholders in accordance with applicable law.

For the avoidance of doubt, to the extent the Company has to bear any of the expenses but has not done so, the Trustee will act to receive such amounts from the Company, and in the event it succeeds in receiving them, such amounts will be held by the Trustee in trust and will be used for the purposes and in accordance with the order of priority set forth in this Section above.

13. **Power to Withhold Distribution of Funds**

Notwithstanding the provisions of Section 12 above, should the amount received as a result of proceedings pursuant to Section 11 above and that is available at any given time for distribution to the Noteholders, as set forth in Section 12 above, be equal or less than NIS one million (1,000,000) (the "**Minimal Amount**"), the Trustee shall not be required to distribute such amount and may invest such amount, in whole or in part, in Permitted Investments, as it deems fit.

"**Permitted Investments**" – Investments in bank deposits in Dollars with one or more of the five largest banks in Israel whose credit rating is not lower than ilAA (S&P Maalot) (or any corresponding rating by another rating agency) or in Dollar-linked Notes issued by the Government of Israel or by the Government of the United States.

At the earlier of (i) the time when the aforementioned investments, including any profits resulting therefrom, equal or exceed the Minimal Amount and (ii) the next payment date of Principal and/or interest thereon to the Noteholders (even if the amount accrued by such date is less than the Minimal Amount), the Trustee shall distribute such accrued amounts to the Noteholders in the manner stated in Section 12 above.

Notwithstanding the foregoing in this Section 13, following its receipt of a duly taken resolution of the Noteholders' general meeting to do so, the Trustee shall distribute the amounts received by it as a result of the proceedings pursuant to Section 11 above, even if such amounts are less than the Minimal Amount.

14. **Failure to Make Payment for Reason Beyond the Company's Control**

14.1. Any amount payable to a Noteholder which was not actually paid to such Noteholder on the due date of such payment for a reason beyond the Company's control, despite the Company's ability and willingness to make such payment, shall cease to bear interest from the due date for such payment, and such Noteholder shall be entitled to receive only those amounts to which it was entitled on the due date for such payment, provided that such amount has been deposited with the Trustee as provided in Section 14.2 below. Notwithstanding the foregoing, to the extent such amount, under the circumstances, remains in the Company's account, the Company shall transfer it to the Noteholder (or the Trustee as stated in Section 14.2 below) together with any earnings actually accrued on such amount, after deduction of the applicable tax, if any.

14.2. The Company shall deposit with the Trustee, within fourteen (14) days following the due date for such payment, the amount of such payment that was not paid for a reason beyond the Company's control, and shall give written notice to the applicable Noteholders with respect thereto, and such deposit shall be deemed to be a discharge of such payment, and in the case of a discharge of all amounts that are due in respect of the Notes, shall also be deemed to be a final redemption of the Notes.

14.3. The Trustee shall invest any amount that has been deposited in its name pursuant to this Deed of Trust in Permitted Investments (as defined in Section 13 above), as the Trustee shall see fit and subject to the provisions of applicable law. Where the Trustee has done so, it will not be liable to those entitled on account of such amounts, except for proceeds to be received from the realization of such investments, *less* the expenses associated therewith, including trust administration costs and net of any mandatory payments. The payment to the Noteholders shall be made against the presentation of such evidence as shall be acceptable to the Trustee in its absolute discretion.

The Trustee shall hold such funds and shall invest them in the foregoing manner, until the earlier of (i) the end of one (1) year from the final repayment date of the Notes and (ii) the date of payment thereof to the Noteholders. After such date, the Trustee shall transfer such amounts to the Company, including any profits earned from the investment thereof, less the Trustee's fees and expenses incurred in accordance with the provisions of this Deed of Trust. The Company shall hold the aforementioned amounts in trust for an additional period of six (6) years from the date of transfer thereof to it by the Trustee, for and on behalf of the Noteholders who are entitled to such amounts, and the provisions regarding the investment of funds set forth above shall apply, *mutatis mutandis*. After remitting the sums to the Company, the Trustee will be released from any payment requirement with respect to such amounts to the entitled Noteholders. The Company shall confirm in writing to the Trustee that such funds were remitted to the Company and the fact that such funds were received in trust for the entitled Noteholders, and the Company shall indemnify the Trustee in respect of any claim, expense and/or damage that may be incurred by the Trustee as a result of and in respect of the transfer of such funds, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), or malicious intent. Funds that are not demanded from the Company by a Noteholder at the end of seven (7) years from the date of final repayment of the Notes shall revert to the benefit of the Company, and the Company shall be entitled to use them for any purpose. For the avoidance of doubt, the foregoing shall not derogate from the Company's obligation to pay to the Noteholders such amounts to which they are entitled under applicable law.

15. **Receipts as Proof**

Without derogating from any other provisions of the Notes, a receipt signed by any Noteholder or any documented evidence from the transferring member of the Stock Exchange shall constitute proof of the full discharge of any payment that was made by the Company as set forth in such receipt or document.

A receipt from a Noteholder regarding the amounts of Principal and interest that were paid to it by the Trustee in respect of a Note or any documented evidence from a transferring member of the Stock Exchange shall release the Trustee and/or the Company in respect of the payment of the amounts set forth in the receipt or document.

Subject to Section 14 above, a receipt from the Trustee regarding the deposit of amounts of Principal and interest with it for the benefit of the Noteholders shall be deemed a receipt from such Noteholders and a release of the Company in connection therewith.

16. **Obligations of the Company Toward the Trustee**

The Company hereby undertakes to the Trustee that so long as the Notes (including any interest thereon) remain unpaid, it shall:

16.1 To notify the Trustee of and permit the Trustee to participate at all of the general meetings (whether annual general meetings or special general meetings) of the stockholders of the Company, without granting the Trustee voting rights at such meetings. Notices through the Magna or Maya systems will be deemed sufficient notice of the general meetings.

16.2 Deliver to the Trustee or to its authorized representative (of whose appointment the Trustee shall notify the Company upon appointment) any information about the Company, within ten (10) Business Days of the Trustee’s request, and instruct its accountants and legal advisors to do so no later than ten (10) Business Days from the Trustee’s request, so long as, according to the Trustee’s reasonable opinion, the information is required by the Trustee for exercising and applying the authorities, powers and rights of the Trustee under this Deed of Trust.

16.3 Maintain and save books of account and records as required by U.S. GAAP and enable the Trustee, and/or anyone the Trustee may appoint in writing for such purpose, to inspect upon advance coordination and at any reasonable time, no later than ten (10) Business Days from the Trustee’s request, any such books and/or records. It should be noted that the documents can be transferred by electronic means and/or by courier, subject to the approval of the Company or by the Trustee to its advisor subject to the same confidentiality requirement as applies to the Trustee.

16.4 Notify the Trustee in writing, promptly upon becoming aware of any case in which an imposition of an attachment and/or execution action was issued against substantially all of the Company’s assets (as this term is defined in Section 10.1 above), and in any case which a receiver is appointed over substantially all of the Company’s assets (as this term is defined in Section 10.1 above), or a permanent liquidator or a Trustee appointed in the framework of a request for stay of proceedings pursuant to Section 350 of the Companies Law against the Company, or or any similar appointee (*ba’al tafkid*) under any law applicable to the Company, and to take at its expense as soon as possible all the reasonable means required to remove such imposition or cancel such execution action or cancellation of the receiver, the liquidation or trusteeship, as applicable.

16.5 Notify the Trustee promptly and in writing (without taking into consideration the remedy and waiting periods set forth in same Sections, if relevant), after the Company has become aware, or after the concern of the Company has been crystallized, as applicable, of the occurrence of any of the events mentioned in Section 10.1 above, including all subsections.

16.6 Together with the delivery of the CFO Certificate regarding the Financial Covenants pursuant to Section 6.1, the Company shall deliver to the Trustee a certificate signed by the Company's chief executive officer or principal financial officer whereby, in reliance upon examinations he or she conducted, during the period from the later of the date of this Deed and the date of the previous such certificate delivered to the Trustee, and until the date of such certificate, the Company has not breached this Deed, including a breach of any of the provisions of the Notes, unless explicitly stated otherwise in such certificate.

16.7 Upon the Trustee's request, provide the Trustee with any declarations, representations, documents, details and/or additional information that shall be reasonably required by the Trustee in order to protect the rights of the Noteholders not later than 15 Business Days from the date of the Trustee's request.

16.8 Provide the Trustee with a copy of any document or information that the Company has delivered to the Noteholders.

16.9 Notify the Trustee in writing with respect to any change in the name or address of the Company not later than 10 Business Days from the date of such change.

16.10 Provide the Trustee, not later than the completion of 30 days from the date of issuance of the Notes under this Deed, an amortization schedule for payment of the Notes (Principal and interest).

16.11 Notify the Trustee in a written notice signed by the Company's principal financial officer within five Business Days of the execution of any payment to the Noteholders and the balance of the debt to the Noteholders on that date (and after the payment).

16.12 Provide the Trustee with copies of the notices and invitations that the Company shall give to the Noteholders as specified in Section 24 of this Deed.

16.13 Provide the Trustee, at his first written request, a written confirmation signed by an accountant that all the payments to the Noteholders were paid on time and the balance of the par value of the Notes in circulation.

The Trustee hereby undertakes to maintain in confidence all information about the Company provided in connection with this Deed of Trust. For the avoidance of doubt, the transfer of information to the Noteholders (including in way of Publication of the information) for purposes of the adoption of a resolution relating to the their rights under this Deed of Trust, or for purposes of providing a report on the Company's condition and/or pursuant to a requirement under applicable law, shall not constitute a breach of the aforesaid confidentiality undertaking.

For the avoidance of doubt, it is hereby clarified that the Company's obligation under this Deed and the Notes to repay the Principal and interest thereon is not an obligation toward the Trustee but toward the Noteholders.

17. **Trustee as Representative**

The Company hereby irrevocably appoints the Trustee as its representative to execute and perform in its name and in its stead all the acts it is obliged to perform according to the terms and conditions contained in this Deed, and to appoint any other person the Trustee may deem fit for performing its duties pursuant to this Deed of Trust (subject to appropriate confidentiality undertakings), in each case, if the Company has not performed the acts which it is obliged to perform under the provisions of this Deed within a reasonable period of time, as reasonably determined by the Trustee, from the date of the Trustee's written demand.

The appointment pursuant to this Section 17 does not oblige the Trustee to perform any act, and the Company hereby releases the Trustee in advance in the event that the Trustee does not perform any act and/or fails to timely and/or correctly perform any act. In addition, the Company hereby waives in advance any claim against the Trustee and/or its agents in respect of any damage that has been incurred and/or is likely to be incurred by it, whether directly and/or indirectly, by virtue of any acts and/or omission of the Trustee in accordance this Section 17, unless the Trustee acted in bad faith or with gross negligence, willful misconduct or malicious intent.

18. **Other Agreements between the Trustee and the Company**

Subject to applicable law, neither the fulfillment of the Trustee's duties hereunder nor its mere status as a trustee pursuant to this Deed of Trust, shall prevent it from entering into transactions with the Company in the ordinary course of business, provided that such transactions do not place the Trustee in a conflict of interest toward the Noteholders.

19. **Reporting by the Trustee**

Commencing from the date of the Offering, the Trustee shall prepare, no later than the 30th day of June of each calendar year, an annual report regarding the affairs of the trust in relation to the Notes (the "**Annual Report**"), which shall contain reports on irregular events in connection with the trust that occurred during the preceding year and other details as required under the Securities Law.

The Trustee shall notify the Noteholders of any material breach by the Company of this Deed of Trust of which it is aware, including the actions it has taken to prevent such breach or secure the fulfillment of the Company's obligations, as the case may be.

The Trustee shall notify the Noteholders of any irregular event that is likely to have a material effect on the rights of the Noteholders, shortly after it has become aware of the fact.

Until the full redemption of the Notes, upon request from Noteholders holding more than five percent (5%) of the outstanding Principal amount of the Notes, for details regarding the examinations conducted by the Trustee with respect to the Notes, including with respect to the Company's fulfillment of its obligations towards the Noteholders pursuant to this Deed of Trust, the Trustee shall cooperate with such Noteholders in connection with receiving such information, subject to appropriate confidentiality undertakings.

Upon the request of Noteholders holding more than ten percent (10%) of the outstanding Principal of the Notes, the Trustee shall furnish to the Noteholders details of its expenses in connection with the trusteeship pursuant to this Deed of Trust.

As of the signing date of this Deed, the Trustee declares that it is insured under professional liability insurance in an amount of 10 million Dollars for a period (hereinafter: "**the amount of coverage**"). To the extent that before the full repayment of the Notes, the amount of the coverage will be reduced below an amount of 8 million Dollars for any reason, then the Trustee will update the Company no later than 7 Business Days from the date on which it was notified by the insurer of the abovementioned reduction in order to publish an immediate report on the matter. The provisions of this Section shall apply until the date of entry into force of the Securities Law Regulations which shall regulate the requirement of the insurance coverage of the Trustee. After the said regulations take effect, the Trustee shall be required to update the Company only in the event that the Trustee fails to comply with the requirements of the regulations.

20. **Trustee's Remuneration**

The Company shall pay the Trustee the fees for its performance of its services in connection with this Deed of Trust, as follows:

20.1 In respect of its services as trustee during the first twelve (12) months after the Date of Issuance, a fee of NIS 26,000, which shall be paid immediately following completion of the Offering (the "**Initial Term**"). In addition, the Trustee is entitled to a onetime fee of NIS 5,000.

20.2 For each succeeding twelve (12) month period in which it serves as trustee with respect to the outstanding Notes following the Initial Term, an annual fee of NIS 26,000 to be paid at the beginning of each such period. Notwithstanding the provisions set forth in Section 20.8 below, in the event the Trustee's term of office should terminate during the course of a given trust period, the Trustee shall be entitled to payment of its full fees for the year in which it served as trustee for the Noteholders.

20.3 For each hour of work in respect of special actions taken by the Trustee in connection with its service as trustee for the Noteholders – a fee of NIS 600. Special actions will include any action which is not in the ordinary course of business, including the following:

20.3.1 Actions which the Trustee may take in respect of a breach or an alleged breach by the Company of its obligations under this Deed of Trust.

20.3.2 The convening of Noteholders' Meetings, and/or taking such actions in connection with fulfilling its obligations in accordance with this Deed of Trust.

20.3.3 Involvement in any judicial or *quasi-judicial* proceedings in connection with fulfilling its obligations in accordance with this Deed of Trust, including according to any order or instruction by an authorized authority.

20.3.4 Any action or duty which will be added or modified by law (including any regulation, order, judicial instructions, opinion letters of the ISA, etc.).

20.4 The amounts mentioned in Sections 20.2-20.3 above shall be linked to the Consumer Price Index, where the base index is the index in respect of the month of July 2017, which was published on August 15, 2017.

20.5 Reimbursement of reasonable expenses incurred by it as a result of its position as trustee for the Noteholders.

20.6 Should there be any changes in the provisions of applicable law pursuant to which the Trustee is required to perform additional actions, examinations and/or preparation of reports, the Company undertakes to bear any reasonable expenses incurred by the Trustee in connection therewith.

20.7 Value added tax shall be added to all payments specified above in this Section 20 in accordance with applicable law at the time of payment.

20.8 If the Trustee's term of office is terminated in accordance with Section 27 below, the Trustee shall not be entitled to additional payment of remuneration following the termination date. For the avoidance of doubt, the Trustee shall be entitled to receive remuneration even if, during its term office, a receiver is appointed for the Company or if the Company enters into liquidation proceedings.

21. **<u>Special Powers of the Trustee</u>**

21.1 In the framework of performing its duties pertaining to the trust created pursuant to this Deed of Trust, the Trustee shall be entitled to commission the opinion and/or advice of any attorney, accountant, appraiser, assessor, broker or other expert. The Trustee is entitled to rely upon the opinion and/or advice of such person whether such opinion and/or advice was prepared at the request of the Trustee or by the Company or any person on its behalf, and the Trustee shall not be required to pay (and no amount shall be offset from the payments due to the Trustee hereunder) any amount associated with any loss or damage that may be caused as a result of any act and/or omission performed by it in reliance upon such opinion and/or advice, unless the Trustee acted in bad faith or with gross negligence, willful misconduct or malicious intent. The Company will bear reasonable remuneration of engaging the advisors so appointed, provided the Trustee will provide the Company with advance notice of its intention to obtain an expert opinion or advice as aforesaid to the extent possible under the circumstances of the matter and to the extent it will not prejudice the rights of the Noteholders, and in such case the notice shall be provided retroactively, together with details of the remuneration required for the purpose of executing the consultation and the purpose of the opinion or the advice and that the said remuneration does not exceed what is customary and acceptable.. Notwithstanding, publication of the results of a Noteholders' meeting of a resolution regarding election of advisors as aforesaid shall be sufficient notice to the Company for about matter.

21.2 Any opinion and/or advice may be provided, sent or received by way of letter, telegram, facsimile, e-mail and/or any other electronic means for the transmission of information in writing, and the Trustee will not be responsible in respect of actions it took in reliance on advice and/or an opinion or information transferred in one of the forms mentioned above even if it contains errors and/or were not authentic, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), or malicious intent.

21.3 The Trustee shall have the authority to make decisions on behalf of the Noteholders with respect to any question or doubt which may arise in relation to any provision contained in this Deed, and any decision of the Trustee in such matter shall be binding on all the Noteholders, without derogating from any reservation the Company may have in connection with such matter or doubt.

22. **<u>Trustee's Authority to Engage Agents</u>**

The Trustee shall be entitled to appoint an agent, or agents, to act in its stead, whether an attorney or other person, in order to perform, or to participate in the performance of, special actions that are required to be carried out in connection with the trust created pursuant to this Deed, and without derogating from the generality of the foregoing, to initiate legal proceedings, provided that the Trustee provided the Company with advance written notice with respect to the appointment of such agent(s) (unless such advance notice shall prejudice the rights of the Noteholders, in which case the notice shall be provided retrospectively, as soon as practicable thereafter). The Trustee shall further be entitled to pay, at the Company's expense, the reasonable, documented out-of-pocket fees of any such agent, and the Company shall, upon the Trustee's first demand, promptly reimburse any such expense to the Trustee, provided that the Trustee gave the Company prior notice regarding the appointment of such agent, subject to the foregoing exception. The Company may object in writing, within seven (7) Business Days of the receipt of such notice, to the appointment of a particular agent on any reasonable grounds, if the agent is a competitor or has or is likely to have a conflict of interests, whether directly or indirectly, with the Company.

23. **<u>Indemnification of the Trustee</u>**

23.1. The Company and the Noteholders (as of a given record date, as provided in Section 23.5 below), each in respect of its obligations set forth in this Section 23, hereby undertake to indemnify the Trustee and each of its officers, employees, agents or advisors appointed on its behalf in accordance with the provisions of this Deed and/or a resolution duly adopted by the Noteholders at a Noteholders' Meeting in accordance with the provisions of this Deed (hereinafter, all or any part of, together or separately: the "**Indemnitees**"), with respect to the following:

23.1.1 Any loss or liability in tort and/or any financial liability pursuant to a final and conclusive judgment (regarding which no stay of execution has been issued), arbitration award or settlement that has concluded (and so far as the settlement concerns the Company, the Company's consent to the settlement has been granted) arising from actions performed by any Indemnitees, or actions they must perform by virtue of this Deed and/or by applicable law and/or by an order of a competent authority in connection with the Notes and/or at the request of the Noteholders and/or the Company; and

23.1.2 The remuneration of the Indemnitees and reimbursement for reasonable expenses incurred by them and/or which shall be incurred by them, including in the course of performing the trusteeship or in connection therewith, which in their opinion were necessary for the performance of the aforementioned actions and/or in connection with the use of powers and authorizations provided under this Deed, as well as in connection with any legal proceeding, obtainment of legal or other expert opinions, negotiations, arguments, bankruptcy proceedings, collection proceedings, debt arrangements, assessment of status of debt, appraisals, claims and demands relating to any matter and/or actions taken and/or omitted in any manner relating to the above.

The indemnification obligation provided under this Section 23 shall be subject to the following conditions:

23.1.3 The Indemnitees shall not demand advance indemnification in respect of an urgent matter (without derogating from their right to retroactive indemnification for such matter to the extent they have such right);

23.1.4 It shall not have been determined in a conclusive judicial decision that the Indemnitees have acted not in good faith, and/or that the action with respect to which the indemnification is required, was performed outside the scope of their duties, and/or not in accordance with applicable law and/or this Deed of Trust;

23.1.5 It shall not have been determined in a conclusive judicial decision, that the Indemnitees have acted with gross negligence not exempt by law as it may be from time to time; and

23.1.6 It shall not have been determined in a conclusive judicial decision that the Indemnitees have acted with malicious intent.

The indemnification obligations under this Section 23.1 shall be referred to as the “**Indemnification Obligation**”.

It is hereby agreed, that in any event it is determined in a conclusive judicial decision, that the Indemnitees are not entitled to indemnification, the Indemnitees with respect to which such determination was made shall reimburse the amounts of Indemnification Obligations, to the extent they were paid to them.

23.2. Without derogating from the rights of the Indemnitees pursuant to the Indemnification Obligation, whenever the Trustee is obligated to take any action under the terms of this Deed of Trust, by applicable law, by an order issued by a competent authority or at the request of the Noteholders or the Company, including without limitation, the initiation of proceedings or the filing of claims at the request of the Noteholders, the Trustee may refrain from taking any action as aforesaid, until it receives to its satisfaction a monetary deposit to cover the Indemnification Obligation (the “**Indemnification Fund**”) in an amount required at first priority from the Company, and in the event that the Company does not deposit the entire amount of the Indemnification Fund by the date required by the Trustee, and after the Trustee took reasonable actions required of the Trustee to collect the monies from the Company, the Trustee shall contact the Noteholders holding Notes at the record date (as provided in Section 23.5 below) and request each such Holder to deposit its Pro Rata Portion (as defined below) of the amount of the Indemnification Fund with the Trustee.

23.3. The Indemnification Obligation:

23.3.1 **Shall apply to the Company** in any event of (1) actions taken at the discretion of the Trustee and/or by applicable law and/or required to be taken under the terms of this Deed of Trust or in order to protect the rights of the Noteholders (including at the request of a Noteholder for such protection) and (2) actions taken and/or actions required to be taken at the request of the Company.

23.3.2 **Shall apply to Noteholders** who held Notes on the applicable record date (as provided in Section 23.5 below) in any event of (1) actions that were taken and/or required to be taken at the request of the Noteholders (excluding actions taken at the request of the Noteholders in order to protect the rights of the Noteholders); and (2) the Company's failure to pay the Indemnification Obligation it was required to pay under sub-Section 23.3.1 above (subject to Section 23.7 below). For the avoidance of doubt, the payment in accordance with this sub-Section 23.3.2 shall not derogate from the duty of the Company to assume the Indemnification Obligation in accordance with Section 23.3.1 above.

23.4. In any case in which (a) the Company fails to pay the amounts required to cover the Indemnification Obligation and/or fails to deposit the amount of the Indemnification Fund, as applicable, following a request made in accordance with Section 23.3 above, (b) the Indemnification Obligation applies to the Noteholders pursuant to sub-Section 23.3.2 above or (c) the Noteholders were called to deposit the amount of the Indemnification Fund pursuant to Section 23.3 above, the following provisions shall apply to the payment of the applicable amount:

23.4.1 **First** – such amount shall be funded out of the interest and/or the Principal payments that the Company pays to the Noteholders after the date of the required action, and the provisions of Section 12 above shall apply; and

23.4.2 **Second** – if the Trustee is of the opinion that the amounts deposited in the Indemnification Fund will not sufficiently satisfy the Indemnification Obligation, each Noteholder (as of the record date, as provided in Section 23.5 below) shall deposit its Pro Rata Portion of the shortfall with the Trustee. The amount deposited by each Noteholder shall bear annual interest at a rate equal to the annual interest rate of the Notes (as aforesaid in Schedule I to the Deed of Trust), and shall be paid with priority as set forth in Section 12 above.

"**Pro Rata Portion**" means the relative portion of the Notes held by a Noteholder on a given record date (as provided in Section 23.5 below), out of the total number of Notes outstanding on such date. For the avoidance of doubt, the calculation of the Pro Rata Portion of any Noteholder shall remain unchanged even if, after such record date, a change shall occur in the number of Notes held by such Noteholder.

23.5. For the avoidance of doubt it is hereby clarified, that Noteholders that shall bear responsibility to cover expenses as aforesaid in this Section above, may bear expenses as aforesaid in this Section above beyond their Pro Rata Portion, in which case the reimbursement of such funds shall be in accordance with the order of priority set forth in Section 12 above. The record date for determining the Noteholders' Indemnification Obligation and/or for the Noteholders' liability of payment of the Indemnification Fund shall be as follows:

23.5.1 In any case where the Indemnification Obligation or payment of the Indemnification Fund is required due to an urgent action which is necessary in order to prevent material adverse harm to the rights of the Noteholders, without a prior resolution adopted at a Noteholders' Meeting – the record date shall be the end of the Trading Day on which the action has been taken (and if such day is not a Trading Day, the preceding Trading Day).

23.5.2 In any case where the Indemnification Obligation or payment of the Indemnification Fund is required pursuant to a resolution adopted at a Noteholders' Meeting – the record date for the Indemnification Obligation shall be the record date for participation at such Noteholders' Meeting (as such date shall be set forth in the notice convening the Noteholders' Meeting) and such date shall apply to all the Noteholders, including those who were not present or did not participate in the Noteholders' Meeting.

23.5.3 In any other case or in the event of any disagreement with respect to the record date – the record date shall be determined by the Trustee at its sole discretion.

23.6. For the avoidance of doubt, the Trustee's receipt from Noteholders of payments paid in connection with the Indemnification Obligation pursuant to sub-Section 23.3.2(2), shall not derogate from the Company's liability to make such payments, and the Trustee will use its best efforts to obtain such amounts from the Company in accordance with this Section 23.

23.7. For the purposes of repayment priority to the Holders who bore the payments under this Section out of the proceeds in possession of the Trustee, see Section 12 of the Deed.

24. **Notices**

24.1 Any notice on behalf of the Company and/or the Trustee to the Noteholders, shall be provided by way of a Publication on the MAGNA website of the Israel Securities Authority. The Trustee may instruct the Company and the Company will be required to Publish on the MAGNA system within two (2) Trading Days on behalf of the Trustee any report in the language as provided in writing by the Trustee.

24.2 Any notice or demand on behalf of the Trustee to the Company or on behalf of the Company to the Trustee may be provided by way of registered mail to the address set forth in this Deed of Trust, or to another address of which one party has notified the other in writing, or by way of e-mail, facsimile transmission or courier, and any such notice or demand will be deemed to have been received by the addressee as follows:

24.2.1. If by registered mail – upon the lapse of three (3) Business Days of the date in which the addressee was invited to collect the mail according to the post office registries.

24.2.2. If by facsimile transmission (followed by telephone receipt confirmation) – upon the lapse of one (1) Business Day of transmission.

24.2.3. If by courier – upon delivery by the courier to the addressee or upon presenting to the addressee for receipt.

24.2.4. If by e-mail – upon receipt of telephone or written confirmation whereby the message was received by the recipient.

24.3. Copies of notices and invitations provided on behalf of the Company and/or the Trustee to the Noteholders shall be sent by the Company to the Trustee, and by the Trustee to the Company, as the case may be.

25. **Waiver and Compromise**

25.1 The Trustee may from time to time, if convinced that such action does not prejudice the Noteholders, waive any breach or non-fulfillment by the Company of any of the terms of this Deed of Trust, provided that such action does not relate to changes in payment terms of the Notes (including payment dates, interest rates and linkage terms), grounds for acceleration, negative pledge, restrictions on expansion of the series, the Financial Covenants, the Single Borrower Limitation, the Single Industry Limitation, interest adjustment mechanisms, change in the identity of the Trustee or its remuneration, replacement of a trustee whose term of office has ended and reports that the Company is required to furnish to the Trustee.

25.2 The Trustee and the Company may, either before or after the payment of the outstanding Principal has been accelerated, amend this Deed of Trust, enter into a compromise in connection with any rights or claims of the Noteholders, and agree to any arrangement in connection with the rights of the Noteholders, including the waiver of any right or claim of the Noteholders against the Company in accordance with this Deed of Trust, if one of the following conditions is met:

25.2.1 The Trustee is of the opinion that the proposed change does not prejudice the Noteholders, provided that such amendment does not pertain to the payment terms under the terms of the Notes (including payment dates, interest rates and linkage terms), grounds for acceleration, negative pledge, restrictions on expansion of the series, the Financial Covenants, the Single Borrower Limitation, the Single Industry Limitation, interest adjustment mechanisms, change in the identity of the Trustee or its remuneration, replacement of a trustee whose term of office has ended and reports that the Company is required to furnish to the Trustee; or

25.2.2 The proposed amendment is approved by the Noteholders in a meeting, in which there were present holders of at least fifty percent (50%) of the remaining principal of the Notes, by a majority of two-thirds of all of the holders participating in the vote, or by such majority at an adjourned meeting in which there were present holders of at least twenty percent (20%) of the remaining principal of the Notes.

25.3 Where the Trustee has compromised with the Company after having received the prior approval of the Noteholders at a Noteholders' Meeting in accordance with the foregoing, the Trustee shall be released from any liability in respect of such act.

25.4 The Trustee shall be entitled to demand that the Noteholders deliver the Note Certificates to it or to the Company in each case of exercise of the Trustee's rights pursuant to this Section 25, for purposes of recording a notation therein with regard to any compromise, waiver, or amendment as aforesaid, and at the Trustee's request, the Company shall record such notation.

25.5 The Trustee shall notify the Noteholders in each case of exercise of the Trustee's rights pursuant to this Section 25 within a reasonable period of time thereafter, except that in case of exercise of the Trustee's right pursuant to sub-Section 25.2.1, the Trustee shall notify the Noteholders within a reasonable period of time prior thereto.

26. **Register of Noteholders**

26.1. The Company shall keep and maintain a Register of Noteholders at its registered office, in accordance with the provisions of the Securities Law.

The Register shall also record all transfers of registered ownership of Notes in accordance with the provisions of this Deed of Trust. The Trustee and any Noteholder may, at any reasonable time, inspect the Register. The Company is entitled to close the Register from time to time for a period or for periods of time that shall not exceed thirty (30) cumulative days per year.

26.2. The Company shall not be required to record in the Register any notice in regard to a trust, pledge or charge of any sort or any right in equity, claim or set-off or any other right in connection with the Notes. The Company shall only recognize the ownership of a person in whose name the Notes have been registered, provided that the lawful heirs, executors or administrators of the registered Noteholder and any person who may be entitled to the Notes as a consequence of the winding-up of the holder thereof, shall be entitled to be registered as holders thereof after providing evidence which in the Company's opinion shall suffice to prove their right to be registered as the holders thereof.

26.3. The Company undertakes to provide a copy of the Register to the Trustee, promptly after the issuance of the Notes. The Company undertakes to notify the Trustee of any change or update made in the Register.

27. **Replacement of the Trustee**

27.1 The Trustee's term of office, including the termination thereof and the appointment and the termination of any new trustee, shall be governed by the provisions of the Securities Law, pursuant to which each of the Trustee and any successor thereof shall be entitled to resign from its position as trustee, subject to approval of the court, effective as of the date set forth in such approval.

27.2 A court may dismiss a trustee if the trustee has not performed its function properly or if a court finds another reason for its dismissal.

27.3 The holders of five percent (5%) of the outstanding Principal of the Notes and/or the Company may convene a Noteholders' Meeting to resolve on the termination of office of the the Trustee. The Office of the Trustee may be terminated at a meeting convened as aforesaid, by a resolution to be adopted by the majority of the holders present, whether at the meeting or at an adjourned meeting. A Quorum in such meeting will be achieved by the presence of Noteholders representing at least fifty percent (50%) of the outstanding Notes in circulation or, if in an adjourned meeting, by the presence of Noteholders representing at least ten percent (10%) of such outstanding Notes.

27.4 Where the term of office of a trustee has expired pursuant to Section 35B(a) of the Securities Law or this Section 27, a court may appoint another trustee for such period and on such terms as it sees fit.

27.5 A trustee whose term has expired shall continue to serve in such capacity until its successor has been appointed. The successor trustee shall be appointed at a Noteholders' Meeting convened by the outgoing trustee or by Noteholders, in accordance with sub-Section 27.3 above.

27.6 Any successor trustee shall have the same powers, authorities and other permissions as the outgoing Trustee and may act as though it were appointed as trustee from the outset.

28. **Reporting to the Trustee and to the Noteholders**

So long as any Notes are outstanding, the Company shall prepare and deliver to the Trustee the following reports and notices:

28.1 Audited annual Financial Statements, promptly upon Publication thereof, in accordance with the dates required of the Company, under any law, even if the Company is not a reporting corporation.

28.2 Reviewed quarterly Financial Statements, promptly upon Publication thereof, in accordance with the dates required of the Company, under any law, even if the Company is not a reporting corporation.

28.3 Notices regarding the purchase of Notes by the Company or by a company under its control, or in the event the Company becomes aware of the purchase thereof by any other Affiliated Holder, as set forth in Section 5 above, as well as copies of notices to the public which the Company is required to provide according to applicable law, and of any other notices and/or invitations to Noteholders' Meetings the Company may provide to the Noteholders in its name or on behalf of the Trustee.

28.4 In the event the Company ceases to be a Reporting Company, any report required from a company that is not a Reporting Company in accordance with the Codex of Regulation, including those provisions with respect to investments by institutional investors in non-government Notes. Any such report will be executed by the CEO (or such person fulfilling this position even if his or her title is different) and the principal financial officer in the Company.

The issuance by the Company of documents as set forth in this Section 28 on the MAGNA website of the Israel Securities Authority shall be deemed a delivery of the documents required above to the Trustee (it being clarified, that the foregoing does not obligate the Company to file such documents on such system).

The Trustee shall be entitled, at its sole discretion, to forward to the Noteholders documents it shall receive as set forth above.

29. **Meetings of Noteholders**

Noteholders' Meetings shall be convened and held in accordance with the provisions set forth in the Schedule II to this Deed of Trust.

30. **Governing Law**

All matters arising from or connected with this Deed shall be construed in accordance with and governed by the laws of the State of Israel, including, so long as the Notes are Listed, the provisions of the bylaws and guidelines of the Stock Exchange. Without derogating from the provisions of Section 1.7 above, with respect to any matter which is not addressed in this Deed and in any event of a conflict between the mandatory provisions of the applicable laws of the State of Israel and the provisions of this Deed, the parties shall act in accordance with the provisions of the mandatory laws of the State of Israel. The competent courts of Tel Aviv - Jaffa shall have exclusive jurisdiction to settle any dispute arising from or connected with this Deed and/or the Notes.

The Company shall not object to any motion brought on behalf of the Trustee and/or a Noteholder that was submitted to a court in Israel for the application of Israeli law in the context of a settlement, debt arrangement and/or bankruptcy, the Company shall not object to the application of Israeli law by a court in Israel in the context of a settlement, debt arrangement and/or bankruptcy involving the Company, and the Company shall not raise arguments against Israeli jurisdiction with respect to proceedings brought by the Trustee and/or the Noteholders as set forth above.

31. **Binding Version**

This Deed of Trust has been translated, for the sake of convenience, into Hebrew and such translation has been certified by an Israeli notary. The Deed of Trust which was signed by the parties is in the English language. In the event of a conflict between the wording of the Deed of Trust in Hebrew and the wording of the Deed of Trust in English, the provisions of the Deed of Trust in English shall prevail.

32. **Addresses**

The addresses of the parties are as appear in the preamble of this Deed, or any other address in respect of which appropriate written notice is provided to the other party.

In witness whereof the parties have hereunto signed:

Medley Capital Corporation	**Mishmeret Trust Company Ltd.**
I the undersigned, [______] Adv. hereby confirm that this Deed of Trust was signed by Richard T. Allorto Jr., and that his signature binds **Medley Capital Corporation** (the "**Company**"), in all respects.	I the undersigned, Adv. Shlomy Ilany hereby confirm that this Deed of Trust was signed by Rami Sebty and Rami Katzav**,** and that their signatures bind **Mishmeret Trust Company Ltd.** (the "**Trustee**"), in all respects.
______________________ **[ ], Adv.**	______________ **Shlomy Ilany, Adv.**

Medley Capital Corporation

Schedule I

Form of Note Certificate

NIS _______, Series A Notes

The Principal of the Notes shall be repaid in four (4) equal annual installments, each at the rate of twenty five percent (25%) of the original principal of the Notes, which shall be payable on February 27 of each of the years 2021-2024 (inclusive).

The Principal of the Notes shall bear annual interest at a rate to be determined in the Public Tender, subject to adjustments as set forth in Section 7 of the Deed of Trust, which shall be payable semi-annually in arrears, on August 27, 2018, on February 27 and August 27 of each of the years 2019 through 2023 (inclusive) and on February 27, 2024 (each, an "**Interest Payment Date**"), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the relevant Interest Payment Date (the "**Interest Period**"), except for the initial Interest Payment Date, which shall be August 27, 2018 for the period commencing on the Date of Issuance and ending on the day immediately preceding the initial Interest Payment Date, calculated on the basis of a 365-day year and the actual number of days in such period.

Registered Holder of this Note: ______________ (the "**Noteholder**" or "**Holder**")

Certificate Number: _________________

Par value of Notes subject to this Certificate: _________________________

Interest: % per annum

This certificate witnesses that **Medley Capital Corporation** (the "**Company**") shall pay to the Holder or to whomever is the registered holder of this Note the amount it has undertaken, all subject to the remaining provisions set forth in the Terms and Conditions Overleaf.

The final interest payment shall be paid on February 27, 2024, together with final payment of the Principal and against the surrender of the Note Certificates to the Company and/or any third party as instructed by the Company.

All of the Notes of this series are not secured by any collateral and will rank *pari passu* among them, without any single Note having preference over another.

This Note is being issued subject to the conditions recorded on the reverse side hereof and the terms and conditions set forth in the Deed of Trust between the Company and Mishmeret – Trust Company, Ltd. (the "**Trustee**"), dated [_______] (the "**Deed of Trust**").

Signed by the Company on [________]

By: ______________________________
Name: ______________________________
Title: ______________________________

TERMS AND CONDITIONS OVERLEAF

1. **General**

1.1 In this Note, defined terms and expressions shall have the meanings prescribed to them in the Deed of Trust, unless a different intention is to be inferred from the context.

1.2 The provisions of the Deed of Trust relating to the Note Certificate (including the Terms and Conditions Overleaf) shall be deemed explicitly incorporated into the conditions hereunder.

1.3 The Note shall rank *pari passu* with other Notes of the same series, without any Note having preference over another.

1.4 In case of contradiction between the instructions of the Deed of Trust and the overleaf, the Deed of Trust shall prevail.

2. **Repayment of the Notes; Interest**

2.1 Repayment of the Notes

The Principal of the Notes shall be repaid in four (4) equal annual installments, each for the sum of twenty five percent (25%) of the original principal of the Notes, which will be due on February 27 of each of the years 2021-2024 (inclusive).

2.2 Interest

Principal on the Notes shall bear fixed annual interest at a rate to be determined in the public tender relating to the Offering, subject to adjustments as set forth in Section 7 of the Deed of Trust. Such interest shall be payable semi-annually in arrears, on August 27, 2018, on February 27 and on August 27 of each of the years 2019 through 2023 (inclusive) and on February 27, 2024 (each, an "**Interest Payment Date**"), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the relevant Interest Payment Date, except for the initial Interest Payment Date which shall be August 27, 2018, for the period commencing on the Date of Issuance and ending on the day immediately preceding the initial Interest Payment Date, calculated on the basis of a 365-day year and the actual number of days in such period. The last interest payment shall be paid on February 27, 2024, together with the final repayment of the Principal and against the surrender of the Note Certificates to the Company and/or any third party as instructed by the Company.

3. **Payments of Principal and Interest**

3.1. **Record date** – Payments on account of the Principal and/or any interest thereon shall be paid to the relevant Noteholder on the following dates:

3.1.1. Payments due on February 27 shall be made to persons holding Notes at the end of the Trading Day on February 15.

3.1.2. Payments due on August 27 (excluding the last payment of Principal and interest) shall be made to persons holding Notes at the end of the Trading Day on August 15.

3.1.3. The last payment of Principal and interest shall be made against the surrender of the Note Certificates to the Company, on the date of payment, at a location in Israel as the Company shall instruct the Trustee, no later than five (5) Business Days prior to the last date of payment.

In the event any date of payment on account of Principal and/or interest is not a Business Day, the date of payment shall be postponed to the following Business Day and no interest or other payment shall be due on account of such delay, and the record date for determining the eligibility for redemption or interest shall not be changed as a result of such postponement.

3.2 Repayment of the Principal (whether scheduled, accelerated or upon an early redemption) and interest payments on the outstanding balance of the Principal, shall be made to the Noteholders in NIS, collectively linked to the Payment Rate, as follows: (i) if the Payment Rate is higher than the Base Rate, then such payment in NIS shall be increased proportionally to the rate of increase of the Payment Rate compared with the Base Rate; (ii) if the Payment Rate is lower than the Base Rate, then such payment in NIS shall be reduced proportionately to the rate of decline of the Payment Rate compared with the Base Rate; and (iii) if the Payment Rate is equal to the Base Rate, then such payment shall be made in the amount of NIS as originally determined.

3.3 Payment to the a Registered Noteholder *('Machzik Rashum')* will be made by check or wire transfer to the persons whose names are registered in the Register or who deliver the Note Certificates in accordance with sub-Section 3.1.3 above.

3.4 The Noteholder will inform the Company of its bank account details for crediting the payments in connection with the Notes, or of any change in the details thereof or in the Noteholder's address, as applicable, by notice sent to the Company by registered mail to the Company. The Company will be obligated to act in accordance with the Noteholder's notice with regard to a change as stated provided such notice was received after thirty (30) Business Days have elapsed after the notification of the holder reaches the Company. If a Noteholder who is entitled to payment as aforesaid fails to duly provide the Company with details pertaining to its bank account, then each payment on account of the Principal and/or interest shall be made by way of a check sent by registered mail to its last address recorded in the Register. The sending of a check to a registered Holder via registered mail in accordance with the foregoing shall be deemed, for all intents and purposes, as payment of the amount stated therein on the date of sending, unless it shall not have been cleared at the time of its lawful presentation for collection.

3.5 A Noteholder wishing to alter the payment instruction it had provided, may do so by providing notice sent by registered mail to the Company's registered office, and the Company shall comply with such instructions only if they received at the Company's registered office at least 30 days before the record date for a given payment. In the event such instructions are received after such day, the Company shall act in accordance with such instructions with respect to subsequent payments.

3.6 Tax shall be withheld at source from each payment made by the Company to the Noteholders as required according to applicable law, unless the said Noteholders have provided the Company with a valid withholding tax exemption, in a form satisfactory to the Company, from the applicable tax authority. The Company shall be entitled to rely on the information provided to it by the Nominee Company and which appears in the register maintained with the Clearing House for those Noteholders entitled to payment, including details of the scope of their holdings of the Notes and the interest to which they are entitled on any applicable Interest Payment Date.

3.7 Payment to an Unregistered Noteholder *('Machzik lo-Rashum')* will be made through the Tel Aviv Stock-Exchange Clearing House.

3.8 Any payment of Principal and/or interest thereon that is paid later than seven (7) days from the applicable scheduled payment date pursuant to the terms of the Notes, for reasons within the Company's control, shall bear additional interest for the period of delay, at an annual interest rate of three percent (4%), which shall be added to the interest borne by the Notes at such time. Once applied, the additional interest will be calculated from the scheduled payment date. The Company shall issue an immediate report in the Magna and/or Maya filling system no later than two (2) Business Days after such additional interest will apply on the Notes.

4. **Failure to Make Payment for Reason Beyond the Control of the Company**

See Section 14 of the Deed of Trust.

5. **Register of Noteholders**

See Section 26 of the Deed of Trust.

6. **Transfer and Split of Notes**

The Notes are transferrable with respect to any par value amount, provided that it will be in whole New Israeli Shekels. Any transfer of Notes (excluding a transfer executed through trade on the Stock Exchange or a transfer between accounts of Noteholders held through a Stock Exchange member) will be effectuated by way of a deed of transfer in a standard form for transferring securities, duly signed by the registered Noteholder (or its lawful representative) and by the transferee (or its lawful representative), which shall be delivered to the Company at its registered office, together with the Note Certificate(s) transferred thereby and any other reasonable poof required by the Company in order to ascertain the transferor's right to effectuate their transfer.

The transferring party shall provide the Company with reasonable evidence for the payment of any payment required under applicable law for a transfer.

In the event of a transfer of only part of the Principal amount stated in the Note Certificate, the Note Certificate should first be split into several Certificates, in the manner specified below.

After the fulfillment of all such conditions, the transfer will be registered in the Register and the transferee shall be bound by the terms specified in the Deed of Trust and the Note Certificate and will be deemed a "Noteholder" for purposes of the Note.

Each Note Certificate may be split into several new certificates and the total Principal amounts stated thereon shall be equal to the par value amount of Principal of the Note Certificate subject to such split, provided that the new certificates shall each have par value amounts in whole NIS. The split will be effectuated against the delivery of such Note Certificate to the Company at its registered office for the execution of the split. All expenses associated with splitting of Notes, including any stamp duty and other public fees, if any, shall apply to the person requesting the split.

7. **Early Redemption**

See Section 9 of the Deed of Trust.

8. **Repurchase of Notes**

See Section 5 of the Deed of Trust.

9. **Additional Issuances**

See Section 2.9 of the Deed of Trust.

10. **Waiver and Compromise**

See Section 25 of the Deed of Trust.

11. **Noteholders' Meetings**

Noteholders' Meetings shall be convened and conducted in accordance with the provisions of Schedule II of the Deed of Trust.

12. **Receipts as Proof**

See Section 15 of the Deed of Trust.

13. **Replacement of Note Certificates**

Should this Note Certificate become worn, lost or destroyed, the Company may issue a new certificate in its stead, which shall be subject to the same terms and conditions thereof, provided that in the event the Note Certificate becomes worn, such worn Note Certificate shall be returned to the Company before the new certificate is issued. Any levies, taxes and other expenses associated with the issue of the new certificate shall be borne by the person requesting the said certificate.

14. **Acceleration**

See Section 10 of the Deed of Trust.

15. **Notices**

See Section 24 of the Deed of Trust.

Medley Capital Corporation

Schedule II

General Meetings of Noteholders

In any event that a different and/or supplementary mechanism for convening and/or holding of a Noteholders' Meeting shall be prescribed under any applicable law, including pursuant to the bylaws and guidelines of the Stock Exchange, the provisions of this Schedule shall be automatically adjusted to the provisions of the law, to the extent the provisions of such law so mandate.

Without derogating from any other provision prescribed under applicable law or the Deed of Trust, the following provisions shall apply to Noteholders' Meetings:

Calling of Noteholders' Meetings

1. The Trustee, if it deems it necessary, if necessitated under law or if requested by the Company, will convene a Noteholders' Meeting at the expense of the Company. In the event that the Trustee convenes such a meeting, it will convene it by publishing an invitation in an immediate report in the Magna and/or Maya system. Such invitation will include notice of the place, date and time of the meeting, as well as the agenda of the matters to be discussed therein.

2. The Trustee shall convene a Noteholders' Meeting at the request of one or more Noteholders, holding at least five percent (5%) of the outstanding balance of the par value of the Notes. The agenda of such meeting will include the subject which was requested by such Noteholder and may include additional subjects at the discretion of the Trustee. The Trustee may demand reimbursement from the Noteholders requesting the meeting, for the reasonable expenses incurred by it in connection therewith. For the avoidance of doubt, the Trustee's demand for reimbursement shall not prejudice the calling of a meeting convened for the purpose of taking an action intended for the prevention of a breach of the rights of the Noteholders. It is noted, that the Trustee's demand for reimbursement will not constitute a condition for convening a Noteholders' Meeting required in order to protect the Noteholders' rights and will not derogate from the Company's obligation the bear the costs of such meeting.

3. The Trustee shall convene a Noteholders' Meeting pursuant to Section 2 above on such date that is not earlier than seven (7) days and not later than twenty-one (21) days from the date of the Noteholders' request, provided that the Trustee may convene a Noteholders' Meeting on an earlier date if it believes that such is required for the protection of the Noteholders' rights and subject to the provisions of Section 7 below. In such an event, the Trustee shall specify in the notice for convening such meeting its reasons for convening the Noteholders' Meeting at such earlier date.

   In the event the Trustee failed to convene a Noteholders' Meeting upon the request of a Noteholder entitled to do so within the period prescribed for above, the Noteholder may convene a Noteholders' Meeting, provided that the meeting shall take place on a date that is within fourteen (14) days from the end of the period in which the Trustee was required to convene such meeting, and the Trustee shall bear any expenses incurred by the Noteholder in connection with the convening thereof.

Notwithstanding the above, a Noteholders' Meeting convened for only purpose of consultation and/or reporting, may be convened with a one day prior notice (or more). No Noteholders' resolutions will be taken in such meeting ("**Consultation Meeting**").

4. Subject to the law, the Trustee is authorized to reschedule any Noteholders' Meeting. In the event that a Noteholders' Meeting was not held as set forth in Sections 2 and 3 above or as set forth in Section 35B(a1) of the Securities Law, a court shall be entitled, at the request of a Noteholder, to order the convening thereof. In the event the aforesaid court order is granted, the Trustee shall bear the reasonable expenses incurred by the requesting Noteholder in connection with the obtainment of such court order, in the amount determined by the court.

5. A court may, at the request of a Noteholder, order the revocation of a resolution adopted at a Noteholders' Meeting that was convened or conducted without complying with the terms prescribed therefor under applicable law or the Deed of Trust. In case the fault pertains to the notice regarding the place or time of convening the Noteholders' Meeting, a Noteholder who appeared at such meeting, notwithstanding the fault, may not demand the revocation of the resolution.

6. Each Noteholders' Meeting shall take place at the Company's registered office in Israel, or at such other address decided by the Company, provided that such address is in Israel.

Effective Date; Proof of Ownership

7. The record date for ownership of Notes for determining the entitlement of the Noteholders to participate and vote at the Noteholders' Meeting shall be the date prescribed in the notice of the Noteholders' Meeting. The record date shall be determined by the Trustee subject to the law, which currently provides that such date shall be no less than three (3) Trading Days prior to the date of the convening of the Noteholders' Meeting, and no more than fourteen (14) days prior to the date of such meeting.

8. A Noteholder wishing to vote at a Noteholders' Meeting is entitled to receive from the Stock Exchange member through which the Notes are held, a confirmation proving his ownership of the Notes. The Noteholder shall deliver to the Trustee at its registered office in Israel or through the ISA's electronic voting system (or in any other way which will be specified in the invitation), by the date as determined by the caller of the Noteholder Meeting in the notice of such meeting, such a confirmation specifying the number of Notes held by the Noteholder as of the date specified in such confirmation, together with a proxy if such ownership confirmation does not list the name of the person participating at the meeting.

Meeting Chairperson

9. The Trustee or a person appointed thereby shall serve as the chairman of the Noteholders' Meeting.

Legal Quorum; Adjourned Meeting

10. The Noteholders' Meeting will commence after it has been proven that the legal quorum required for holding a discussion in respect of any of the issues on the agenda of the meeting is present. In the Noteholders' Meeting, only resolutions which were included in the meeting's agenda will be put to the vote, and with respect to which the legal quorum required for adoption thereof is present as further provided for below.

11. The presence of Noteholders (one or more) without consideration of the amount of voting rights held by them will constitute a legal quorum in a Consultation Meeting. The presence of two or more Noteholders, present in person or by proxy within half an hour from the time prescribed for the beginning of a Noteholders’ Meeting, and holding or representing together at least twenty five percent (25%) of the voting rights conferred by the Notes, shall constitute a legal quorum at a Noteholder Meeting, except in regard to resolutions for which a different quorum is mandated by applicable law or by the Deed of Trust.

12. If a legal quorum shall not be present within half an hour from the time prescribed for the beginning of a Noteholders’ Meeting, such meeting shall be adjourned to another date which shall be no earlier than two (2) Business Days after the date prescribed for the convening of the original meeting or, if the Trustee believes that the Noteholders’ Meeting is required for the protection of the Noteholders’ rights in the Notes, not earlier than one (1) Business Day after the date prescribed for the convening of the original meeting. In the event the Noteholders’ Meeting was adjourned, the Trustee shall specify the reasons therefor in the notice announcing the new time and place of the adjourned Noteholders’ Meeting.

13. In the event that a legal quorum shall not be present at an adjourned Noteholders’ Meeting within half an hour from the time prescribed for the beginning thereof, such meeting shall be held with any number of participants, unless otherwise provided by applicable law or the Deed of Trust. Notwithstanding the foregoing, if the Noteholders’ Meeting was convened at the request of Noteholders as set forth in Section 2 above, the adjourned Noteholders’ Meeting may be held only if at least such number of Noteholders as required thereunder for the convening of a Noteholders’ Meeting are present.

14. The presence of two or more Noteholders, present in person or by proxy within half an hour from the time prescribed for the beginning of a Noteholders’ Meeting, and holding or representing together at least fifty percent (50%) of the outstanding balance of the par value of the Notes, shall constitute a legal quorum at any Noteholders’ Meeting on the agenda of which is a proposal to approve a Special Resolution. If, within half an hour of the time from the time prescribed for the beginning of such meeting, a legal quorum shall not be present, such meeting shall be adjourned and the provisions of Section 12 above shall apply, *mutatis mutandis*. At a Noteholders’ Meeting on the agenda of which is a proposal to approve a Special Resolution which was adjourned, the presence of at least two Noteholders or more, present in person or by proxy in the meeting and holding or representing together at least twenty percent (20%) of the outstanding balance of the par value of the Notes, shall constitute a legal quorum.

15. An Affiliated Holder shall not be counted for purposes of determining the presence of a legal quorum required to open a Noteholders’ Meeting (including any adjourned meeting) and will not entitled to exercise the voting rights embodied by the Notes held by it. The Notes of whomever the Trustee has determined, according to the provisions of this Schedule and/or any other applicable law, to be a Holder of Conflicting Interest (as defined below), shall be counted for the purpose of determining the presence of a legal quorum (including in an adjourned meeting) but its vote will not be counted.

Notwithstanding the above, in the event that disqualifying votes due to a Conflicting Interest will result in a participation rate of less than five percent (5%) of the total principal of the Notes outstanding, the Trustee will include in the voting also the votes of the Noteholders with Conflicting Interests.

"Conflicting Interest" – Each of the following: (1) the Noteholder has material interest, other than as a Noteholder, in the Company or its business or in the Company's controlling shareholder or in the outcome of the specific resolution; or (2) the Noteholder is part of a group which was defined as having a conflicting interest in the voting card or in the meeting invitation; or (3) a Noteholder which did not properly and fully filled conflict of interest declaration in the voting card; or (4) the Noteholder is considered to have a conflicting interest according to law, ISA's decisions, or court judgments (including when applying a general test specified by them).

In order to examine and decide which circumstances constitute a Conflicting Interest, the Trustee may rely on a legal opinion. The cost of such opinion will be subject to the instructions of this Deed of Trust.

Continued Meeting

16. The majority of Noteholders at a Noteholders' Meeting in which a legal quorum is present, or the Trustee, may resolve to postpone the continuation of a Noteholders' Meeting, including any discussion or adoption of a resolution in respect of a matter specified in the agenda of such meeting, to another date and place to be determined (a "**Continued Meeting**"). At a Continued Meeting, only such matter which was on the agenda of the original Noteholders' Meeting and in respect of which a resolution was not previously adopted shall be addressed. In the event that the Noteholders' Meeting was adjourned without amending its agenda, notification regarding the date of the new meeting shall be provided as soon as possible, but in any event no later than twelve (12) hours prior to the convening of the new Noteholders' Meeting. Notice of such a meeting shall be issued in accordance with Section 31 below.

Vote; Required majority

17. Any Noteholder who is present, in person or by proxy, at a Noteholders' Meeting, is entitled to one vote for every NIS 1 par value of the Principal of the Notes held by such Noteholder, subject to the provisions of the Deed of Trust. The Trustee shall participate at Noteholders' Meetings, but without any voting right.

18. In the event Notes are jointly held by two or more Noteholders, only the vote of the Noteholder listed first from among them in the Register for same series of Notes, and seeking to vote either in person or by proxy, will be counted.

19. A resolution at a Noteholders' Meeting will be decided based on a count of votes.

20. Resolutions shall be adopted at Noteholders' Meetings by a simple majority of all of the participating votes, excluding abstentions, unless a different majority is prescribed under applicable law or the Deed of Trust or if the Trustee determined, pursuant to the authority granted to it under the Deed of Trust, that a resolution shall be adopted by a majority which is not a simple majority. The adoption of a Special Resolution at a Noteholders' Meeting shall require a majority of at least two thirds (2/3) of all of the participating votes, excluding abstentions.

21. The chairperson's announcement of the adoption or rejection of a resolution and the entry thereof into the book of minutes, will serve as *prima facie* evidence of its adoption or rejection as aforesaid.

22. A Noteholder may vote in Noteholders' Meetings by himself or via proxy and also by way of a voting card in which he shall state the manner of his vote, as specified in Section 28 below. A proxy appointment letter shall be made in writing and signed by the appointer or by his representative who has been authorized in writing to do so. If the appointer is a corporation, the appointment shall be made in writing, signed by the corporate stamp together with the signature of a corporate official or an attorney representing the corporation who is authorized to do so. The proxy appointment letter may be drawn-up in any standard form. A proxy does not have to be a Noteholder.

23. A proxy appointment letter and a power of attorney pursuant to which the appointment form was signed, or a certified copy of such power of attorney, shall be delivered to the Trustee's registered office in Israel (or as will be instructed in the invitation) by a date as shall be determined by the person calling the Noteholders' Meeting and set forth in the notice of the meeting, unless otherwise determined by the Trustee. The proxy appointment letter will be valid for any adjourned meeting of a meeting referred to in the proxy appointment letter, unless provided otherwise therein.

24. A vote cast in accordance with the provisions set forth in the proxy appointment letter shall be valid even if prior thereto, the appointer shall have deceased or been declared legally incompetent or the proxy appointment letter shall have been revoked or the Notes with respect to which the vote was granted shall have been transferred.

25. A Noteholder or his proxy may cast a portion of his votes in favor of a certain proposal, and a portion against, and abstain in respect of others, all as he deems fit.

26. A Noteholder shall refrain from abusing his voting power at any Noteholders' Meeting.

Minutes

27. The Trustee will record minutes of the Noteholders' Meetings and shall keep a copy of such at its registered office for a period of seven (7) years following the date of such meeting. Minutes executed by the chairperson of the meeting shall serve as *prima facie* evidence of the contents recorded therein. The Trustee shall maintain at its registered office a register containing the minutes recorded at Noteholders' Meetings which shall be open for the inspection of the Noteholders and a copy thereof shall be sent to any Noteholder at its request.

Voting Card

28. Noteholders may vote at Noteholders' Meetings by way of voting cards. A voting card shall be published by the Trustee in the Magna or Maya system and will specify the deadline for voting. A Noteholder may state the manner of his vote in the voting card and send it to the Trustee. Subject to applicable law, each Noteholder is entitled to receive a voting card from the Stock Exchange member through which its Notes are held. Voting by way of a voting card, shall be subject to the following conditions (i) the voting card shall be delivered to the place, at the dates and to the person, as shall be set forth in the notice of the Noteholders' Meetings and/or in the voting card, and (ii) the voting card shall be filled-in, duly signed and accompanied by all of the required documents attached thereto. A voting card received by the Trustee in respect of a certain matter which was not voted on at a Noteholders' Meeting shall be considered as abstaining from the vote at such meeting in respect of a resolution to hold a Continued Meeting according to the provisions of Section 16 above, and shall be counted at the adjourned Noteholders' Meeting to be held pursuant to the provisions of Sections 13 or 16 above. A voting card which was submitted without the relevant documents or which was not properly completed or signed, will be disqualified from the voting.

29. The Trustee may, at its discretion and subject to any applicable law, hold meetings in which votes shall be held by way of voting cards without convening the Noteholders, provided that the votes shall be held in respect of matters deliberated at Noteholders' Meetings.

Presence

30. A person or persons appointed by the Trustee may be present but shall not be entitled to vote at Noteholders' Meetings. At Noteholders' Meetings called by the Trustee, the Company's representatives and any other person or persons permitted by the Trustee, may be present, with no voting right. In the event that, at the Trustee's discretion, part of a Noteholders' Meeting calls for a discussion in the absence of a certain person, including the Company's representatives, such person shall not participate in such part of the discussion. A duly completed and signed voting card submitted to the Trustee before the meeting opened, enclosing all relevant documents would be counted for establishing a legal quorum of a Noteholders Meeting.

Meeting Notice; Agenda

31. Notice of Noteholders' Meetings shall be Published and delivered to the Company in accordance with applicable law and in accordance with the provisions of Section 24 of the Deed of Trust, and shall include the agenda, the proposed resolutions and the arrangements pertaining to written votes.

32. The Trustee shall determine the agenda for a Noteholders' Meeting and shall include thereon the matters in respect of which the convening of the Noteholders' Meeting was required in accordance with Section 2 above and any issue requested by a Noteholder as specified in Section 33 below. The Noteholders at a Noteholders' Meeting shall only adopt resolutions in respect of matters specified on the agenda. Notwithstanding the foregoing, the Noteholders at a Noteholders' Meeting may adopt resolutions that differ in wording from the resolutions on the agenda, according to the provisions of applicable law.

33. One Noteholder or more, holding at least five percent (5%) of the outstanding balance of the par value of a series of Notes, may request that the Trustee include a given matter on the agenda of a Noteholders' Meeting that shall be convened in the future, provided that such matter is appropriate for discussion at such meeting, subject to applicable law.

Additional Provisions

34. Nothing stated in Sections 2, 32 and 33 above shall derogate from the Trustee's authority to convene a Noteholders' Meeting, if it deems such necessary to consult with the Noteholders. The notice of such a Noteholders' Meeting need not specify the matters on its agenda, and the date of such meeting shall be at least one day after the date of the notice. No vote shall be held and no resolutions shall be adopted at such meeting and the provisions of the Securities Law shall apply thereto, other than the provisions specified in Section 35(12)26 of the Securities Law.

35. Where it is not practicable to convene a Noteholders' Meeting or to hold such in the manner prescribed by the Deed of Trust or by the Securities Law, a court may, at the request of the Company, a Noteholder entitled to vote at a Noteholders' Meeting or the Trustee, order that a Noteholders' Meeting be convened and held in a manner determined by the court, and the court shall be entitled to render additional instructions for such purpose to the extent deemed fit thereby.

36. No resolution duly adopted at a Noteholders' Meeting convened in accordance with this Schedule shall be revoked, even if due to an error, notice thereof was not provided to all Noteholders, or if such notice was not received by all of the Noteholders, provided that notice of such meeting (or the adjourned meeting, as applicable) was Published on the MAGNA website of the Israel Securities Authority.

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Medley Capital Corporation

Schedule III

Emergency Committee of Noteholders

With respect to the Notes, if an Emergency Committee of the Noteholders is appointed, the Company undertakes that the Emergency Committee shall be appointed to act in accordance with the relevant provisions of the Codex, its amendments and updates from time to time, and in addition the Company undertakes to act in cooperation with the Emergency Committee and with the Trustee as necessary to allow them to conduct the investigations required by them and the formalization of the decisions of the Emergency Committee, and to provide the Emergency Committee with any data and documents required to it regarding the Company.

1. Appointment; term of tenure

1.1 The Trustee shall be entitled, or at the Company's written request – shall be obliged, to appoint and convene an emergency committee from among the Noteholders, as set forth below (the "**Emergency Committee**").

1.2 The Trustee shall appoint to the Emergency Committee the three (3) Noteholders, which, based on information provided by the Company, hold the highest par value of outstanding Notes among all the Noteholders and which affirm that all of the following conditions are met with respect to them (the "**Members of the Emergency Committee**"). In the event that any of them are not able to serve as Members of the Emergency Committee as aforementioned, the Trustee shall appoint, in its stead, the Noteholder holding the next highest par value of outstanding Notes and with respect to which all of the conditions specified hereunder are met. And these are the conditions:

1.2.1 The Noteholder is not in a material conflict of interest due to the existence of any additional material matter that conflicts with the matter deriving from his service on the Emergency Committee and his holding the Notes. For avoidance of doubt, a Holder who is an Affiliated Party of the Company shall be deemed to have a material conflict of interest as aforementioned and shall not serve on the Emergency Committee. "**Affiliated Party**", for this purpose means: (a) an entity controlled by the Company; (b) the controlling shareholder of the Company, a member of his family or an entity controlled by any of them (as these terms are defined in the Securities Law); and

1.2.2 In the course of the same calendar year, the Noteholder does not serve on similar committees in respect of other Notes with an aggregate value exceeding the percentage of the asset portfolio managed by him, that was determined as the maximum percentage permitting service on an emergency committee under the directives of the Commissioner of the Anti-Trust Authority ("**the Commissioner**") which apply to the establishment of emergency committees.

1.3 In the event that during the service of the Emergency Committee, one of the conditions set forth in sub-Sections 1.2.1 to 1.2.2 above shall have ceased to hold true to any of its members, the office of such member shall expire and it shall notify the Trustee thereby, and the Trustee shall appoint another member in his stead from among the Noteholders as aforementioned in Section 1.2 above.

1.4 Before appointing the Members of the Emergency Committee, the Trustee shall receive from the candidates for service as Members of the Emergency Committee, a declaration regarding the existence or absence of material conflicts of interest as set forth in sub-Section 1.2.1 above, and regarding service on additional emergency committees as set forth in sub-Section 1.2.2 above. In addition, the Trustee shall be entitled to demand such declaration from Members of the Emergency Committee at any time during the service of the Emergency Committee. A Holder that fails to provide such declaration shall be deemed to have a material conflict of interest or to be prohibited from serving by virtue of the directives of the Commissioner as set forth above, as applicable. With respect to the declarations regarding conflict of interests, the Trustee shall examine the existence of the conflicted interests, and if necessary decide if the conflict of interests disqualifies such Holder from serving in the Emergency Committee. It is hereby clarified that the Trustee shall rely on such declarations and shall not be obliged to conduct an additional examination or independent investigation. Subject to applicable law, the determination of the Trustee in these matters shall be final.

1.5 Immediately after the appointment of the Emergency Committee, the Trustee shall notify the Company of such appointment, while specifying the names of the representatives serving on it.

1.6 The term of office of the Emergency Committee shall end on the date on which the Company shall publish the decisions of the Emergency Committee regarding the grant of an extension to the Company for the purpose of its compliance with the terms of the Deed of Trust as detailed in Section 1.7 hereinafter. The Company shall publish publicly all of the information delivered to the Emergency Committee at the time of termination of service of the Emergency Committee.

1.7 The Company shall publish an immediate report immediately after the appointment of the Emergency Committee, on the appointment of the Emergency Committee, the identity of its Members and its powers. In addition, the Company shall publish an immediate report regarding such decisions of the Emergency Committee.

2. Authority

2.1 The Emergency Committee shall have authority to grant a one-time extension to the Company of the dates by which the Company must comply with any of the Financial Covenants set forth in Sections 6.1 and 6.2 of the Deed of Trust, until the earlier of (i) a period of additional ninety (90) days; or (ii) the date of the Publication of the Company's next consolidated, audited or reviewed (as the case may be) Financial Statements which the Company must publish until such date. It is clarified that the period of time until the appointment of the Emergency Committee shall be taken into account in the framework of such extension, and it shall not constitute grounds for the grant of any additional extension to the Company beyond that set forth above. It is additionally clarified, that the operation of the Emergency Committee and cooperation between its Members shall be limited to the discussion of the grant of such extension, and no other information which does not concern the grant of such extension shall be transferred among the Members of the Emergency Committee.

2.2 In the event that no Emergency Committee is appointed according to the provisions of this Schedule, or if the Emergency Committee decides not to grant the Company an extension as set forth in Section 2.1 above, the Trustee shall be obliged to convene a Noteholders' Meeting which shall be held 21 days following the date of the notice of the meeting. The Trustee shall be entitled, at its discretion, to shorten the number of days stated above in the event described in the provisions of Section 10.2 of the Deed of Trust.

3. Company Undertakings with regard to the Emergency Committee

3.1 The Company undertakes to provide the Trustee with all of the information in its possession or in its ability to obtain regarding the identity of the Noteholders and the scope of their holdings. In addition, the Trustee shall act to receive such information in accordance with powers granted to it according to the law.

3.2 In addition, the Company undertakes to act in full cooperation with the Emergency Committee and with the Trustee as necessary to allow them to conduct the investigations required thereby and formalization of decision of the Emergency Committee, and to provide the Emergency Committee with any data and documents required by them regarding the Company, subject to the restrictions of the law. Without derogating from the generality of the foregoing, the Company shall provide the Emergency Committee with the information relevant to arrive at a conclusion, and shall not include any misleading or incomplete information.

3.3 The Company shall bear all of the expenses of the Emergency Committee, including expenses with respect to the engagement of advisors and experts by, or on behalf of, the Emergency Committee.

3.4 The appointment of the Emergency Committee or its operation shall not harm any of the powers imbued to the Trustee according to the law and the Deed of Trust and they will not limit the Trustee in its actions according to the law and the Deed of Trust.

4. <u>Liability</u>

4.1 The Emergency Committee shall act on and decide the matters at hand, at its absolute discretion and shall not be liable, nor shall any of its members or their officers, employees or advisors be liable, and the Company and the Noteholders hereby hold them harmless, with respect to any claims, demands and lawsuits advanced against them due to their use of or failure to use the powers, authorities or discretion conferred upon them pursuant to this Deed of Trust and in connection therewith or for any other action carried out thereunder, unless they acted maliciously and/or without good faith.

4.2 The indemnity provisions set forth in Section 23 of the Deed of Trust shall apply to the actions of the Members of the Emergency Committee and any person acting on their behalf as if they were the Trustee.

4.3 Nothing stated shall derogate from the powers of the Trustee to convene a general meeting of the Noteholders and to put on its agenda any matter it deems fit in the circumstances, including the matter of acceleration of payment of the Notes and/or realization of collateral. If such general meeting had been convened and any resolutions were received by it, the resolutions of the general meeting shall override decisions of the Emergency Committee.

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Exhibit N

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the references to our firm under the captions “Selected Financial and Other Data” and “Independent Registered Public Accounting Firm” and to the use of our reports dated December 4, 2018 with respect to the consolidated financial statements of Medley Capital Corporation and the effectiveness of internal control over financial reporting of Medley Capital Corporation included in this Registration Statement (Form N-2) and related Prospectus of Medley Capital Corporation for the registration of $700,000,000 of its common stock, preferred stock, subscription rights, warrants and debt securities.

/s/ Ernst & Young LLP
New York, New York
April 9, 2019