

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**Form 10-Q**

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

**For the Quarterly Period Ended March 31, 2020**  
or

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

**For the transition period from      to**  
**Commission file number: 1-35040**

**MEDLEY CAPITAL CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**27-4576073**  
(I.R.S. Employer  
Identification No.)

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

**10017**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.001 per share	MCC	The New York Stock Exchange
6.500% Notes due 2021	MCX	The New York Stock Exchange
6.125% Notes due 2023	MCV	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

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

The Registrant had 54,474,211 shares of common stock, \$0.001 par value, outstanding as of May 11, 2020.

MEDLEY CAPITAL CORPORATION

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**Medley Capital Corporation**  
**Consolidated Statements of Assets and Liabilities**

	March 31, 2020	September 30, 2019
	(unaudited)	
<b>ASSETS</b>		
<b>Investments at fair value</b>		
Non-controlled/non-affiliated investments (amortized cost of \$143,309,568 and \$204,736,370, respectively)	\$ 112,666,094	\$ 189,895,466
Affiliated investments (amortized cost of \$96,625,681 and \$108,310,029, respectively)	82,276,524	99,539,605
Controlled investments (amortized cost of \$156,551,909 and \$154,601,177, respectively)	60,953,188	107,453,927
<b>Total investments at fair value</b>	<b>255,895,806</b>	<b>396,888,998</b>
Cash and cash equivalents	61,104,407	68,245,213
Restricted cash (see Note 2)	—	16,038,690
Other assets	966,076	2,973,731
Interest receivable	488,956	1,592,406
Receivable for dispositions and investments sold	12,500	419,299
Fees receivable	44,682	108,305
<b>Total assets</b>	<b>\$ 318,512,427</b>	<b>\$ 486,266,642</b>
<b>LIABILITIES</b>		
Notes payable (net of debt issuance costs of \$1,842,578 and \$5,274,164, respectively)	\$ 171,172,722	\$ 251,731,729
Accounts payable and accrued expenses	2,258,418	11,956,755
Interest and fees payable	801,805	2,904,748
Management and incentive fees payable (see Note 6)	1,641,271	2,231,175
Administrator expenses payable (see Note 6)	576,362	861,785
Deferred revenue	37,664	103,583
Due to affiliate	196,253	44,337
Deferred tax liability	85,664	—
<b>Total liabilities</b>	<b>\$ 176,770,159</b>	<b>\$ 269,834,112</b>
<b>Guarantees and Commitments (see Note 8)</b>		
<b>NET ASSETS</b>		
Common stock, par value \$0.001 per share, 100,000,000 common shares authorized, 54,474,211 and 54,474,211 common shares issued and outstanding, respectively	\$ 54,474	\$ 54,474
Capital in excess of par value	673,532,717	673,532,717
Total distributable earnings/(loss)	(531,844,923)	(457,154,661)
<b>Total net assets</b>	<b>141,742,268</b>	<b>216,432,530</b>
<b>Total liabilities and net assets</b>	<b>\$ 318,512,427</b>	<b>\$ 486,266,642</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 2.60</b>	<b>\$ 3.97</b>

See accompanying notes to consolidated financial statements.

**Medley Capital Corporation**  
**Consolidated Statements of Operations**

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INVESTMENT INCOME</b>				
<b>Interest from investments</b>				
Non-controlled/non-affiliated investments:				
Cash	\$ 2,320,453	\$ 7,509,634	\$ 5,538,162	\$ 15,587,237
Payment-in-kind	128,309	605,640	327,321	1,178,183
Affiliated investments:				
Cash	190,193	459,966	399,441	1,211,717
Payment-in-kind	706,789	644,575	1,654,262	1,616,365
Controlled investments:				
Cash	1,297	85,626	84,505	163,458
Payment-in-kind	5,385	760,525	500,767	1,788,857
Total interest income	3,352,426	10,065,966	8,504,458	21,545,817
Dividend income	1,662,500	1,991,527	3,500,000	4,091,527
Interest from cash and cash equivalents	154,290	211,215	372,428	372,529
Fee income (see Note 9)	131,992	318,160	415,532	778,837
Total investment income	5,301,208	12,586,868	12,792,418	26,788,710
<b>EXPENSES</b>				
Base management fees (see Note 6)	1,641,271	3,084,382	3,649,505	6,269,526
Incentive fees (see Note 6)	—	—	—	—
Interest and financing expenses	4,432,118	5,898,689	9,576,047	11,907,805
General and administrative	2,083,397	2,880,717	2,600,239	3,484,866
Administrator expenses (see Note 6)	576,362	667,649	1,127,884	1,699,776
Insurance	356,580	116,791	654,578	236,177
Directors fees	296,500	376,625	612,500	668,850
Professional fees, net	130,630	10,156,703	(4,285,445)	11,357,280
Expenses before management and incentive fee waivers	9,516,858	23,181,556	13,935,308	35,624,280
Management fee waiver (see Note 6)	—	—	—	—
Incentive fee waiver (see Note 6)	—	—	—	—
Total expenses net of management and incentive fee waivers	9,516,858	23,181,556	13,935,308	35,624,280
NET INVESTMENT INCOME/(LOSS)	(4,215,650)	(10,594,688)	(1,142,890)	(8,835,570)
<b>REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS</b>				
<b>Net realized gain/(loss) from investments</b>				
Non-controlled/non-affiliated investments	(100,115)	(10,615,469)	(157,914)	(15,799,379)
Affiliated investments	—	—	—	—
Controlled investments	—	—	(1,686,837)	(51,538,556)
Net realized gain/(loss) from investments	(100,115)	(10,615,469)	(1,844,751)	(67,337,935)
<b>Net unrealized appreciation/(depreciation) on investments</b>				
Non-controlled/non-affiliated investments	(19,549,944)	19,351,739	(15,802,570)	20,163,920
Affiliated investments	(15,019,332)	(3,078,960)	(5,578,733)	(5,473,553)
Controlled investments	(38,994,357)	(19,671,818)	(48,451,471)	26,919,491
Net unrealized appreciation/(depreciation) on investments	(73,563,633)	(3,399,039)	(69,832,774)	41,609,858
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	(85,664)	—	(85,664)	—
Loss on extinguishment of debt (see Note 5)	(895,033)	—	(1,784,183)	(122,971)
Net realized and unrealized gain/(loss) on investments	(74,644,445)	(14,014,508)	(73,547,372)	(25,851,048)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ (78,860,095)	\$ (24,609,196)	\$ (74,690,262)	\$ (34,686,618)
<b>WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE</b>				
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	\$ (1.45)	\$ (0.45)	\$ (1.37)	\$ (0.64)
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	54,474,211	54,474,211	54,474,211	54,474,211
DIVIDENDS DECLARED PER COMMON SHARE	\$ —	\$ 0.05	\$ —	\$ 0.15

See accompanying notes to consolidated financial statements.

**Medley Capital Corporation**

**Consolidated Statements of Changes in Net Assets  
(unaudited)**

	<u>Common Stock</u>			<b>Total Distributable Earnings/(Loss)</b>	<b>Total Net Assets</b>
	<u>Shares</u>	<u>Par Amount</u>	<u>Capital in Excess of Par Value</u>		
<b>Balance at December 31, 2018</b>	54,474,211	\$ 54,474	\$ 698,586,770	\$ (392,987,360)	\$ 305,653,884
<b>OPERATIONS</b>					
Net investment income/(loss)	—	—	—	(10,594,688)	(10,594,688)
Net realized gain/(loss) from investments	—	—	—	(10,615,469)	(10,615,469)
Net unrealized appreciation/(depreciation) on investments	—	—	—	(3,399,039)	(3,399,039)
Net loss on extinguishment of debt	—	—	—	—	—
<b>SHAREHOLDER DISTRIBUTIONS</b>					
Distributions from earnings	—	—	—	(2,723,712)	(2,723,712)
Total increase/(decrease) in net assets	—	—	—	(27,332,908)	(27,332,908)
<b>Balance at March 31, 2019</b>	54,474,211	\$ 54,474	\$ 698,586,770	\$ (420,320,268)	\$ 278,320,976
<b>Balance at December 31, 2019</b>	54,474,211	\$ 54,474	\$ 673,532,717	\$ (452,984,828)	\$ 220,602,363
<b>OPERATIONS</b>					
Net investment income/(loss)	—	—	—	(4,215,650)	(4,215,650)
Net realized gain/(loss) from investments	—	—	—	(100,115)	(100,115)
Net unrealized appreciation/(depreciation) on investments	—	—	—	(73,563,633)	(73,563,633)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	—	—	(85,664)	(85,664)
Net loss on extinguishment of debt	—	—	—	(895,033)	(895,033)
Total increase/(decrease) in net assets	—	—	—	(78,860,095)	(78,860,095)
<b>Balance at March 31, 2020</b>	54,474,211	\$ 54,474	\$ 673,532,717	\$ (531,844,923)	\$ 141,742,268

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets  
(unaudited) (continued)

	Common Stock			Total Distributable Earnings/(Loss)	Total Net Assets
	Shares	Par Amount	Capital in Excess of Par Value		
<b>Balance at September 30, 2018</b>	54,474,211	\$ 54,474	\$ 698,586,770	\$ (377,462,517)	\$ 321,178,727
OPERATIONS					
Net investment income/(loss)	—	—	—	(8,835,570)	(8,835,570)
Net realized gain/(loss) from investments	—	—	—	(67,337,935)	(67,337,935)
Net unrealized appreciation/(depreciation) on investments	—	—	—	41,609,858	41,609,858
Net loss on extinguishment of debt	—	—	—	(122,971)	(122,971)
SHAREHOLDER DISTRIBUTIONS					
Distributions from earnings	—	—	—	(8,171,133)	(8,171,133)
Total increase/(decrease) in net assets	—	—	—	(42,857,751)	(42,857,751)
<b>Balance at March 31, 2019</b>	54,474,211	\$ 54,474	\$ 698,586,770	\$ (420,320,268)	\$ 278,320,976
<b>Balance at September 30, 2019</b>	54,474,211	\$ 54,474	\$ 673,532,717	\$ (457,154,661)	\$ 216,432,530
OPERATIONS					
Net investment income/(loss)	—	—	—	(1,142,890)	(1,142,890)
Net realized gain/(loss) from investments	—	—	—	(1,844,751)	(1,844,751)
Net unrealized appreciation/(depreciation) on investments	—	—	—	(69,832,774)	(69,832,774)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	—	—	(85,664)	(85,664)
Net loss on extinguishment of debt	—	—	—	(1,784,183)	(1,784,183)
Total increase/(decrease) in net assets	—	—	—	(74,690,262)	(74,690,262)
<b>Balance at March 31, 2020</b>	54,474,211	\$ 54,474	\$ 673,532,717	\$ (531,844,923)	\$ 141,742,268

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Cash Flows

	For the six months ended March 31	
	2020	2019
	(unaudited)	(unaudited)
<b>Cash flows from operating activities</b>		
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ (74,690,262)	\$ (34,686,618)
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	(1,738,277)	(5,171,194)
Net amortization of premium/(discount) on investments	(60,113)	(224,124)
Amortization of debt issuance costs	2,358,649	1,352,147
Net realized (gain)/loss from investments	1,844,751	67,337,935
Net deferred income taxes	85,664	—
Net unrealized (appreciation)/depreciation on investments	69,832,774	(41,609,858)
Proceeds from sale and settlements of investments	84,358,204	75,033,854
Purchases, originations and participations	(13,244,147)	(52,436,844)
Loss on extinguishment of debt	1,784,183	122,971
(Increase)/decrease in operating assets:		
Other assets	2,007,655	285,217
Interest receivable	1,103,450	597,835
Receivable for dispositions and investments sold	406,799	(351,846)
Fees receivable	63,623	(12,173)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(9,698,337)	8,852,425
Interest and fees payable	(2,102,943)	(271,954)
Management and incentive fees payable, net	(589,904)	(263,292)
Administrator expenses payable	(285,423)	(140,897)
Deferred revenue	(65,919)	(79,411)
Due to affiliate	151,916	237,146
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	61,522,343	18,571,319
<b>Cash flows from financing activities</b>		
Paydowns on debt	(84,701,839)	(12,999,337)
Debt issuance costs paid	—	(14,361)
Payments of cash dividends	—	(8,171,133)
Offering costs paid	—	354,753
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(84,701,839)	(20,830,078)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(23,179,496)	(2,258,759)
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	84,283,903	75,665,981
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 61,104,407	\$ 73,407,222
<b>Supplemental Information:</b>		
Interest paid during the period	\$ 9,318,341	\$ 10,827,613
<b>Supplemental non-cash information:</b>		
Payment-in-kind interest income	\$ 2,383,066	\$ 4,583,405
Net amortization of premium/(discount) on investments	\$ 60,113	\$ 224,124
Amortization of debt issuance costs	\$ (2,358,649)	\$ (1,352,147)
Non-cash purchase of investments	\$ —	\$ 47,483

Reconciliation to the Consolidated Statement of Assets and Liabilities

	March 31, 2020	September 30, 2019
	(unaudited)	
Cash and cash equivalents	\$ 61,104,407	\$ 68,245,213
Restricted cash	—	16,038,690
Total cash and cash equivalents and restricted cash	\$ 61,104,407	\$ 84,283,903

See accompanying notes to consolidated financial statements.



**Medley Capital Corporation**  
**Consolidated Schedule of Investments**

**March 31, 2020**  
**(unaudited)**

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
<b>Non-Controlled/Non-Affiliated Investments:</b>							
Alpine SG, LLC <sup>(7)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(13)(20)</sup>	11/16/2022	\$ 5,061,750	\$ 5,061,750	\$ 4,739,823	3.3 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(13)(20)</sup>	11/16/2022	2,444,350	2,444,350	2,288,889	1.6 %
		Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(13)(15)</sup>	11/16/2022	—	—	(63,600)	0.0 %
				<u>7,506,100</u>	<u>7,506,100</u>	<u>6,965,112</u>	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	9/25/2023	4,387,500	4,387,500	3,757,016	2.6 %
				<u>4,387,500</u>	<u>4,387,500</u>	<u>3,757,016</u>	
AutosplICE, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	12/17/2021	12,965,572	12,965,572	12,318,590	8.7 %
				<u>12,965,572</u>	<u>12,965,572</u>	<u>12,318,590</u>	
Avantor, Inc. <sup>(10)</sup>	Wholesale	Equity - 942,160 Common Units <sup>(16)</sup>		—	16,487,800	11,767,578	8.3 %
				<u>—</u>	<u>16,487,800</u>	<u>11,767,578</u>	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0 %
				<u>—</u>	<u>416,250</u>	<u>—</u>	
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(9)(13)(21)</sup>	4/24/2020	7,290,179	7,222,523	5,212,478	3.7 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	4/24/2020	—	—	—	0.0 %
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(9)(13)(15)</sup>	4/24/2020	892,857	884,571	638,393	0.4 %
				<u>8,183,036</u>	<u>8,107,094</u>	<u>5,850,871</u>	
Capstone Nutrition Development, LLC	Healthcare & Pharmaceuticals	Equity - 13,833.1916 Common Units		—	1,483,319	1,142,156	0.8 %
				<u>—</u>	<u>1,483,319</u>	<u>1,142,156</u>	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	7/28/2025	3,010,025	2,998,924	2,343,004	1.7 %
				<u>3,010,025</u>	<u>2,998,924</u>	<u>2,343,004</u>	
Crow Precision Components, LLC	Aerospace & Defense	Equity - 350 Common Units		—	700,000	723,131	0.5 %
				<u>—</u>	<u>700,000</u>	<u>723,131</u>	
CT Technologies Intermediate Holdings, Inc. <sup>(11)</sup>	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/1/2022	7,500,000	7,500,000	4,959,000	3.5 %
				<u>7,500,000</u>	<u>7,500,000</u>	<u>4,959,000</u>	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
DataOnline Corp. <sup>(7)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	11/13/2025	4,987,500	4,987,500	4,660,320	3.3 %
		Revolving Credit Facility (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(13)(15)</sup>	11/13/2025	535,714	535,714	488,857	0.3 %
				5,523,214	5,523,214	5,149,177	
Dream Finders Homes, LLC	Construction & Building	Preferred Equity (8.00% PIK)		4,355,041	4,355,041	3,501,453	2.5 %
				4,355,041	4,355,041	3,501,453	
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK)		3,801,326	3,801,326	3,801,326	2.7 %
		Equity - 150 Common Units		—	—	1,960,830	1.4 %
				3,801,326	3,801,326	5,762,156	
Global Accessories Group, LLC <sup>(11)</sup>	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	42,355	0.0 %
				—	151,337	42,355	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	6/21/2023	3,000,000	2,808,363	375,000	0.3 %
				3,000,000	2,808,363	375,000	
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(21)</sup>	6/27/2023	3,237,294	3,237,294	2,829,394	2.0 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(21)</sup>	6/27/2023	9,380,033	9,380,033	8,198,149	5.8 %
				12,617,327	12,617,327	11,027,543	
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(12)(21)</sup>	8/18/2022	12,884,175	12,884,175	11,948,784	8.4 %
				12,884,175	12,884,175	11,948,784	
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.56% of Outstanding Equity <sup>(17)</sup>	2/19/2024	—	955,680	—	0.0 %
				—	955,680	—	
Manna Pro Products, LLC	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/8/2023	5,371,148	5,371,148	4,907,618	3.5 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/8/2023	1,090,714	1,090,714	996,585	0.7 %
				6,461,862	6,461,862	5,904,203	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(9)(14)</sup>	7/8/2020	2,669,829	2,103,712	178,879	0.1 %
				2,669,829	2,103,712	178,879	
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt <sup>(18)(21)</sup>	7/31/2020	704,106	704,106	704,106	0.5 %
		Unsecured Debt <sup>(18)(21)</sup>	7/31/2021	761,905	761,905	761,905	0.5 %
				1,466,011	1,466,011	1,466,011	
Redwood Services Group, LLC <sup>(7)</sup>	Services: Business	Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(15)</sup>	6/6/2023	1,400,000	1,400,000	1,354,325	1.0 %
				1,400,000	1,400,000	1,354,325	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash) <sup>(9)</sup>	8/31/2021	637,500	637,500	—	0.0 %
				637,500	637,500	—	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		—	566,475	686,834	0.5 %
				—	566,475	686,834	
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)(21)</sup>	9/1/2022	4,798,779	4,798,779	4,648,098	3.3 %
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)(21)</sup>	9/1/2022	1,861,878	1,861,878	1,803,415	1.3 %
		Equity - 94,393.87 Common Units in CI (Summit) Investment Holdings LLC <sup>(21)</sup>		—	1,067,547	513,417	0.4 %
				6,660,657	7,728,204	6,964,930	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(9)(13)(21)</sup>	7/31/2020	7,410,524	7,216,582	—	0.0 %
				7,410,524	7,216,582	—	
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		—	700,000	187,211	0.1 %
				—	700,000	187,211	
Stancor, Inc.	Services: Business	Equity - 263,814.43 Class A Units		—	263,815	150,374	0.1 %
				—	263,815	150,374	
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(12)(20)</sup>	8/18/2025	2,000,000	1,977,237	1,458,800	1.0 %
				2,000,000	1,977,237	1,458,800	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% PIK, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	4/28/2023	954,225	890,845	715,669	0.5 %
		Equity - 5,441 Class A Units		—	302,464	—	0.0 %
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	—	0.0 %
				954,225	1,554,976	715,669	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)(21)</sup>	9/26/2024	3,565,889	3,565,889	3,476,029	2.5 %
		Equity - 1,500 Common Units		—	1,500,000	2,489,903	1.8 %
				3,565,889	5,065,889	5,965,932	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest <sup>(6)</sup>		—	518,283	—	0.0 %
				—	518,283	—	
<b>Subtotal Non-Controlled/Non-Affiliated Investments</b>				<b>\$ 118,959,813</b>	<b>\$ 143,309,568</b>	<b>\$ 112,666,094</b>	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
<b>Affiliated Investments:</b> <sup>(23)</sup>							
1888 Industrial Services, LLC <sup>(7)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(9)(13)</sup>	9/30/2021	\$ 9,639,363	\$ 9,473,068	\$ —	0.0 %
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor) <sup>(9)(13)</sup>	9/30/2021	24,762,839	19,468,870	—	0.0 %
		Senior Secured First Lien Term Loan C (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(9)(13)</sup>	6/30/2021	1,212,169	1,191,257	303,042	0.2 %
		Senior Secured First Lien Term Loan D (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	9/18/2020	232,543	232,543	232,543	0.2 %
		Senior Secured First Lien Term Loan E (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	9/18/2020	838,174	838,174	838,174	0.6 %
		Revolving Credit Facility (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)(15)</sup>	9/30/2021	3,441,564	3,441,564	3,441,564	2.4 %
		Equity - 21,562.16 Class A Units		—	—	—	0.0 %
				40,126,652	34,645,476	4,815,323	
Access Media Holdings, LLC <sup>(7)</sup>	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK) <sup>(9)</sup>	7/22/2020	10,554,556	8,446,385	1,583,184	1.1 %
		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)	(0.1)%
		Equity - 16 Common Units		—	—	—	0.0 %
				13,925,756	11,817,585	1,482,384	
Caddo Investors Holdings 1 LLC <sup>(10)</sup>	Forest Products & Paper	Equity - 6.15% Membership Interest <sup>(19)</sup>		—	2,526,373	2,872,443	2.0 %
				—	2,526,373	2,872,443	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK) <sup>(9)(14)</sup>	12/31/2021	12,026,155	7,824,974	841,831	0.6 %
		Equity - 12,350,000 Class A Units		—	—	—	0.0 %
				12,026,155	7,824,974	841,831	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		10,498,737	10,498,737	10,498,737	7.4 %
		Preferred Equity - A-1 Preferred (3.00% PIK)		1,358,621	1,358,621	1,358,621	1.0 %
		Equity - 57,300 Class B Units		—	57,300	31,195,839	22.0 %
				11,857,358	11,914,658	43,053,197	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,310,649	1,310,649	1,310,649	0.9 %
		Equity - 129,588 Class B Units		—	129,588	2,303,081	1.6 %
				1,310,649	1,440,237	3,613,730	
Kemmerer Operations, LLC <sup>(7)</sup>	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2023	1,903,775	1,903,775	1,903,775	1.3 %
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK)	6/21/2023	478,516	478,516	478,516	0.3 %
		Equity - 6.7797 Common Units		—	962,717	962,717	0.7 %
				2,382,291	3,345,008	3,345,008	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	10/11/2021	10,106,899	9,898,415	9,376,170	6.6 %
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	10/11/2021	3,482,185	3,475,040	3,230,423	2.3 %
		Senior Secured First Lien Term Loan C (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	10/11/2021	147,627	147,627	147,553	0.1 %
		Warrants - 7.68% of Outstanding Equity	1/9/2027	—	499,751	—	0.0 %
				<u>13,736,711</u>	<u>14,020,833</u>	<u>12,754,146</u>	
US Multifamily, LLC <sup>(10)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash) <sup>(20)</sup>	6/17/2021	5,760,537	5,760,537	5,760,537	4.1 %
		Equity - 33,300 Preferred Units		—	3,330,000	3,737,925	2.6 %
				<u>5,760,537</u>	<u>9,090,537</u>	<u>9,498,462</u>	
<b>Subtotal Affiliated Investments</b>				<b>\$ 101,126,109</b>	<b>\$ 96,625,681</b>	<b>\$ 82,276,524</b>	
<b>Controlled Investments:<sup>(5)</sup></b>							
MCC Senior Loan Strategy JV I LLC <sup>(10)</sup>	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC <sup>(19)</sup>		—	78,575,000	41,926,850	29.6 %
				—	78,575,000	41,926,850	
NVTN LLC <sup>(7)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	12/31/2024	6,565,875	6,565,875	4,530,078	3.2 %
		Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	12/31/2024	2,000,000	1,995,374	2,000,000	1.4 %
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	12/31/2024	14,206,719	12,305,096	—	0.0 %
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	12/31/2024	9,377,240	7,570,054	—	0.0 %
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0 %
				<u>32,149,834</u>	<u>37,987,321</u>	<u>6,530,078</u>	
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor) <sup>(9)(13)</sup>	5/2/2022	20,827,099	20,499,819	12,496,260	8.8 %
		Preferred Equity (12.00% PIK) <sup>(9)</sup>		7,339,237	6,552,890	—	0.0 %
		Equity - 397,466 Common Units		—	12,936,879	—	0.0 %
				<u>28,166,336</u>	<u>39,989,588</u>	<u>12,496,260</u>	
<b>Subtotal Control Investments</b>				<b>\$ 60,316,170</b>	<b>\$ 156,551,909</b>	<b>\$ 60,953,188</b>	
<b>Total Investments, March 31, 2020</b>				<b>\$ 280,402,092</b>	<b>\$ 396,487,158</b>	<b>\$ 255,895,806</b>	180.5 %

(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, as applicable, and is net of repayments.

(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for U.S. federal income tax purposes totaled \$37,445,443, \$176,359,248, and \$138,913,805, respectively. The tax cost basis of investments is \$394,809,611 as of March 31, 2020.

(4) Percentage is based on net assets of \$141,742,268 as of March 31, 2020.

(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 March 31, 2020 (see Note 8), and includes an analysis of the value of any unfunded commitments.

(8) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.

(9) The investment was on non-accrual status as of March 31, 2020.

- (10) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of March 31, 2020, 28.0% of the Company's portfolio investments were non-qualifying assets.
- (11) 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).
- (12) 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 March 31, 2020 was 0.99%.
- (13) 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 March 31, 2020 was 1.45%.
- (14) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of March 31, 2020 was 1.45%.
- (15) This investment earns 0.50% commitment fee on all unused commitment as of March 31, 2020, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (16) This investment represents a Level 1 security in the ASC 820 table as of March 31, 2020 (see Note 4).
- (17) This investment represents a Level 2 security in the ASC 820 table as of March 31, 2020 (see Note 4).
- (18) Security is non-income producing.
- (19) As a practical expedient, the Company uses net asset value ("NAV") to determine the fair value of this investment.
- (20) All or a portion of this investment is held in Medley SLF Funding I LLC (see Note 5).
- (21) All or a portion of this investment is held in Medley Small Business Fund, LP (see Note 5).
- (22) The investment was on partial non-accrual status as of March 31, 2020.
- (23) Affiliated Investments are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% outstanding voting securities or is under common control with such portfolio company.

See accompanying notes to consolidated financial statements.

**Medley Capital Corporation**  
**Consolidated Schedule of Investments**

September 30, 2019<sup>(25)</sup>

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
<b>Non-Controlled/Non-Affiliated Investments:</b>							
Alpine SG, LLC <sup>(7)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	11/16/2022	\$ 5,061,750	\$ 5,061,750	\$ 5,020,244	2.3%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	11/16/2022	2,444,350	2,444,350	2,424,306	1.1%
		Revolving Credit Facility (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	11/16/2022	—	—	(8,200)	0.0%
				<u>7,506,100</u>	<u>7,506,100</u>	<u>7,436,350</u>	
American Dental Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	9/25/2023	4,387,500	4,387,500	4,274,741	2.0%
				<u>4,387,500</u>	<u>4,387,500</u>	<u>4,274,741</u>	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	6/17/2020	13,336,018	13,336,018	13,252,001	6.1%
				<u>13,336,018</u>	<u>13,336,018</u>	<u>13,252,001</u>	
Avantor, Inc. <sup>(10)</sup>	Wholesale	Equity - 942,160 Common Units <sup>(17)</sup>		—	16,487,800	13,849,752	6.4%
				<u>—</u>	<u>16,487,800</u>	<u>13,849,752</u>	
Barry's Bootcamp Holdings, LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	7/14/2022	7,609,499	7,609,499	7,609,499	3.5%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	7/14/2022	1,268,251	1,268,251	1,268,251	0.6%
		Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)(22)</sup>	7/14/2022	4,400,000	4,400,000	4,400,000	2.0%
				<u>13,277,750</u>	<u>13,277,750</u>	<u>13,277,750</u>	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Units		—	416,250	—	0.0%
				<u>—</u>	<u>416,250</u>	<u>—</u>	
Black Angus Steakhouses, LLC <sup>(7)</sup>	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	4/24/2020	7,341,518	7,341,518	7,307,747	3.4%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	4/24/2020	—	—	(4,107)	0.0%
		Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	4/24/2020	892,857	892,857	890,804	0.4%
				<u>8,234,375</u>	<u>8,234,375</u>	<u>8,194,444</u>	
Capstone Nutrition Development, LLC	Healthcare & Pharmaceuticals	Equity - 13,833.1916 Common Units		—	1,383,319	1,383,319	0.6%
				<u>—</u>	<u>1,383,319</u>	<u>1,383,319</u>	
CPI International, Inc.	Aerospace & Defense	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	7/28/2025	3,010,025	2,998,111	2,937,483	1.4%
				<u>3,010,025</u>	<u>2,998,111</u>	<u>2,937,483</u>	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
Crow Precision Components, LLC	Aerospace & Defense	Equity - 350 Common Units		—	700,000	666,998	0.3%
				—	700,000	666,998	
CT Technologies Intermediate Holdings, Inc. <sup>(11)</sup>	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/1/2022	7,500,000	7,500,000	6,345,750	2.9%
				7,500,000	7,500,000	6,345,750	
DataOnline Corp. <sup>(7)</sup>	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(13)(22)</sup> Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	7/31/2025	15,840,000	15,840,000	15,607,152	7.2%
			7/31/2024	—	—	(18,900)	0.0%
				15,840,000	15,840,000	15,588,252	
Dermatologists of Southwestern Ohio, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(12)(23)</sup> Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(12)(23)</sup>	4/20/2022	1,065,457	1,065,457	1,056,614	0.5%
			4/20/2022	404,248	404,248	400,893	0.2%
				1,469,705	1,469,705	1,457,507	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (10.00% Cash) Preferred Equity (8.00% PIK)	4/1/2020	1,613,455	1,613,455	1,613,455	0.7%
				4,185,480	4,185,480	3,315,319	1.5%
				5,798,935	5,798,935	4,928,774	
FKI Security Group, LLC	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	3/30/2020	10,906,250	10,906,250	10,680,491	4.9%
				10,906,250	10,906,250	10,680,491	
Footprint Acquisition, LLC	Services: Business	Preferred Equity (8.75% PIK) Equity - 150 Common Units		7,281,664	7,281,664	7,281,664	3.4%
				—	—	3,347,965	1.5%
				7,281,664	7,281,664	10,629,629	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor) <sup>(13)</sup>	11/11/2019	9,450,000	9,450,000	9,450,000	4.4%
				9,450,000	9,450,000	9,450,000	
Global Accessories Group, LLC <sup>(11)</sup>	Consumer goods: Non-durable	Equity - 3.8% Membership Interest		—	151,337	151,339	0.1%
				—	151,337	151,339	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	6/21/2023	3,000,000	2,968,775	1,715,100	0.8%
				3,000,000	2,968,775	1,715,100	
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup> Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	6/27/2023	3,254,623	3,254,623	3,104,911	1.4%
			6/27/2023	9,430,010	9,430,010	8,996,229	4.2%
				12,684,633	12,684,633	12,101,140	



Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>				
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) <sup>(12)(23)</sup>	8/18/2022	13,259,175	13,259,175	12,637,320	5.8%				
				13,259,175	13,259,175	12,637,320					
L & S Plumbing Partnership, Ltd.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 7.50% Cash, 1.00% LIBOR Floor) <sup>(13)(22)</sup>	2/15/2022	5,345,754	5,345,754	5,345,754	2.5%				
				5,345,754	5,345,754	5,345,754					
Lighting Science Group Corporation	Containers, Packaging & Glass	Warrants - 0.56% of Outstanding Equity <sup>(18)</sup>	2/19/2024	—	955,680	—	0.0%				
				—	955,680	—					
Manna Pro Products, LLC	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/8/2023	5,398,622	5,398,622	5,132,470	2.4%				
				Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	12/8/2023	1,096,209	1,096,209	1,042,166	0.5%		
						6,494,831	6,494,831	6,174,636			
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) <sup>(9)(15)</sup>	7/8/2020	2,563,464	2,103,712	590,366	0.3%				
				2,563,464	2,103,712	590,366					
Quantum Spatial, Inc.	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	9/5/2024	5,000,000	5,000,000	5,000,000	2.3%				
				5,000,000	5,000,000	5,000,000					
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt <sup>(19)(23)</sup>	7/31/2020	761,905	761,905	761,905	0.4%				
				Unsecured Debt <sup>(19)(23)</sup>	7/31/2021	761,905	761,905	761,905	0.4%		
						1,523,810	1,523,810	1,523,810			
Redwood Services Group, LLC <sup>(7)</sup>	Services: Business	Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	6/6/2023	875,000	875,000	860,475	0.4%				
				875,000	875,000	860,475					
Sendero Drilling Company, LLC	Energy: Oil & Gas	Unsecured Debt (8.00% Cash)	8/31/2021	850,000	850,000	850,000	0.4%				
				850,000	850,000	850,000					
Seotowncenter, Inc.	Services: Business	Equity - 3,434,169.6 Common Units		—	566,475	1,236,301	0.6%				
				—	566,475	1,236,301					
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	9/1/2022	4,820,605	4,820,605	4,775,291	2.2%				
				Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	9/1/2022	1,871,234	1,871,234	1,853,644	0.9%		
						Equity - 94,393.87 Common Units in CI (Summit) Investment Holdings LLC <sup>(23)</sup>		—	985,673	849,545	0.4%
								6,691,839	7,677,512	7,478,480	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) <sup>(9)(13)(23)</sup>	7/31/2020	7,433,740	7,239,798	—	0.0%				
				7,433,740	7,239,798	—					
SMART Financial Operations, LLC	Retail	Equity - 700,000 Class A Preferred Units		—	700,000	532,000	0.2%				
				—	700,000	532,000					

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
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) <sup>(12)(22)</sup>	8/18/2025	2,000,000	1,975,691	1,977,000	0.9%
				2,000,000	1,975,691	1,977,000	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	4/28/2023	894,050	832,281	789,715	0.4%
		Equity - 5,441 Class A Units		—	302,464	20,893	0.0%
		Warrants - 0.65% of Outstanding Equity	3/30/2028	—	361,667	24,983	0.0%
				894,050	1,496,412	835,591	
Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) <sup>(13)(23)</sup>	9/26/2024	3,611,900	3,611,900	3,611,900	1.7%
		Equity - 1,500 Common Units		—	1,500,000	2,557,657	1.2%
				3,611,900	5,111,900	6,169,557	
Watermill-QMC Midco, Inc.	Automotive	Equity - 1.3% Partnership Interest <sup>(6)</sup>		—	518,283	88,989	0.0%
				—	518,283	88,989	
<b>Subtotal Non-Controlled/Non-Affiliated Investments</b>				<b>\$ 180,226,518</b>	<b>\$ 204,736,370</b>	<b>\$ 189,895,466</b>	
<b>Affiliated Investments:<sup>(24)</sup></b>							
1888 Industrial Services, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	9/30/2021	\$ 9,304,145	\$ 9,304,145	\$ 9,304,145	4.3%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor) <sup>(9)(13)</sup>	9/30/2021	23,547,567	19,468,870	5,886,892	2.7%
		Senior Secured First Lien Term Loan C (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	6/30/2021	1,170,014	1,170,014	1,170,014	0.5%
		Senior Secured First Lien Term Loan D (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	9/18/2020	224,456	224,456	224,456	0.1%
		Revolving Credit Facility (LIBOR + 5.00% PIK, 1.00% LIBOR Floor) <sup>(13)(16)</sup>	9/30/2021	4,387,025	4,387,025	4,387,025	2.0%
		Equity - 21,562.16 Class A Units		—	—	—	0.0%
				38,633,207	34,554,510	20,972,532	
Access Media Holdings, LLC <sup>(7)</sup>	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00% PIK) <sup>(9)</sup>	7/22/2020	10,036,355	8,446,385	2,509,089	1.2%
		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%
				13,407,555	11,817,585	2,408,289	
Caddo Investors Holdings 1 LLC <sup>(10)</sup>	Forest Products & Paper	Equity - 6.15% Membership Interest <sup>(21)</sup>		—	2,526,373	2,830,051	1.3%
				—	2,526,373	2,830,051	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
Dynamic Energy Services International LLC <sup>(7)</sup>	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK) <sup>(9)(15)</sup>	12/31/2021	11,124,375	7,824,974	1,264,841	0.6%
		Revolving Credit Facility (12.00% Cash)	12/31/2019	545,103	545,103	545,103	0.2%
		Equity - 12,350,000 Class A Units		—	—	—	0.0%
				11,669,478	8,370,077	1,809,944	
JFL-NGS Partners, LLC	Construction & Building	Preferred Equity - A-2 Preferred (3.00% PIK)		20,150,684	20,150,684	20,150,684	9.3%
		Preferred Equity - A-1 Preferred (3.00% PIK)		2,607,661	2,607,661	2,607,661	1.2%
		Equity - 57,300 Class B Units		—	57,300	19,096,371	8.8%
				22,758,345	22,815,645	41,854,716	
JFL-WCS Partners, LLC	Environmental Industries	Preferred Equity - Class A Preferred (6.00% PIK)		1,236,269	1,236,269	1,236,269	0.6%
		Equity - 129,588 Class B Units		—	129,588	2,755,041	1.3%
				1,236,269	1,365,857	3,991,310	
Kemmerer Operations, LLC <sup>(7)</sup>	Metals & Mining	Senior Secured First Lien Term Loan (15.00% PIK)	6/21/2023	1,766,511	1,766,511	1,766,511	0.8%
		Senior Secured First Lien Delayed Draw Term Loan (15.00% PIK)	6/21/2023	706,604	706,604	706,604	0.3%
		Equity - 6.7797 Common Units		—	962,717	962,717	0.4%
				2,473,115	3,435,832	3,435,832	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	10/11/2021	9,534,512	9,294,959	8,845,167	4.1%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) <sup>(13)</sup>	10/11/2021	3,284,977	3,284,977	3,047,473	1.4%
		Senior Secured First Lien Term Loan C (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) <sup>(13)</sup>	10/11/2021	344,463	344,463	344,291	0.2%
		Warrants - 7.68% of Outstanding Equity	1/9/2027	—	499,751	—	0.0%
				13,163,952	13,424,150	12,236,931	
US Multifamily, LLC <sup>(10)</sup>	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash) <sup>(22)</sup>	6/17/2021	6,670,000	6,670,000	6,670,000	3.1%
		Equity - 33,300 Preferred Units		—	3,330,000	3,330,000	1.5%
				6,670,000	10,000,000	10,000,000	
<b>Subtotal Affiliated Investments</b>				<b>\$ 110,011,921</b>	<b>\$ 108,310,029</b>	<b>\$ 99,539,605</b>	
<b>Controlled Investments:<sup>(5)</sup></b>							
MCC Senior Loan Strategy JV I LLC <sup>(10)</sup>	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC <sup>(21)</sup>		—	78,575,000	69,948,970	32.3%
				—	78,575,000	69,948,970	
NVTN LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) <sup>(12)</sup>	11/9/2020	4,255,990	4,255,990	4,255,990	2.0%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	11/9/2020	13,436,693	12,305,096	7,152,352	3.3%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) <sup>(9)(12)</sup>	11/9/2020	8,747,134	7,570,054	—	0.0%
		Equity - 787.4 Class A Units		—	9,550,922	—	0.0%
				26,439,817	33,682,062	11,408,342	

Company <sup>(1)</sup>	Industry	Type of Investment	Maturity	Par Amount <sup>(2)</sup>	Cost <sup>(3)</sup>	Fair Value <sup>(6)</sup>	% of Net Assets <sup>(4)</sup>
TPG Plastics LLC	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (Prime + 10.00% Cash) <sup>(14)</sup>	12/31/2019	352,984	352,984	352,984	0.2%
		Unsecured Debt (10.00% Cash) <sup>(20)</sup>		278,810	278,810	278,810	0.1%
		Equity - 35 Class B Units		—	3,317,149	1,644,751	0.8%
				631,794	3,948,943	2,276,545	
URT Acquisition Holdings Corporation	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor) <sup>(13)</sup>	5/2/2022	18,905,403	18,905,403	18,905,403	8.7%
		Preferred Equity (12.00% PIK) <sup>(9)</sup>		6,552,890	6,552,890	4,914,667	2.3%
		Equity - 397,466 Common Units		—	12,936,879	—	0.0%
				25,458,293	38,395,172	23,820,070	
<b>Subtotal Control Investments</b>				<b>\$ 52,529,904</b>	<b>\$ 154,601,177</b>	<b>\$ 107,453,927</b>	
<b>Total Investments, September 30, 2019</b>				<b>\$ 342,768,343</b>	<b>\$ 467,647,576</b>	<b>\$ 396,888,998</b>	183.4%

- (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, as applicable, and is net of repayments.
- (3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for U.S. federal income tax purposes totaled \$28,155,804, \$96,121,868, and \$67,966,064, respectively. The tax cost basis of investments is \$464,855,062 as of September 30, 2019.
- (4) Percentage is based on net assets of \$216,432,530 as of September 30, 2019.
- (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, 2019 (see Note 8), and includes an analysis of the value of any unfunded commitments.
- (8) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
- (9) The investment was on non-accrual status as of September 30, 2019.
- (10) 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, 2019, 24.3% of the Company's portfolio investments were non-qualifying assets.
- (11) 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).
- (12) 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, 2019 was 2.04%.
- (13) 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, 2019 was 2.10%.
- (14) 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, 2019 was 5.00%.
- (15) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2019 was 2.10%.
- (16) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2019, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (17) This investment represents a Level 1 security in the ASC 820 table as of September 30, 2019 (see Note 4).
- (18) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2019 (see Note 4).
- (19) Security is non-income producing.
- (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 is expected to be repaid in full.
- (21) As a practical expedient, the Company uses net asset value ("NAV") to determine the fair value of this investment.
- (22) All or a portion of this investment is held in Medley SLF Funding I LLC (see Note 5).
- (23) All or a portion of this investment is held in Medley Small Business Fund, LP (see Note 5).
- (24) Affiliated Investments are defined by the 1940 Act as investments in companies in which the Company owns between 5% and 25% outstanding voting securities or is under common control with such portfolio company.
- (25) The September 30, 2019 presentation has been revised to conform to the current year presentation.

See accompanying notes to consolidated financial statements.

**MEDLEY CAPITAL CORPORATION**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020**  
**(unaudited)**

**Note 1. Organization**

Medley Capital Corporation (the “Company,” “we” and “us”) is a non-diversified closed end management investment company incorporated in Delaware that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We completed our initial public offering (“IPO”) and commenced operations on January 20, 2011. The Company has elected, and intends to qualify annually, to be treated, for U.S. federal income tax purposes, as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We are externally managed and advised by MCC Advisors LLC (“MCC Advisors”), 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 that 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. Effective July 1, 2019, SBIC LP surrendered its SBIC license and changed its name to Medley Small Business Fund, LP (“Medley Small Business Fund”). In addition, Medley SBIC GP, LLC changed its name to Medley Small Business Fund GP, LLC. See Note 5 for further information.

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**

The description of the Mergers (as defined below) and the Settlement (as defined below) set forth below are as of March 31, 2020. Subsequent to such date, the Amended MCC Merger Agreement (as defined below) and the Amended MDLY Merger Agreement (as defined below) were terminated. See Note 14. Subsequent Events for more information.

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 would, 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) would 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 would, 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 would 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) would 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 would have the right to receive certain dividends and/or other payments.

On July 29, 2019, the Company entered into the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the “Amended MCC Merger Agreement”), by and between the Company and Sierra, pursuant to which the Company will, on the terms and subject to the conditions set forth in the Amended MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving company in the MCC Merger. In the MCC Merger, each share of the Company’s common stock (other than shares of the Company’s common stock held by the Company, Sierra or their respective wholly owned subsidiaries) will be exchanged for the right to receive (i) 0.68 shares of Sierra’s common stock if the attorneys’ fees of plaintiffs’ counsel and litigation expenses paid or incurred by plaintiffs’ counsel or advanced by plaintiffs in connection with the Delaware Action, as described below (such fees and expenses, the “Plaintiff Attorney Fees”), are less than or equal to \$10,000,000; (ii) 0.66 shares of Sierra’s common stock if the Plaintiff Attorney Fees are equal to or greater than \$15,000,000; (iii) between 0.68 and 0.66 per share of Sierra’s common stock if the Plaintiff Attorney Fees are greater than \$10,000,000 but less than \$15,000,000, calculated on a descending basis, based on straight line interpolation between \$10,000,000 and \$15,000,000; or (iv) 0.66 shares of Sierra’s common stock in the event that the Plaintiff Attorney Fees are not fully and finally determined prior to the closing of the MCC Merger (such ratio, the “MCC Merger Exchange Ratio”). Based upon the Plaintiff Attorney Fees approved by the Court of Chancery of the State of Delaware (the “Delaware Court of Chancery”) as set forth in the Order and Final Judgment entered into on December 20, 2019, as described below (the “Delaware Order and Final Judgment”), the MCC Merger Exchange Ratio will be 0.66 shares of Sierra’s common stock. The Company and Sierra are appealing the Delaware Order and Final Judgment with respect to the Delaware Court of Chancery’s ruling on the Plaintiff Attorney Fees.

In addition, on July 29, 2019, Sierra and MDLY announced the execution of the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the “Amended MDLY Merger Agreement”), by and among MDLY, Sierra, and Merger Sub, pursuant to which MDLY will, on the terms and subject to the conditions set forth in the Amended MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the MDLY 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 shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries (the “Excluded MDLY Shares”) and the Dissenting Shares (as defined in the Amended MDLY Merger Agreement), held, immediately prior to the MDLY Merger effective time, by any person other than a Medley LLC unitholder, will be exchanged for (i) 0.2668 shares of Sierra’s common stock; plus (ii) cash in an amount equal to \$2.96 per share. In addition, 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 the Excluded MDLY Shares and the Dissenting Shares, held, immediately prior to the MDLY Merger effective time, by Medley LLC unitholders will be exchanged for (i) 0.2072 shares of Sierra’s common stock; plus (ii) cash in an amount equal to \$2.66 per share.

Pursuant to terms of the Amended MCC Merger Agreement, the consummation of the MCC Merger is conditioned upon the satisfaction or waiver of each of the conditions to closing under the Amended MDLY Merger Agreement and the consummation of the MDLY Merger. However, pursuant to the terms of the Amended MDLY Merger Agreement, the consummation of the MDLY Merger is not contingent upon the consummation of the MCC Merger. If both Mergers are successfully consummated, Sierra’s common stock would be listed on the NYSE, with such listing expected to be effective as of the closing date of the Mergers, and Sierra’s common stock will be listed on the Tel Aviv Stock Exchange (“TASE”), with such listing expected to be effective as of the closing date of the MCC Merger. If, however, only the MDLY Merger is consummated, Sierra’s common stock would be listed on the NYSE. If both Mergers are successfully consummated, the investment portfolios of MCC 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 LLC, its wholly controlled adviser subsidiary. If only the MDLY Merger is consummated, the investment portfolios of MCC and Sierra would not be combined; however, the investment management function relating to the operation of Sierra, as the surviving company, would still be internalized (the “Sierra/MDLY Company”) and the Sierra/MDLY Company would be managed by MCC Advisors.

The Mergers are subject to approval by the stockholders of the Company, Sierra, and MDLY, regulators, including the SEC, court approval of the Settlement (as described below), other customary closing conditions and third-party consents. There is no assurance that any of the foregoing conditions will be satisfied. The Company and Sierra have the right to terminate the Amended MCC Merger Agreement under certain circumstances, including (subject to certain limitations set forth in the Amended MCC Merger Agreement), among others: (i) by mutual written agreement of each party; (ii) any governmental entity whose consent or approval is a condition to closing set forth in Section 8.1 of the Amended MCC Merger Agreement has denied the granting of any such consent or approval and such denial has become final and nonappealable, or any governmental entity of competent jurisdiction shall have issued a final and nonappealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Amended MCC Merger Agreement; (iii) the MCC Merger has not closed on or prior to March 31, 2020; or (iv) either party has failed to obtain stockholder approval or the Amended MDLY Merger Agreement has been terminated.

On February 11, 2019, a purported stockholder class action was commenced in the Delaware Court of Chancery by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd. (together, “FrontFour”), captioned as FrontFour Capital Group LLC, et al. v. Brook Taube et al., Case No. 2019-0100 (the “Delaware Action”) against defendants Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, MDLY, Sierra, the Company, MCC Advisors, Medley Group LLC, 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 MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. The complaint sought to enjoin the vote of MCC stockholders on the proposed merger and enjoin enforcement of certain provisions of the Agreement and Plan of Merger, dated as of August 9, 2018, by and between MCC and Sierra (the “MCC Merger Agreement”).

The Delaware Court of Chancery held a trial on the plaintiffs’ motion for a preliminary injunction and issued a Memorandum Opinion (the “Decision”) on March 11, 2019. The Delaware Court of Chancery 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 Delaware Court of Chancery

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 Delaware Court of Chancery 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 had been made and stockholders had the opportunity to assimilate that information.

On March 20, 2019, another 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 Delaware Court of Chancery, captioned Altman v. Taube, Case No. 2019-0219 (the "Altman Action"). The complaint alleged that the defendants breached their fiduciary duties to stockholders of the Company in connection with the vote of the Company's stockholders on the proposed mergers. On April 8, 2019, the Delaware Court of Chancery granted a stipulation consolidating the Delaware Action and the Altman Action, designating the amended complaint in the Delaware Action as the operative complaint, and designating the plaintiffs in the Delaware Action and their counsel the lead plaintiffs and lead plaintiffs' counsel, respectively.

On December 20, 2019, the Delaware Court of Chancery entered into the Delaware Order and Final Judgment approving the settlement of the Delaware Action (the "Settlement"). Pursuant to the Settlement, the Company agreed to certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement, which amendments are reflected in the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement. The Settlement also provides for, if the MCC Merger is consummated, the creation of a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra's common stock, with the number of shares of Sierra's common stock to be calculated using the pro forma net asset value of \$6.37 per share as of June 30, 2019, which will be distributed to eligible members of the Settlement Class (as defined in the Settlement). In addition, in connection with the Settlement, on July 29, 2019, the Company entered into a Governance Agreement with FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, pursuant to which, among other matters, FrontFour is subject to customary standstill restrictions and required to vote in favor of the revised MCC Merger at a meeting of stockholders to approve the revised MCC Merger Agreement. The Settlement also provides for mutual releases between and among FrontFour and the Settlement Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Delaware Action through September 26, 2019.

The Delaware Court of Chancery also awarded attorney's fees as follows: (i) an award of \$3,000,000 to lead plaintiffs' counsel and \$75,000 to counsel to plaintiff Stephen Altman (the "Therapeutics Fee Award") and \$420,334.97 of plaintiff counsel expenses payable to the lead plaintiff's counsel, which were paid on December 23, 2019, and (ii) an award that is contingent upon the closing of the proposed merger transactions (the "Contingent Fee Award"), consisting of:

- a. \$100,000 for the agreement to appoint an independent director on the board of directors of the post-merger company; and
- b. the amount calculated by solving for A in the following formula:

$$\text{Award}[A] = (\text{Monetary Fund}[M] + \text{Award}[A] - \text{Look Through}[L]) * \text{Percentage}[P]$$

Where:

- A shall be the amount of the Additional Fee (excluding the \$100,000 award for the agreement to appoint an independent director on the board of directors of the post-merger company);
- M shall be the sum of (i) the \$17 million cash component of the Settlement Fund and (ii) the value of the post-merger company stock component of the Settlement Fund, which shall be calculated as the product of the VPS (as defined below) and 4,709,576.14 (the number of shares of post-merger company's stock comprising the stock component of the net settlement amount);
- L shall be the amount representing the estimated value of the decrease in shares to be received by eligible class members arising by operation of the change in the "Exchange Ratio" under the Amended MCC Merger Agreement, calculated as follows:

$$L = ((ES * 68\%) - (ES * 66\%)) * VPS$$

Where:

ES shall be the number of eligible shares;

VPS shall be the pro forma net asset value per share of the post-merger company's common stock as of the closing as reported in the public disclosure filed nearest in time and after the closing (the "Closing NAV Disclosure"); and

P shall equal 0.26

The Contingent Fee Award is contingent upon the closing of the MCC Merger. Payment of the Contingent Fee Award will be made in two stages. First, within five (5) business days of the establishment of the Settlement Fund, the Company or its successor shall (i) pay the plaintiffs' counsel an estimate of the Contingent Fee Award (the "Additional Fee Estimate"), less twenty (20) percent (the "Additional Fee Estimate Payment"), and (ii) deposit the remaining twenty (20) percent of the Additional Fee Estimate into escrow (the "Escrowed Fee"). For purposes of calculating such estimate, the Company or its successor shall use the formula set above, except that VPS shall equal the pro forma net asset value of the post-merger company's common stock as reported in the public disclosure filed nearest in time and prior to the closing (the "Closing NAV Estimate").

Second, within five (5) business days of the Closing NAV Disclosure (as defined in the Order and Final Judgment), (i) if the Additional Fee is greater than the Additional Fee Estimate Payment, an amount of the Escrowed Fee shall be released to plaintiffs' counsel such that the total payments made to plaintiffs' counsel equal the Additional Fee and the remainder of the Escrowed Fee, if any, shall be released to the Company or its successor, (ii) if the Additional Fee is less than the Additional Fee Estimate Payment, plaintiffs' counsel shall return to the Company or its successor the difference between the Additional Fee Estimate and the Additional Fee and the Escrowed Fee shall be released to the Company or its successor, or (iii) if the Additional Fee is equal to the Additional Fee Estimate Payment, the Escrowed Fee shall be released to the Company or its successor.

On January 17, 2020, the Company and Sierra filed a notice of appeal with the Delaware Supreme Court from those provisions of the Order and Final Judgment with respect to the Contingent Fee Award.

## **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 subsidiaries Medley Small Business Fund and Medley SLF Funding I LLC ("Medley SLF"), 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-Q 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.

### **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.

### **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. As of March 31, 2020, we had \$61.1 million in cash and cash equivalents. As of September 30, 2019, we had \$68.2 million in cash and cash equivalents, and \$16.0 million of restricted cash, which was restricted for the purposes of repaying principal and interest on our Series A Israeli Notes (the "Israeli Notes").

### **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 any credit facilities, unsecured notes and SBA-guaranteed debentures ("SBA Debentures") (see Note 5) are deferred and amortized over the life of the respective credit facility or instrument.

### **Indemnification**

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

### **Revenue Recognition**

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

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three and six months ended March 31, 2020, the Company earned approximately \$0.8 million and \$2.5 million in PIK interest, respectively. For the three and six months ended March 31, 2019, the Company earned approximately \$2.0 million and \$4.6 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. For the three and six months ended March 31, 2020, fee income was approximately \$0.1 million and \$0.4 million, respectively (see Note 9). For the three and six months ended March 31, 2019, fee income was approximately \$0.3 million and \$0.8 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 and six months ended March 31, 2020. During the three and six months ended March 31, 2019, \$10.8 million and \$10.8 million of our realized losses, respectively, were related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management's designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved against when deemed uncollectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At March 31, 2020, certain investments in ten portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$28.2 million, or 11.0% of the fair value of our portfolio. At March 31, 2020, certain investments in two portfolio companies held by the Company were on partial non-accrual status with a combined fair value of approximately \$13.3 million, or 5.2% of the fair value of our portfolio. At September 30, 2019, certain investments in seven portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$22.3 million, or 5.6% 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 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 valuation 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 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. After evaluating ASU 2018-13, the Company found no material changes to its fair value disclosures in the notes to the consolidated financial statements were necessary to comply with the pronouncement.

## Federal Income Taxes

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the calendar years ended 2019 and 2018, accrued at March 31, 2020 and March 31, 2019, respectively, the Company distributed at least 98% of its ordinary income and 98.2% of its capital gains, and as such, was not subject to federal excises 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 March 31, 2020, the Company recorded a deferred tax liability of \$0.1 million on the Consolidated Statements of Assets and Liabilities. As of September 30, 2019, 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 and six months ended March 31, 2020, the Company recorded a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments of \$0.1 million. For the three and six months ended March 31, 2019, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments.

As of March 31, 2020 and September 30, 2019, the Company had a net deferred tax asset of \$20.9 million and \$20.9 million, respectively, consisting primarily of net operating losses and net unrealized losses on the investments held within its Taxable Subsidiaries. As of March 31, 2020 and September 30, 2019, the Company has booked a valuation allowance of \$20.9 million and \$20.9 million, respectively, against its net deferred tax asset.

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 March 31, 2020. 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 March 31, 2020 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	<u>Amortized Cost</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
Senior Secured First Lien Term Loans	\$ 188,920	47.7%	\$ 106,008	41.4%
Senior Secured Second Lien Term Loans	40,172	10.1	25,389	9.9
Unsecured Debt	2,103	0.5	1,466	0.6
MCC Senior Loan Strategy JV I LLC	78,575	19.8	41,927	16.4
Equity/Warrants	86,717	21.9	81,106	31.7
Total	<u>\$ 396,487</u>	<u>100.0%</u>	<u>\$ 255,896</u>	<u>100.0%</u>

The composition of our investments as of September 30, 2019 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	<u>Amortized Cost</u>	<u>Percentage</u>	<u>Fair Value</u>	<u>Percentage</u>
Senior Secured First Lien Term Loans	\$ 243,342	52.0%	\$ 192,770	48.6%
Senior Secured Second Lien Term Loans	39,089	8.4	36,508	9.2
Unsecured Debt	2,653	0.6	2,653	0.7
MCC Senior Loan Strategy JV I LLC	78,575	16.8	69,949	17.6
Equity/Warrants	103,989	22.2	95,009	23.9
Total	<u>\$ 467,648</u>	<u>100.0%</u>	<u>\$ 396,889</u>	<u>100.0%</u>

In connection with certain of the Company's investments, the Company receives warrants that are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At March 31, 2020 and September 30, 2019, the total fair value of warrants was \$0 and \$24,983, respectively, and were included in investments at fair value on the Consolidated Statement of Assets and Liabilities. During the three and six months ended March 31, 2020, the Company had no warrant activity. During the three months ended March 31, 2019, the Company did not acquire any warrant positions. During the six months ended March 31, 2019, the Company acquired additional warrants in one of its existing portfolio investments.

For the three and six months ended March 31, 2020, there was \$24,983 and \$24,983, respectively, of unrealized depreciation related to warrants, which was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. For the three and six months ended March 31, 2019, there was \$0.3 million and \$0.3 million, respectively, of unrealized depreciation related to warrants, which 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 March 31, 2020 (dollars in thousands):

	Fair Value	Percentage
Construction & Building	\$ 53,520	20.9%
Multisector Holdings	41,927	16.4
Services: Business	31,656	12.4
High Tech Industries	25,892	10.1
Healthcare & Pharmaceuticals	22,612	8.8
Hotel, Gaming & Leisure	13,847	5.4
Containers, Packaging & Glass	11,949	4.7
Wholesale	11,768	4.6
Banking, Finance, Insurance & Real Estate	9,498	3.7
Consumer goods: Durable	5,966	2.3
Consumer goods: Non-durable	5,947	2.3
Energy: Oil & Gas	5,657	2.2
Environmental Industries	3,614	1.4
Metals & Mining	3,345	1.3
Aerospace & Defense	3,066	1.2
Forest Products & Paper	2,872	1.1
Media: Broadcasting & Subscription	1,482	0.6
Automotive	716	0.3
Media: Advertising, Printing & Publishing	375	0.2
Retail	187	0.1
<b>Total</b>	<b>\$ 255,896</b>	<b>100.0%</b>

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2019 (dollars in thousands):

	Fair Value	Percentage
Multisector Holdings	\$ 69,949	17.6%
Construction & Building	59,608	15.0
Services: Business	49,512	12.5
High Tech Industries	38,254	9.6
Healthcare & Pharmaceuticals	25,698	6.5
Energy: Oil & Gas	23,632	6.0
Hotel, Gaming & Leisure	21,127	5.3
Wholesale	13,850	3.5
Services: Consumer	13,278	3.3
Containers, Packaging & Glass	12,637	3.2
Capital Equipment	10,680	2.7
Automotive	10,375	2.6
Banking, Finance, Insurance & Real Estate	10,000	2.5
Aerospace & Defense	8,604	2.2
Consumer goods: Non-durable	6,326	1.6
Consumer goods: Durable	6,170	1.6
Environmental Industries	3,991	1.0
Metals & Mining	3,436	0.9
Forest Products & Paper	2,830	0.7
Media: Broadcasting & Subscription	2,408	0.6
Chemicals, Plastics & Rubber	2,277	0.6
Media: Advertising, Printing & Publishing	1,715	0.4
Retail	532	0.1
<b>Total</b>	<b>\$ 396,889</b>	<b>100.0%</b>

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 March 31, 2020 (dollars in thousands):

	<b>Fair Value</b>	<b>Percentage</b>
Northeast	\$ 104,886	41.0%
West	52,648	20.5
Southeast	39,881	15.6
Midwest	37,046	14.5
Mid-Atlantic	12,760	5.0
Southwest	8,675	3.4
<b>Total</b>	<b>\$ 255,896</b>	<b>100.0%</b>

The following table shows the portfolio composition by geographic location at fair value at September 30, 2019 (dollars in thousands):

	<b>Fair Value</b>	<b>Percentage</b>
Northeast	\$ 143,795	36.2%
West	88,412	22.3
Midwest	76,001	19.2
Southeast	48,089	12.1
Southwest	24,658	6.2
Mid-Atlantic	15,934	4.0
<b>Total</b>	<b>\$ 396,889</b>	<b>100.0%</b>

### 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 six months ended March 31, 2020 and 2019 were as follows:

Name of Investment <sup>(3)</sup>	Type of Investment	Fair Value at September 30, 2019	Purchases/(Sales) of or Advances/(Distributions)	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at March 31, 2020	Income Earned
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	\$ 9,304,145	\$ 168,923	\$ —	\$ (9,473,068)	\$ —	\$ —	\$ 167,086
	Senior Secured First Lien Term Loan B	5,886,892	—	—	(5,886,892)	—	—	—
	Senior Secured First Lien Term Loan C	1,170,014	21,243	—	(888,215)	—	303,042	21,011
	Senior Secured First Lien Term Loan D	224,456	8,087	—	—	—	232,543	8,084
	Senior Secured First Lien Term Loan E	—	838,174	—	—	—	838,174	28,042
	Revolving Credit Facility	4,387,025	(945,461)	—	—	—	3,441,564	132,413
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	2,509,089	—	—	(925,905)	—	1,583,184	—
	Preferred Equity Series A	—	—	—	—	—	—	—
	Preferred Equity Series AA	—	—	—	—	—	—	—
	Preferred Equity Series AAA	(100,800)	—	—	—	—	(100,800)	—
	Equity	—	—	—	—	—	—	—
Caddo Investors Holdings 1 LLC	Equity	2,830,051	—	—	42,392	—	2,872,443	—
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	1,264,841	—	—	(423,010)	—	841,831	—
	Revolving Credit Facility	545,103	(545,103)	—	—	—	—	6,692
	Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	20,150,684	(9,651,947)	—	—	—	10,498,737	299,304
	Preferred Equity A-1	2,607,661	(1,249,040)	—	—	—	1,358,621	38,732
	Equity	19,096,371	—	—	12,099,468	—	31,195,839	—
JFL-WCS Partners, LLC	Preferred Equity Class A	1,236,269	74,380	—	—	—	1,310,649	37,984
	Equity	2,755,041	—	—	(451,960)	—	2,303,081	—
Kemmerer Operations, LLC	Senior Secured First Lien Term Loan	1,766,511	137,264	—	—	—	1,903,775	137,321
	Senior Secured First Lien Delayed Draw Term Loan	706,604	(228,088)	—	—	—	478,516	43,003
	Equity	962,717	—	—	—	—	962,717	—

Path Medical, LLC	Senior Secured First Lien Term Loan	8,845,167	603,455	—	(72,452)	—	9,376,170	603,235
	Senior Secured First Lien Term Loan A	3,047,473	190,063	—	(7,113)	—	3,230,423	189,987
	Senior Secured First Lien Term Loan C	344,291	(196,835)	—	97	—	147,553	14,887
	Equity	—	—	—	—	—	—	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	(909,463)	—	—	—	5,760,537	325,921
	Equity	3,330,000	—	—	407,925	—	3,737,925	—
<b>Total Affiliated Investments</b>		<u>\$ 99,539,605</u>	<u>\$ (11,684,348)</u>	<u>\$ —</u>	<u>\$ (5,578,733)</u>	<u>\$ —</u>	<u>\$ 82,276,524</u>	<u>\$ 2,053,702</u>

#### Controlled Investments

MCC Senior Loan Strategy JV I LLC(1)(2)	Equity	69,948,970	—	—	(28,022,120)	—	41,926,850	3,500,000
	Senior Secured First Lien Term Loan	4,255,990	2,309,885	—	(2,035,797)	—	4,530,078	62,840
NVTN LLC	Super Priority Senior Secured First Lien Term Loan	—	1,995,374	—	4,626	—	2,000,000	1,983
	Senior Secured First Lien Term Loan B	7,152,352	—	—	(7,152,352)	—	—	—
	Senior Secured First Lien Term Loan C	—	—	—	—	—	—	—
	Equity	—	—	—	—	—	—	—
	Senior Secured Second Lien Term Loan	352,984	(352,984)	—	—	—	—	12,806
TPG Plastics LLC	Unsecured Debt	278,810	(278,810)	—	—	—	—	6,876
	Unsecured Debt	1,644,751	(1,630,312)	—	1,672,398	(1,686,837)	—	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	18,905,403	1,594,416	—	(8,003,559)	—	12,496,260	500,767
	Preferred Equity	4,914,667	—	—	(4,914,667)	—	—	—
	Equity	—	—	—	—	—	—	—
<b>Total Controlled Investments</b>		<u>\$ 107,453,927</u>	<u>\$ 3,637,569</u>	<u>\$ —</u>	<u>\$ (48,451,471)</u>	<u>\$ (1,686,837)</u>	<u>\$ 60,953,188</u>	<u>\$ 4,085,272</u>



Name of Investment <sup>(3)</sup>	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 March 31, 2019	Income Earned
<b>Affiliated Investments</b>								
1888 Industrial Services, LLC	Senior Secured First Lien Term Loan A	\$ 8,984,232	\$ —	\$ —	\$ —	\$ —	\$ 8,984,232	\$ 344,796
	Senior Secured First Lien Term Loan B	19,725,217	734,779	—	(7,334,001)	—	13,125,995	759,184
	Revolving Credit Facility	3,593,693	(539,054)	—	—	—	3,054,639	112,249
	Equity	—	—	—	—	—	—	—
Access Media Holdings, LLC	Senior Secured First Lien Term Loan	5,876,279	—	—	(510,963)	—	5,365,316	—
	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	—	—	(1,248,260)	—	1,634,540	—
	Senior Secured First Lien Delayed Draw Term Loan	503,105	—	—	—	—	503,105	18,817
	Equity	—	—	—	—	—	—	—
Caddo Investors Holdings 1 LLC	Equity	2,500,000	20,842	—	194,105	—	2,714,947	(61,927)
Dynamic Energy Services International LLC	Senior Secured First Lien Term Loan	—	—	7,824,975	(6,636,810)	—	1,188,165	—
	Revolving Credit Facility	—	585,858	1,322,001	—	—	1,907,859	7,542
	Equity	—	—	—	—	—	—	—
JFL-NGS Partners, LLC	Preferred Equity A-2	31,468,755	—	—	—	—	31,468,755	470,738
	Preferred Equity A-1	4,072,311	—	—	—	—	4,072,311	60,917
	Equity	9,825,804	—	—	8,367,519	—	18,193,323	—
JFL-WCS Partners, LLC	Preferred Equity Class A	1,166,292	69,978	—	—	—	1,236,270	35,641
	Equity	215,116	—	—	2,539,925	—	2,755,041	—
Path Medical, LLC	Senior Secured First Lien Term Loan	—	856,808	7,821,824	(182,471)	—	8,496,161	538,508
	Senior Secured First Lien Term Loan A	—	281,574	2,808,500	(162,846)	—	2,927,228	171,909
	Senior Secured First Lien Term Loan C	—	688,926	—	—	—	688,926	36,208
	Equity	—	—	499,751	(499,751)	—	—	—
US Multifamily, LLC	Senior Secured First Lien Term Loan	6,670,000	—	—	—	—	6,670,000	333,500
	Equity	3,330,000	—	—	—	—	3,330,000	—
<b>Total Affiliated Investments</b>		<u>\$ 100,640,804</u>	<u>\$ 2,771,711</u>	<u>\$ 20,277,051</u>	<u>\$ (5,473,553)</u>	<u>\$ —</u>	<u>\$ 118,216,013</u>	<u>\$ 2,828,082</u>

**Controlled Investments**

Capstone Nutrition	Senior Secured First Lien Term Loan	\$ 12,657,663	\$ —	\$ —	\$ (2,916,918)	\$ —	\$ 9,740,745	\$ —
	Senior Secured First Lien Delayed Draw Term Loan	5,692,096	—	—	(1,311,725)	—	4,380,371	—
	Senior Secured First Lien Incremental Delayed Draw	2,242,721	1,484,319	—	—	—	3,727,040	204,361
	Equity - Class B and C Units	—	—	—	—	—	—	—
	Equity - Common Units	—	—	—	—	—	—	—
MCC Senior Loan Strategy JV I LLC <sup>(1)(2)</sup>	Equity	78,370,891	—	—	(2,961,191)	—	75,409,700	4,025,000
NVTN LLC	Senior Secured First Lien Term Loan	4,005,990	250,000	—	—	—	4,255,990	132,703
	Senior Secured First Lien Term Loan B	11,837,367	467,729	—	(2,912,368)	—	9,392,728	356,304
	Senior Secured First Lien Term Loan C	7,479,397	90,657	—	(7,570,054)	—	—	—
	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	(28,295)	—	—	—	373,051	14,925
	Unsecured Debt	360,000	(12,780)	—	—	(59,410)	287,810	13,667
	Unsecured Debt	646,996	(646,996)	—	—	—	—	2,163
	Equity	2,670,154	646,996	—	(1,672,398)	—	1,644,752	—
URT Acquisition Holdings Corporation	Senior Secured Second Lien Term Loan	15,112,754	2,318,082	—	—	—	17,430,836	862,128
	Preferred Equity	5,850,795	702,095	—	—	—	6,552,890	371,091
	Equity	12,937,518	—	—	(3,179,728)	—	9,757,790	—
<b>Total Controlled Investments</b>	<b>\$ 161,639,736</b>	<b>\$ 5,933,032</b>	<b>\$ —</b>	<b>\$ 26,919,491</b>	<b>\$ (51,538,556)</b>	<b>\$ 142,953,703</b>	<b>\$ 5,977,315</b>	

(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.

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 six months ended March 31, 2020 and 2019. 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 and six months ended March 31, 2020 and 2019.

## 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 March 31, 2020, there were two participation agreements outstanding with an aggregate fair value of \$5.0 million. At September 30, 2019, there were two participation agreements outstanding with an aggregate fair value of \$6.5 million. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale. In each case, the Company's loan participation agreements satisfy the following conditions:

- transferred investments have been isolated from the Company, and put presumptively beyond the reach of the Company and its creditors, even in bankruptcy or other receivership,
- each participant has the right to pledge or exchange the transferred investments it received, and no condition both constrains the participant from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Company; and
- the Company, its consolidated affiliates or its agents do not maintain effective control over the transferred investments through either: (i) an agreement that entitles and/or obligates the Company to repurchase or redeem the assets before maturity, or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

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

During the three and six months ended March 31, 2020, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of \$0.7 million and \$1.4 million, respectively. During the three and six months ended March 31, 2019, 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 March 31, 2020, 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 March 31, 2020 relating to these commitments, of which \$78.6 million was from the Company. As of March 31, 2020, 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, Cayman Islands Branch ("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. On March 29, 2019, the JV Facility reinvestment period was extended from March 30, 2019 to June 28, 2019. On June 28, 2019, the JV Facility reinvestment period was further extended from June 28, 2019 to October 28, 2019. On October 28, 2019, the JV Facility reinvestment period was further extended from October 28, 2019 to March 31, 2020 and the interest rate was modified from bearing an interest rate of LIBOR (with a 0.00% floor) + 2.50% per annum to LIBOR (with a 0.00% floor) + 2.75% per annum. Effective as of March 31, 2020, the maturity date was extended to March 31, 2023. As of March 31, 2020 and September 30, 2019, there was approximately \$179.3 million outstanding under the JV Facility.

On March 31, 2020, the JV Facility ended its reinvestment period and entered its amortization period, during which time the interest rate is increased to LIBOR (with a 0.00% floor) + 3.00% per annum.

On April 20, 2020, the JV Facility was amended to (i) during each 12-month period during the amortization period permit the sale of investments below a price of 97% as long as the sale is approved by DB and the balance of all such investments sold is not greater than 30% of the adjusted balance of all loans as of the first date of each 12-month period and (ii) establish a target effective advance rate at various measurement dates during the amortization period. All principal collections will be swept to amortize the amount outstanding under the JV Facility and interest collections will be swept, as applicable, in order to meet the target effective advance rate for the applicable period.

At March 31, 2020 and September 30, 2019, MCC JV had total investments at fair value of \$208.2 million and \$249.3 million, respectively. As of March 31, 2020 and September 30, 2019, MCC JV's portfolio was comprised of senior secured first lien term loans to 60 and 61 borrowers, respectively. As of March 31, 2020 and September 30, 2019, 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 March 31, 2020 and September 30, 2019:

	March 31, 2020	September 30, 2019
Senior secured loans <sup>(1)</sup>	\$ 251,868,793	\$ 261,170,437
Weighted average current interest rate on senior secured loans <sup>(2)</sup>	6.30%	7.17%
Number of borrowers in MCC JV	60	61
Largest loan to a single borrower <sup>(1)</sup>	\$ 10,769,072	\$ 10,884,644
Total of five largest loans to borrowers <sup>(1)</sup>	\$ 43,058,680	\$ 43,626,877

(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 March 31, 2020**  
(unaudited)

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/7/2022	10,769,072	10,769,072	9,939,854	20.7%
				10,769,072	10,769,072	9,939,854	
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/15/2027	1,228,961	1,225,110	1,042,650	2.2%
				1,228,961	1,225,110	1,042,650	
Callaway Golf Company	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/4/2026	2,759,313	2,713,685	2,450,270	5.1%
				2,759,313	2,713,685	2,450,270	
Cambrex Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/4/2026	3,990,000	3,913,763	3,686,361	7.7%
				3,990,000	3,913,763	3,686,361	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2023	5,321,250	5,293,395	4,946,102	10.3%
				5,321,250	5,293,395	4,946,102	
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/10/2025	1,347,244	1,342,396	1,258,191	2.6%
				595,500	595,500	556,137	1.2%
				1,942,744	1,937,896	1,814,328	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.00%) <sup>(1)</sup>	7/1/2026	4,975,031	4,930,438	3,950,911	8.2%
				4,975,031	4,930,438	3,950,911	
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/1/2021	4,110,324	4,061,412	3,192,078	6.7%
				4,110,324	4,061,412	3,192,078	
Envision Healthcare Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/10/2025	1,950,313	1,892,941	1,126,305	2.4%
				1,950,313	1,892,941	1,126,305	
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/1/2025	3,427,687	3,386,073	2,570,765	5.4%
				3,427,687	3,386,073	2,570,765	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>		
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/20/2021	2,893,130	2,890,323	2,406,216	5.0%		
				2,893,130	2,890,323	2,406,216			
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/23/2024	4,875,500	4,863,091	2,888,734	6.0%		
				4,875,500	4,863,091	2,888,734			
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/20/2023	4,092,193	4,092,193	3,793,872	7.9%		
				4,092,193	4,092,193	3,793,872			
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor) <sup>(1)(4)</sup>	6/30/2022	1,732,439	1,722,313	598,211	1.2%		
				Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor) <sup>(1)(4)</sup>	4/18/2020	86,311	85,849	86,311	0.2%
				Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor) <sup>(1)(4)</sup>		86,311	86,311	86,311	0.2%
				1,905,061		1,894,473	770,833		
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2025	4,045,588	4,035,870	3,335,183	7.0%		
				4,045,588	4,035,870	3,335,183			
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/21/2022	7,760,000	7,725,206	1,435,600	3.0%		
				7,760,000	7,725,206	1,435,600			
Infogroup, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2023	4,850,000	4,825,571	3,857,690	8.1%		
				4,850,000	4,825,571	3,857,690			
Intermediate LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/1/2026	2,736,250	2,720,504	2,416,930	5.0%		
				2,736,250	2,720,504	2,416,930			
Isagenix International, LLC	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/16/2025	2,711,859	2,700,534	950,235	2.0%		
				2,711,859	2,700,534	950,235			
IXS Holdings, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/5/2027	3,000,000	2,970,224	2,970,000	6.2%		
				3,000,000	2,970,224	2,970,000			
Jordan Health Products I, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/15/2025	5,155,539	5,098,620	2,909,271	6.1%		
				5,155,539	5,098,620	2,909,271			
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/1/2024	6,131,257	6,063,596	5,552,466	11.6%		
				6,131,257	6,063,596	5,552,466			
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2024	4,807,267	4,751,198	2,635,824	5.5%		
				4,807,267	4,751,198	2,635,824			

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
Liaison Acquisition, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/20/2026	6,483,750	6,468,169	5,973,479	12.5%
				6,483,750	6,468,169	5,973,479	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/18/2022	4,533,162	4,521,367	3,615,197	7.5%
				4,533,162	4,521,367	3,615,197	
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup> Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/8/2023	3,013,958	3,013,958	2,753,854	5.7%
			12/8/2023	612,042	612,042	559,222	1.2%
				3,626,000	3,626,000	3,313,076	
MediaOcean	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.00%) <sup>(1)</sup>	8/18/2025	1,750,000	1,745,879	1,627,500	3.4%
				1,750,000	1,745,879	1,627,500	
NGS US Finco, LLC	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/1/2025	2,962,500	2,950,847	2,495,906	5.2%
				2,962,500	2,950,847	2,495,906	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/28/2025	4,165,000	4,150,077	3,347,411	7.0%
				4,165,000	4,150,077	3,347,411	
Nuvei Technologies Corp.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup> Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup> Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2025	3,447,677	3,420,141	3,155,658	6.6%
			9/29/2025	505,053	505,053	462,275	1.0%
			9/29/2025	696,620	696,620	637,617	1.3%
				4,649,350	4,621,814	4,255,550	
Offen, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.00%) <sup>(1)</sup>	6/22/2026	3,645,022	3,612,479	3,389,935	7.1%
				3,645,022	3,612,479	3,389,935	
Patriot Rail Company LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.25%) <sup>(1)</sup>	10/19/2026	1,750,000	1,717,193	1,570,975	3.3%
				1,750,000	1,717,193	1,570,975	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/29/2024	3,389,015	3,379,106	3,179,913	6.6%
				3,389,015	3,379,106	3,179,913	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/19/2022	6,312,851	6,301,740	5,212,521	10.9%
				6,312,851	6,301,740	5,212,521	
Phoenix Guarantor Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.25%) <sup>(1)</sup>	3/5/2026	3,970,050	3,917,313	3,422,620	7.1%
				3,970,050	3,917,313	3,422,620	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2024	2,960,962	2,941,018	2,641,177	5.5%
				2,960,962	2,941,018	2,641,177	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor, 2% PIK) <sup>(1)(5)</sup> Class C Common Stock	11/30/2023	4,930,040	4,612,650	4,437,036	9.3%
				1	—	—	
				4,930,041	4,612,650	4,437,036	
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/5/2024	1,962,389	1,955,207	1,615,607	3.4%
				1,962,389	1,955,207	1,615,607	
Quartz Holding Company	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/2/2026	6,450,006	6,428,599	5,906,916	12.3%
				6,450,006	6,428,599	5,906,916	
RB Media, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/29/2025	3,957,985	3,927,322	3,411,387	7.1%
				3,957,985	3,927,322	3,411,387	
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/25/2023	3,839,912	3,826,317	3,477,425	7.3%
				3,839,912	3,826,317	3,477,425	
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) <sup>(1)</sup> Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/3/2025	1,684,453	1,697,405	1,530,982	3.2%
				1,329,133	1,285,877	1,201,802	2.5%
						3,013,586	2,983,282
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/28/2022	2,608,036	2,587,903	2,318,805	4.8%
				2,608,036	2,587,903	2,318,805	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/1/2026	2,233,153	2,227,757	1,941,503	4.1%
				2,233,153	2,227,757	1,941,503	
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup> Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/1/2022	4,798,779	4,750,714	4,648,098	9.7%
				1,861,878	1,861,878	1,803,415	3.8%
						6,660,657	6,612,592
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2024	9,775,000	9,742,353	9,199,253	19.2%
				9,775,000	9,742,353	9,199,253	
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/11/2024	3,899,099	3,890,735	3,659,695	7.6%
				3,899,099	3,890,735	3,659,695	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>		
Simplified Logistics, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/27/2022	3,465,000	3,465,000	3,260,219	6.8%		
				3,465,000	3,465,000	3,260,219			
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/9/2023	2,920,152	2,902,888	1,863,641	3.9%		
				2,920,152	2,902,888	1,863,641			
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/28/2021	6,000,000	5,940,847	5,428,800	11.3%		
				6,000,000	5,940,847	5,428,800			
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/11/2024	6,641,146	6,621,847	5,749,240	12.0%		
				6,641,146	6,621,847	5,749,240			
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2025	2,425,500	2,417,100	2,073,075	4.3%		
				2,425,500	2,417,100	2,073,075			
United Road Services, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/2/2024	3,699,998	3,688,038	2,869,718	6.0%		
				3,699,998	3,688,038	2,869,718			
Vero Parent, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/16/2024	3,895,700	3,874,200	3,076,045	6.4%		
				3,895,700	3,874,200	3,076,045			
Wawona Delaware Holdings, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/11/2026	4,950,125	4,904,391	4,251,662	8.9%		
				4,950,125	4,904,391	4,251,662			
Wheels Up Partners LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/15/2021	3,204,578	3,166,354	2,942,443	6.1%		
				3,204,578	3,166,354	2,942,443			
Wok Holdings Inc.	Retail	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/1/2026	6,583,500	6,534,701	4,542,615	9.5%		
				6,583,500	6,534,701	4,542,615			
Wrench Group LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/30/2026	2,214,516	2,196,698	2,068,451	4.3%		
				Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/30/2026	227,513		225,267	215,341
						2,442,029		2,421,965	2,283,792
Xehec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/12/2024	8,093,951	8,093,951	7,633,405	15.9%		
				8,093,951	8,093,951	7,633,405			
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2022	2,581,250	2,581,250	2,419,148	5.0%		
				2,581,250	2,581,250	2,419,148			
<b>Total Investments, March 31, 2020</b>				<b>\$ 251,868,794</b>	<b>\$ 250,115,439</b>	<b>\$ 208,233,465</b>	<b>434.5%</b>		



- (1) Represents the annual current interest rate as of March 31, 2020. 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 \$47,916,400 as of March 31, 2020.
- (4) This investment was on non-accrual status as of March 31, 2020.
- (5) Par amount includes accumulated PIK interest and is net of repayments.

MCC JV Loan Portfolio as of September 30, 2019

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>		
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/7/2022	\$ 10,884,644	\$ 10,884,644	\$ 10,635,385	13.3%		
				10,884,644	10,884,644	10,635,385			
Acrisure, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/22/2023	724,217	722,980	720,162	0.9%		
				724,217	722,980	720,162			
AL Midcoast Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/1/2025	4,330,542	4,297,473	4,246,963	5.3%		
				4,330,542	4,297,473	4,246,963			
Brightspring Health Services	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.50%) <sup>(1)</sup>	3/5/2026	3,990,000	3,941,288	3,990,000	5.0%		
				3,990,000	3,941,288	3,990,000			
Callaway Golf Company	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/4/2026	2,774,187	2,724,326	2,801,929	3.5%		
				2,774,187	2,724,326	2,801,929			
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2023	5,348,750	5,316,921	5,172,776	6.5%		
				5,348,750	5,316,921	5,172,776			
CHA Consulting, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/10/2025	1,354,100	1,348,742	1,324,581	1.7%		
				Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/10/2025	598,500	598,500	584,908	0.7%
						1,952,600	1,947,242	1,909,489	
Covenant Surgical Partners, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.00%) <sup>(1)</sup>	7/1/2026	5,000,000	4,951,590	4,940,000	6.2%		
				5,000,000	4,951,590	4,940,000			
CT Technologies Intermediate Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/1/2021	4,131,900	4,067,981	3,770,359	4.7%		
				4,131,900	4,067,981	3,770,359			
Envision Healthcare Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/10/2025	1,960,188	1,897,299	1,594,220	2.0%		
				1,960,188	1,897,299	1,594,220			
GC EOS Buyer, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/1/2025	3,445,086	3,399,335	3,400,989	4.3%		
				3,445,086	3,399,335	3,400,989			
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/20/2021	2,908,397	2,903,827	2,641,697	3.3%		
				2,908,397	2,903,827	2,641,697			
Glass Mountain Pipeline Holdings, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/23/2024	4,900,375	4,886,582	4,618,604	5.8%		
				4,900,375	4,886,582	4,618,604			

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
Golden West Packaging Group LLC	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/20/2023	4,188,348	4,188,348	4,163,637	5.2%
				4,188,348	4,188,348	4,163,637	
High Ridge Brands Co.	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor) <sup>(1)(4)</sup>	6/30/2022	1,818,750	1,805,750	1,421,353	1.8%
				1,818,750	1,805,750	1,421,353	
Highline Aftermarket Acquisitions, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2025	4,066,176	4,055,443	3,601,412	4.5%
				4,066,176	4,055,443	3,601,412	
The Imagine Group, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/21/2022	7,800,000	7,757,145	5,187,780	6.5%
				7,800,000	7,757,145	5,187,780	
Infogroup, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2023	4,875,000	4,846,330	4,748,738	5.9%
				4,875,000	4,846,330	4,748,738	
Intermedia Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/21/2025	2,977,500	2,952,588	2,973,034	3.7%
				2,977,500	2,952,588	2,973,034	
Intermediate LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/1/2026	2,750,000	2,732,906	2,732,400	3.4%
				2,750,000	2,732,906	2,732,400	
Isagenix International, LLC	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	6/16/2025	2,788,268	2,775,502	2,115,738	2.6%
				2,788,268	2,775,502	2,115,738	
Jackson Hewitt Tax Service Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.25%) <sup>(1)</sup>	5/31/2023	5,850,000	5,850,000	5,811,390	7.3%
				5,850,000	5,850,000	5,811,390	
Jordan Health Products I, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/15/2025	5,181,776	5,118,971	4,378,601	5.5%
				5,181,776	5,118,971	4,378,601	
Keystone Acquisition Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/1/2024	6,162,699	6,086,349	5,972,888	7.5%
				6,162,699	6,086,349	5,972,888	
KNB Holdings Corporation	Consumer Goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/26/2024	4,871,364	4,807,569	3,975,033	5.0%
				4,871,364	4,807,569	3,975,033	
LifeMiles Ltd.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/18/2022	4,836,393	4,821,161	4,759,978	6.0%
				4,836,393	4,821,161	4,759,978	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
Manna Pro Products, LLC	Consumer Goods: Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/8/2023	3,029,375	3,029,375	2,880,027	3.6%
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	12/8/2023	615,125	615,125	584,799	0.7%
				3,644,500	3,644,500	3,464,826	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/14/2022	2,446,853	2,443,556	2,442,205	3.1%
				2,446,853	2,443,556	2,442,205	
NGS US Finco, LLC	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/1/2025	2,977,500	2,964,722	2,903,360	3.6%
				2,977,500	2,964,722	2,903,360	
Northern Star Industries, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/28/2025	4,186,250	4,169,745	3,984,054	5.0%
				4,186,250	4,169,745	3,984,054	
Nuvei Technologies Corp.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2025	3,543,616	3,512,593	3,477,350	4.3%
		Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2025	519,107	519,107	509,399	0.6%
		Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2025	716,005	716,005	702,616	0.9%
				4,778,728	4,747,705	4,689,365	
Offen, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.00%) <sup>(1)</sup>	6/22/2026	3,663,385	3,628,046	3,613,477	4.5%
				3,663,385	3,628,046	3,613,477	
Peraton Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/29/2024	3,406,439	3,395,256	3,384,979	4.2%
				3,406,439	3,395,256	3,384,979	
PetroChoice Holdings, Inc.	Chemicals, Plastics and Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/19/2022	6,345,900	6,333,392	6,092,064	7.6%
				6,345,900	6,333,392	6,092,064	
Port Townsend Holdings Company, Inc.	Forest Products & Paper	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/3/2024	3,041,842	3,018,790	2,992,564	3.7%
				3,041,842	3,018,790	2,992,564	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor, 2% PIK) <sup>(1)(5)</sup>	11/30/2023	4,880,028	4,562,638	4,562,338	5.7%
		Class C Common Stock		1	—	—	
				4,880,029	4,562,638	4,562,338	
PVHC Holding Corp	Containers, Packaging and Glass	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/5/2024	1,972,350	1,964,300	1,912,137	2.4%
				1,972,350	1,964,300	1,912,137	
Quantum Spatial, Inc.	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/5/2024	5,000,000	5,000,000	5,000,000	6.3%
				5,000,000	5,000,000	5,000,000	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>		
Quartz Holding Company	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/2/2026	6,982,500	6,957,391	6,885,443	8.6%		
				6,982,500	6,957,391	6,885,443			
RB Media, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/29/2025	3,960,000	3,926,377	3,960,000	5.0%		
				3,960,000	3,926,377	3,960,000			
Rough Country, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/25/2023	4,080,727	4,063,983	4,014,619	5.0%		
				4,080,727	4,063,983	4,014,619			
Safe Fleet Holdings LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/3/2025	3,422,875	3,417,582	3,297,255	4.1%		
				Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/3/2025	1,335,880	1,288,373	1,288,055	1.6%
						4,758,755	4,705,955	4,585,310	
Salient CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/28/2022	2,645,536	2,619,767	2,503,471	3.1%		
				2,645,536	2,619,767	2,503,471			
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	7/1/2026	2,244,375	2,238,962	2,249,986	2.8%		
				2,244,375	2,238,962	2,249,986			
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/1/2022	4,820,605	4,762,317	4,775,291	6.0%		
				Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/1/2022	1,871,234	1,871,234	1,853,644	2.3%
						6,691,839	6,633,551	6,628,935	
Shift4 Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/29/2024	9,825,000	9,788,662	9,825,000	12.3%		
				9,825,000	9,788,662	9,825,000			
Sierra Enterprises, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	11/11/2024	3,918,993	3,909,644	3,821,018	4.8%		
				3,918,993	3,909,644	3,821,018			
Simplified Logistics, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/27/2022	3,482,500	3,482,500	3,482,500	4.4%		
				3,482,500	3,482,500	3,482,500			
SMB Shipping Logistics, LLC	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/5/2024	2,465,807	2,446,381	2,453,478	3.1%		
				2,465,807	2,446,381	2,453,478			
Syniverse Holdings, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/9/2023	3,935,050	3,907,819	3,695,799	4.6%		
				3,935,050	3,907,819	3,695,799			
The Octave Music Group, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	5/28/2021	4,348,644	4,348,644	4,325,596	5.4%		
				4,348,644	4,348,644	4,325,596			

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value <sup>(2)</sup>	% of Net Assets <sup>(3)</sup>
ThoughtWorks, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/11/2024	6,674,943	6,659,353	6,674,943	8.3%
				6,674,943	6,659,353	6,674,943	
Tortoise Borrower LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	1/31/2025	2,437,875	2,428,557	2,392,287	3.0%
				2,437,875	2,428,557	2,392,287	
United Road Services, Inc.	Transportation: Cargo	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/2/2024	3,759,999	3,746,467	3,699,087	4.6%
				3,759,999	3,746,467	3,699,087	
Vero Parent, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	8/16/2024	3,915,475	3,891,393	3,886,109	4.9%
				3,915,475	3,891,393	3,886,109	
Wawona Delaware Holdings, LLC	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/11/2026	4,975,000	4,925,465	4,925,250	6.2%
				4,975,000	4,925,465	4,925,250	
Wheels Up Partners LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor) <sup>(1)</sup>	10/15/2021	3,633,328	3,575,903	3,569,381	4.5%
				3,633,328	3,575,903	3,569,381	
Wok Holdings Inc.	Retail	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	3/1/2026	6,616,750	6,563,551	5,599,756	7.0%
				6,616,750	6,563,551	5,599,756	
Wrench Group LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	4/30/2026	2,225,672	2,208,221	2,225,672	2.8%
				2,225,672	2,208,221	2,225,672	
Xebec Global Holdings, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) <sup>(1)</sup>	2/12/2024	8,134,734	8,134,734	8,114,397	10.1%
				8,134,734	8,134,734	8,114,397	
Z Medica, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) <sup>(1)</sup>	9/29/2022	2,596,000	2,596,000	2,498,910	3.1%
				2,596,000	2,596,000	2,498,910	
<b>Total Investments, September 30, 2019</b>				<b>\$ 266,050,466</b>	<b>\$ 259,371,480</b>	<b>\$ 249,342,871</b>	<b>311.9%</b>

(1) Represents the annual current interest rate as of September 30, 2019. 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 \$79,941,680 as of September 30, 2019.

(4) This investment was on non-accrual status as of September 30, 2019.

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

Below is certain summarized financial information for MCC JV as of March 31, 2020 and September 30, 2019, and for the three and six months ended March 31, 2020 and 2019:

	March 31, 2020		September 30, 2019	
	(unaudited)			
<b>Selected Consolidated Statement of Assets and Liabilities Information:</b>				
Investments in loans at fair value (amortized cost of \$250,115,439 and \$259,371,480, respectively)	\$	208,233,465	\$	249,342,871
Cash		17,260,050		8,007,466
Other assets		983,359		1,466,352
<b>Total assets</b>	<b>\$</b>	<b>226,476,874</b>	<b>\$</b>	<b>258,816,689</b>
Line of credit (net of debt issuance costs of \$1,780,852 and \$1,552,067, respectively)	\$	177,499,148	\$	177,694,223
Other liabilities		376,305		472,737
Interest payable		685,021		708,049
<b>Total liabilities</b>		<b>178,560,474</b>		<b>178,875,009</b>
Members' capital		47,916,400		79,941,680
<b>Total liabilities and members' capital</b>	<b>\$</b>	<b>226,476,874</b>	<b>\$</b>	<b>258,816,689</b>

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
<b>Selected Consolidated Statement of Operations Information:</b>				
Total revenues	\$	4,396,530	\$	5,143,154
Total expenses		(2,587,114)		(2,748,463)
Net unrealized appreciation/(depreciation)		(27,265,785)		(806,438)
Net realized gain/(loss)		(4,915)		49,381
<b>Net income/(loss)</b>	<b>\$</b>	<b>(25,461,284)</b>	<b>\$</b>	<b>1,637,634</b>
			\$	(28,025,280)
				\$
				1,222,478

#### 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 the Company's annual report on Form 10-K if any of the three tests exceed 20%. Rule 4-08(g) of Regulation S-X requires summarized financial information of Control Investments in the Company's annual report on Form 10-K if any of the three tests exceeds 10%, and summarized financial information in the Company's quarterly report on Form 10-Q 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 six months ended March 31, 2020, 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. Investments which are valued using NAV as a practical expedient are excluded from this hierarchy, and certain prior period amounts have been reclassified to conform to the current period presentation. The three levels are defined below:

- 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. During the three months ended March 31, 2020, none of our investments transferred in or out of Level 3.

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of March 31, 2020 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ —	\$ —	\$ 106,008	\$ 106,008
Senior Secured Second Lien Term Loans	—	—	25,389	25,389
Unsecured Debt	—	—	1,466	1,466
Equity/Warrants	11,768	—	66,466	78,234
<b>Total</b>	<b>\$ 11,768</b>	<b>\$ —</b>	<b>\$ 199,329</b>	<b>\$ 211,097</b>
Investments measured at net asset value <sup>(1)</sup>				44,799
<b>Total Investments, at fair value</b>				<b>\$ 255,896</b>

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2019 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ —	\$ —	\$ 192,770	\$ 192,770
Senior Secured Second Lien Term Loans	—	—	36,508	36,508
Unsecured Debt	—	—	2,653	2,653
Equity/Warrants	13,850	—	78,329	92,179
<b>Total</b>	<b>\$ 13,850</b>	<b>\$ —</b>	<b>\$ 310,260</b>	<b>\$ 324,110</b>
Investments measured at net asset value <sup>(1)</sup>				72,779
<b>Total Investments, at fair value</b>				<b>\$ 396,889</b>

- (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 six months ended March 31, 2020 (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, 2019	\$ 192,770	\$ 36,508	\$ —	\$ 2,653	\$ 78,329	\$ 310,260
Purchases and other adjustments to cost	1,387	653	—	—	870	2,910
Originations	12,111	944	—	—	182	13,237
Sales	(186)	—	—	—	(1,630)	(1,816)
Settlements	(67,710)	(513)	—	(549)	(15,902)	(84,674)
Net realized gains/(losses) from investments	—	—	—	—	(1,687)	(1,687)
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	(32,364)	(12,203)	—	(638)	6,304	(38,901)
Balance as of March 31, 2020	\$ 106,008	\$ 25,389	\$ —	\$ 1,466	\$ 66,466	\$ 199,329

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended March 31, 2019 (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	3,328	821	—	(647)	2,589	6,091
Originations	50,169	1,500	—	—	72	51,741
Sales	(32,030)	(11,828)	—	—	—	(43,858)
Settlements	(28,752)	(2,141)	—	(13)	(1)	(30,907)
Net realized gains/(losses) from investments	(44,061)	114	—	(22,787)	(873)	(67,607)
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	9,151	(1,505)	—	22,728	14,247	44,621
Balance as of March 31, 2019	\$ 352,820	\$ 35,851	\$ 19,268	\$ 2,662	\$ 126,489	\$ 537,090

Net change in unrealized loss for the six months ended March 31, 2020 and 2019 included in earnings related to investments still held as of March 31, 2020 and 2019, was approximately \$69.9 million and \$12.5 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 six months ended March 31, 2020, none of our investments transferred in or out of Level 3. During the six months ended March 31, 2019, 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 March 31, 2020 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$ 66,322	Income Approach (DCF)	Market Yield	8.20% - 15.99% (12.11%)
Senior Secured First Lien Term Loans	39,686	Market Approach (Guideline Comparable)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Capitalization Rate Discount Rate Expected Proceeds	0.25x - 0.50x (0.49x) 2.50x - 5.50x (4.68x) 5.25% - 5.25% (5.25%) 9.30% - 17.90% (15.57%) \$11.2M - \$11.2M (\$11.2M)
Senior Secured Second Lien Term Loans	12,518	Income Approach (DCF)	Market Yield	14.24% - 28.28% (20.44%)

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured Second Lien Term Loan	12,871	Market Approach (Guideline Comparable)/Income Approach (DCF)	EBITDA Multiple <sup>(1)</sup> Discount Rate	3.50x - 4.50x (4.47x) 15.40% - 15.40% (15.40%)
Unsecured Debt	1,466	Market Approach (Guideline Comparable)	EBITDA Multiple <sup>(1)</sup>	4.50x - 4.50x (4.50x)
Equity	3,501	Income Approach (DCF)	Market Yield	17.00%
Equity	62,965	Market Approach (Guideline Comparable)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Capitalization Rate Discount Rate Expected Proceeds	0.50x - 0.50x (0.50x) 2.50x - 8.00x (7.49x) 5.25% - 5.25% (5.25%) 9.30% - 18.30% (13.76%) \$11.2M - \$11.2M (\$11.2M)
<b>Total</b>	<b>\$ 199,329</b>			

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, 2019 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$ 141,337	Income Approach (DCF)	Market yield	6.38% - 16.98% (10.49%)
Senior Secured First Lien Term Loans	43,960	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount rate Expected Proceeds	0.25x - 0.25x (0.25x) 3.50x - 6.00x (4.95x) 9.00% - 18.70% (16.53%) \$9.0M - \$16.2M (\$9.0M)
Senior Secured First Lien Term Loans	7,473	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured Second Lien Term Loan	17,250	Income Approach (DCF)	Market yield	9.78% - 29.76% (14.66%)
Senior Secured Second Lien Term Loans	19,258	Market Approach (Guideline Comparable)/Income Approach (DCF)	EBITDA Multiple <sup>(1)</sup> Discount Rate	4.50x - 6.00x (5.97x) 16.40% - 16.40% (16.40%)
Unsecured Debt	850	Income Approach (DCF)	Market yield	7.43%
Unsecured Debt	1,803	Market Approach (Guideline Comparable)	EBITDA Multiple <sup>(1)</sup>	4.00x - 7.00x (6.54x)
Equity	75,983	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis	Revenue Multiple <sup>(1)</sup> EBITDA Multiple <sup>(1)</sup> Discount rate Expected Proceeds	0.88x - 0.88x (0.69x) 3.50x - 9.50x (8.72x) 9.00% - 22.50% (14.68%) \$16.2M - \$47.5M (\$53.1M)
Equity	2,346	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
<b>Total</b>	<b>\$ 310,260</b>			

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

Increases or decreases in any of the above unobservable inputs in isolation would result in a lower or higher fair value measurement for such assets.

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 is 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 March 31, 2020, the Company deemed the contingent consideration to be uncollectible, and, as such, placed a full reserve against its fair value. As of September 30, 2019, the fair value of the contingent consideration was \$1.8 million.

## 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 under the 1940 Act 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.

As of March 31, 2020, the Company's asset coverage was 181.9% after giving effect to leverage and therefore the Company's asset coverage was below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company is prohibited from making distributions to stockholders, including the payment of any dividend, and may not employ further leverage until the Company's asset coverage is at least 200% after giving effect to such leverage.

As of September 30, 2019, the Company's asset coverage was 184.2% after giving effect to leverage and therefore the Company's asset coverage was below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company was prohibited from making distributions to stockholders, including the payment of any dividend, and could not employ further leverage until the Company's asset coverage was at least 200% after giving effect to such leverage.

The Company's outstanding debt as of March 31, 2020 and September 30, 2019 was as follows (dollars in thousands):

	March 31, 2020				September 30, 2019			
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value <sup>(1)</sup>	Fair Value
2021 Notes	\$ 74,013	\$ 74,013	\$ 73,487	\$ 54,769	\$ 74,013	\$ 74,013	\$ 73,172	\$ 72,473
2023 Notes	77,847	77,847	77,020	50,600	77,847	77,847	76,881	74,453
Israeli Notes	21,148	21,148	20,666	20,973	105,137	105,137	101,679	104,604
Total	\$ 173,008	\$ 173,008	\$ 171,173	\$ 126,342	\$ 256,997	\$ 256,997	\$ 251,732	\$ 251,530

(1) Modified to conform to the current year presentation.

### 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, the "U.S. 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 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, through 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.

## Secured Notes

### Israeli Notes

On January 26, 2018, the Company priced a debt offering in Israel of \$121.3 million of Israeli Notes and collectively with the U.S. Notes, the "Notes"). The Israeli 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 the Company. The Israeli 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 the TASE.

On August 12, 2019, the Company and its wholly owned subsidiaries, Medley Small Business Fund, LP (formerly known as Medley SBIC, LP) and Medley SLF, on the one hand, and the Trustee, on the other hand, entered into an amendment to the deed of trust (the "Deed") governing the Israeli Notes (the "Amendment" together with the Deed, the "Deed of Trust"). The Amendment amends the Deed by, among other things: (a) modifying Section 2.2 of the Deed to provide for full repayment of the Israeli Notes in eight (8) equal installments, each comprising twelve and one-half percent (12.5%) of the principal amount of the Israeli Notes, beginning on August 12, 2019 (the "Effective Date") and ending on January 31, 2021, rather than four (4) equal annual installments, each comprising twenty five percent (25%) of the principal amount of the Israeli Notes, that were payable on February 27 of each of the years 2021-2024 (inclusive); (b) changing the interest payment dates for the Israeli Notes from semi-annual to quarterly except for the initial interest payment, which was paid on the Effective Date, and the final interest payment, which will be paid on January 31, 2021; (c) decreasing the annual interest rate on the Israeli Notes by 0.25% per annum on the Effective Date and further decreasing the annual interest rate on the Israeli Notes by 0.50% per annum if the Mergers close, which further decrease will be effective upon the closing of the Mergers; (d) decreasing the minimum Total Net Asset covenant in Section 6.1.1 of the Deed from \$275 million to \$215 million; (e) modifying the acceleration event in Section 10.1.25 of the Deed to provide that it will occur if the credit rating on the Israeli Notes drops below (i) il/B of Maalot before November 30, 2019, (ii) il/BB- of Maalot during the period between December 1, 2019 and April 1, 2020, and (iii) il/BBB- of Maalot on or after April 1, 2020; (f) waiving the make-whole and market value payment requirements of Section 9.1.7 of the Deed for all early redemption payments on the Israeli Notes within eighteen (18) months following the Effective Date; (g) requiring each of Medley Small Business Fund and Medley SLF to guarantee all of the Company's obligations under the Deed (including the Amendment) and the Israeli Notes and to grant security interests on all of their assets (the "Collateral") to secure such guaranties and providing for the termination of the Medley SLF guaranty and release of the security interests in Medley SLF's assets upon the closing of the Mergers, subject to certain limitations; (h) that the Company use principal collections from the Collateral to make early redemption payments on the Israeli Notes, which payments will be applied in inverse order of the maturity of the required principal installment payments on the Israeli Notes; (i) providing for a waiver by the Trustee and the holders of the Israeli Notes of any right to accelerate the full balance of the amount due to the holders of the Israeli Notes based on any claims, allegations, actions, and/or rights that were raised, and/or resulting or deriving from certain claims or allegations as set forth in Section 19.1 of the Amendment; (j) providing for a waiver by the Trustee and the holders of the Israeli Notes of certain claims, demands, rights, and/or actions against and/or relating to the Company, its subsidiaries and/or affiliates and their respective employees (including their respective directors, officers, members of the Company's board of directors, employees, stockholders, stakeholders and advisors); and (k) adding other definitions, representations and covenants to the Deed and making related conforming changes to the Deed. Pursuant to the Amendment, no prepayment penalties were due or payable in connection with the payment of principal made by the Company on the Effective Date.

The Deed (including the Amendment) includes certain customary covenants, including minimum net assets of \$215 million and a maximum debt to total assets ratio of 70%. The date for determining compliance with these financial covenants is the date that the Company publishes its financial statements (i.e., in a quarterly report on Form 10-Q or an annual report on Form 10-K) with the SEC. If the Company does not satisfy these financial covenants for two consecutive quarters, it is an event of default under the Deed. If this event of default is expected to occur, the Company has the right to request the trustee for the Israeli Notes (the "Trustee") to appoint an emergency committee of the three largest noteholders for the purpose of obtaining a one-quarter extension of time to satisfy the financial covenants. If the Company does not make this request and the breach occurs, or if the emergency committee does not grant the extension, then the Trustee is required to convene a meeting of the noteholders as described below.

In addition to not complying with the financial covenants as described above, the events of default include: (i) a change of control of the Company (defined in the Deed as MCC Advisors' ceasing to provide investment management or advisory services to the Company); (ii) the Company not publishing a tender offer for the purchase of all of the Israeli Notes within 45 days; (iii) the Company not paying any amount due and payable to the holders of the Israeli Notes within seven business days after the payment due date; (iv) certain insolvency and receivership events with respect to the Company or with respect to all or substantially all of its assets, and (v) the Israeli Notes being delisted from the TASE or the TASE's suspension of trading of the Israeli Notes for more than 60 days.

If an event of default occurs under the Deed, there is no automatic acceleration or mandatory redemption of the Israeli Notes. Rather, the Trustee is required to convene a meeting of the noteholders for a vote on whether to accelerate the Israeli Notes. Noteholders holding at least 50% of the principal amount of the Israeli 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 foregoing description of the terms of Israeli Notes, the Deed, and the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of each of the Deed and the Amendment incorporated by reference as an exhibit to this quarterly report on Form 10-Q.

As described above, the following is a summary of the Collateral to secure the guarantee of all of the Company's obligations under the Deed (including the Amendment) and the Israeli Notes by Medley Small Business Fund and Medley SLF as of March 31, 2020.

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value
<b>Medley SLF Funding I LLC</b>						
Alpine SG, LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)	11/16/2022	\$ 5,061,750	\$ 5,061,750	\$ 4,739,823
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)	11/16/2022	2,444,350	2,444,350	2,288,889
				7,506,100	7,506,100	7,028,712
Starfish Holdco, LLC	High Tech Industries	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)	8/18/2025	2,000,000	1,977,237	1,458,800
				2,000,000	1,977,237	1,458,800
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	6/17/2021	5,760,537	5,760,537	5,760,537
				5,760,537	5,760,537	5,760,537
<b>Subtotal Medley SLF Funding I LLC Investments</b>				<b>\$ 15,266,637</b>	<b>\$ 15,243,874</b>	<b>\$ 14,248,049</b>
<b>Medley Small Business Fund, LP</b>						
Black Angus Steakhouses, LLC	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)	4/24/2020	7,290,179	7,222,523	5,212,478
				7,290,179	7,222,523	5,212,478
Impact Group, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)	6/27/2023	3,237,294	3,237,294	2,829,394
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)	6/27/2023	9,380,033	9,380,033	8,198,149
				12,617,327	12,617,327	11,027,543
InterFlex Acquisition Company, LLC	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)	8/18/2022	8,589,450	8,589,450	7,965,856
				8,589,450	8,589,450	7,965,856
RateGain Technologies, Inc.	Hotel, Gaming & Leisure	Unsecured Debt	7/31/2020	281,632	281,632	281,632
		Unsecured Debt	7/31/2021	304,735	304,735	304,735
				586,367	586,367	586,367
SFP Holding, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)	9/1/2022	4,798,779	4,798,779	4,648,098
		Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)	9/1/2022	1,861,878	1,861,878	1,803,415
		Equity - 73,113.54 Common Units in CI (Summit) Investment Holdings LLC		—	736,905	371,051
				6,660,657	7,397,562	6,822,564
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)	7/31/2020	7,307,206	7,113,263	—
				7,307,206	7,113,263	—

Walker Edison Furniture Company LLC	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)	9/26/2024	3,565,889	3,565,889	3,476,029
				3,565,889	3,565,889	3,476,029
<b>Subtotal Medley Small Business Fund, LP Investments</b>				<b>\$ 46,617,075</b>	<b>\$ 47,092,381</b>	<b>\$ 35,090,837</b>
<b>Total Medley SLF Funding I LLC and Medley SLF Funding I LLC Investments</b>				<b>\$ 61,883,712</b>	<b>\$ 62,336,255</b>	<b>\$ 49,338,886</b>

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 Israeli Notes on the 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 Israeli Notes is not expected to result in any material tax consequences to the Company or its note holders.

During the quarter 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 Israeli Notes on the TASE. As the Israeli 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 Israeli 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.

On December 31, 2019, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by Medley SLF and Medley Small Business Fund to pre-pay an additional \$19.1 million of the Israeli Notes. The pre-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 net loss on extinguishment of debt.

On March 31, 2020, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by Medley SLF and Medley Small Business Fund to pre-pay an additional \$19.8 million of the Israeli Notes. The pre-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.

On April 14, 2020, the Company repaid the remaining \$21.1 million of Israeli Notes outstanding, and as such is no longer subject to any covenants relating thereto. The Israeli Notes were redeemed at 100% of their principal amount, plus the accrued interest thereon, through April 14, 2020.

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 Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of March 31, 2020 and September 30, 2019, the 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 Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Notes. As of March 31, 2020 and September 30, 2019, debt issuance costs related to the Notes were as follows (dollars in thousands):

	March 31, 2020				September 30, 2019			
	2021 Notes	2023 Notes	Israeli Notes	Total	2021 Notes	2023 Notes	Israeli 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	2,700	2,267	5,805	10,772	2,385	2,127	2,829	7,341
Unamortized Debt Issuance Costs	\$ 526	\$ 835	\$ 482	\$ 1,843	\$ 841	\$ 975	\$ 3,458	\$ 5,274

For the three and six months ended March 31, 2020 and 2019, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Notes were as follows (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
2021 Notes interest	1,203	1,203	2,405	2,405
2023 Notes interest	1,192	1,192	2,384	2,570
2023 Notes premium	(1)	(1)	(1)	(1)
Israeli Notes interest	929	1,644	2,428	3,166
Amortization of debt issuance costs	1,109	561	2,360	1,139
Total	\$ 4,432	\$ 4,599	\$ 9,576	\$ 9,279
Weighted average stated interest rate	6.4%	6.0%	6.4%	5.9%
Weighted average outstanding balance	\$ 207,475	\$ 272,016	\$ 224,716	\$ 278,539

## SBA Debentures

On March 26, 2013, SBIC LP received a SBIC license from the SBA. The SBIC license allowed 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 were non-recourse, interest only debentures with interest payable semi-annually and had a ten year maturity. The principal amount of SBA Debentures were not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA Debentures were 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, had a superior claim to the SBIC LP's assets over our stockholders in the event we liquidated the SBIC LP or the SBA exercised its remedies under the SBA Debentures issued by the SBIC LP upon an event of default.

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.

SBIC LP received a letter from the SBA (the "SBA Letter"), dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP's outstanding SBA Debentures. The SBA Letter stated that SBIC LP had until March 29, 2019, fifteen (15) days from the date of the SBA Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA. SBIC LP's management submitted an orderly wind-down plan to the SBA to prepay the remaining \$135.0 million of outstanding SBA Debentures using available cash at SBIC LP as well as the sale of assets to third parties or affiliates of SBIC LP. On March 28, 2019, SBIC LP agreed and made a repayment of \$50.0 million of outstanding SBA Debentures by April 3, 2019 using available cash at SBIC LP and the cure period was extended to April 19, 2019. On April 18, 2019, SBIC LP agreed and made a repayment of \$20.0 million of outstanding SBA Debentures on April 23, 2019 and an additional \$30.0 million of outstanding SBA Debentures on April 30, 2019 using proceeds from the sale of certain assets and the cure period was extended to May 10, 2019. On May 10, 2019, SBIC LP made the final repayment of the remaining \$35.0 million of outstanding SBA Debentures using proceeds from the sale of certain assets. In connection therewith, effective July 1, 2019, SBIC LP surrendered its SBIC license and operates as Medley Small Business Fund.

The \$135.0 million in aggregate repayments made in connection with the orderly wind-down plan was accounted for as debt extinguishments in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a cumulative realized loss of \$1.8 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

The Company believes the wind-down plan of SBIC LP will not have a material impact on the Company's net investment income per share. In addition, the Company believes the wind-down will not have an 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 outstanding SBA Debentures.

As of March 31, 2020 and September 30, 2019, Medley Small Business Fund did not have any SBA Debentures outstanding.

For the three and six months ended March 31, 2020 and 2019, 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 March 31		For the six months ended March 31	
	2020	2019	2020	2019
SBA Debentures interest	\$ —	\$ 1,194	\$ —	\$ 2,415
Amortization of debt issuance costs	—	106	—	214
Total	\$ —	\$ 1,300	\$ —	\$ 2,629
Weighted average stated interest rate	—%	3.6%	—%	3.6%
Weighted average outstanding balance	\$ —	\$ 135,000	\$ —	\$ 135,000

## Note 6. Agreements

### Investment Management Agreement

We entered into an investment management agreement with MCC Advisors (the "Investment Management Agreement"). 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 the 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 the 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.

On January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended MCC Merger Agreement is in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement is terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra's notice of termination to the Company. The Amended MCC Merger Agreement was terminated by Sierra on May 1, 2020. See Note 14. Subsequent Events for more information.

#### **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 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.

##### ***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 and six months ended March 31, 2020, the Company incurred base management fees to MCC Advisors of \$1.6 million and \$3.6 million, respectively. For the three and six months ended March 31, 2019, the Company incurred base management fees to MCC Advisors of \$3.1 million and \$6.3 million, respectively. The Company did not waive management fees under the Fee Waiver Agreement during the three and six months ended March 31, 2020 and 2019.

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

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

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

For the three and six months ended March 31, 2020 and 2019, 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 set forth in the Investment Management Agreement.

As of March 31, 2020 and September 30, 2019, \$1.6 million and \$2.2 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 staffs. From time to time, our administrator may pay amounts owed by us to third-party service providers and we will subsequently reimburse our administrator for such amounts paid on our behalf. For the three and six months ended March 31, 2020, we incurred \$0.4 million and \$0.7 million in administrator expenses, respectively. For the three and six months ended March 31, 2019, we incurred \$0.7 million and \$1.7 million in administrator expenses, respectively.

As of March 31, 2020 and September 30, 2019, \$0.6 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 March 31, 2020 and September 30, 2019, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

### Unfunded commitments

As of March 31, 2020 and September 30, 2019, we had commitments under loan and financing agreements to fund up to \$4.6 million to seven portfolio companies and \$8.9 million to seven portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination 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 March 31, 2020 and September 30, 2019 is shown in the table below (dollars in thousands):

	March 31, 2020	September 30, 2019
1888 Industrial Services, LLC - Revolver <sup>(1)</sup>	\$ 1,078	\$ —
Alpine SG, LLC - Revolver	1,000	1,000
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
NVTN LLC - Super Priority DDTL	500	—
Redwood Services Group, LLC - Revolver	350	875
NVTN LLC - DDTL	220	—
1888 Industrial Services, LLC - Term Loan E	219	—
DataOnline Corp. - Revolver	179	1,890
Access Media Holdings, LLC - Series AAA Preferred Equity	101	101
Dynamic Energy Services International LLC - Revolver	—	3,255
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	—	893
Total	\$ 4,555	\$ 8,922

(1) The revolving credit facility was fully drawn as of September 30, 2019.

## Note 9. Fee Income

Fee income consists of origination/closing fees, amendment fees, prepayment penalty and other miscellaneous fees which are non-recurring in nature, as well as administrative agent fees, which are recurring in nature. The following table summarizes the Company's fee income for the three months ended March 31, 2020 and 2019 (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
Prepayment fee	\$ —	\$ 74	\$ 139	\$ 146
Administrative agent fee	63	85	119	161
Origination fee	—	71	87	270
Other fees	56	—	56	—
Amendment fee	13	88	15	202
Fee income	\$ 132	\$ 318	\$ 416	\$ 779

## 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 Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee meeting. The chair of the Audit Committee receives an annual fee of \$25,000 and the chair of the Nominating and Corporate Governance Committee and the Compensation 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 the Nominating and Corporate Governance Committee and the Compensation Committee receive an annual fee of \$6,000.

On January 26, 2018, the board of directors established the special committee of the Board, comprised solely of directors who are not "interested persons" of the Company as such term is defined in Section 2(a)(19) of the 1940 Act (the "Special Committee"), for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on the 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 Special Committee receives a monthly fee of \$15,000 and other members receive a monthly fee of \$10,000.

Pursuant to the Settlement Term Sheet, on April 15, 2019, the board of directors appointed David A. Lorber and Lowell W. Robinson to the Board to fill the vacancies on the Board created by the resignations of Mark Lerdal and John E. Mack, respectively. In addition, the board of directors added: (i) Messrs. Lorber and Robinson to the Special Committee, with Mr. Lorber serving as Chair of the Special Committee; (ii) Mr. Lorber to the Nominating and Corporate Governance Committee and the Compensation Committee; and Mr. Robinson to the Audit Committee. In addition to the compensation described above, each of Mr. Lorber and Mr. Robinson received the 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.

No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three and six months ended March 31, 2020, we accrued \$0.3 million and \$0.6 million for directors' fees expense, respectively. For the three and six months ended March 31, 2019, we accrued \$0.4 million and \$0.7 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 March 31, 2020.

The following information sets forth the computation of the weighted average basic and diluted net increase/(decrease) in net assets per share from operations for the three and six months ended March 31, 2020 and 2019 (dollars in thousands, except share and per share amounts):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
Basic and diluted:				
Net increase/(decrease) in net assets from operations	\$ (78,860)	\$ (24,609)	\$ (74,690)	\$ (34,687)
Weighted average common shares outstanding	54,474,211	54,474,211	54,474,211	54,474,211
Earnings per common share-basic and diluted	\$ (1.45)	\$ (0.45)	\$ (1.37)	\$ (0.64)

#### Note 12. Financial Highlights

The following is a schedule of financial highlights for the six months ended March 31, 2020 and 2019:

	For the six months ended March 31	
	2020	2019
Per share data <sup>(1)</sup> :		
Net asset value per share at beginning of period	\$ 3.97	\$ 5.90
Net investment income/(loss) <sup>(2)</sup>	(0.02)	(0.16)
Net realized gains/(losses) on investments	(0.03)	(1.24)
Net unrealized appreciation/(depreciation) on investments	(1.28)	0.76
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	(0.01)	—
Loss on extinguishment of debt	(0.03)	—
Net increase/(decrease) in net assets	(1.37)	(0.64)
Distributions from net investment income	—	(0.15)
Net asset value per share at end of period	\$ 2.60	\$ 5.11
Net assets at end of period	\$ 141,742,268	\$ 278,320,976
Shares outstanding at end of period	54,474,211	54,474,211
Per share market value at end of period	\$ 0.58	\$ 3.11
Total return based on market value <sup>(3)</sup>	(77.61)%	(15.83)%
Total return based on net asset value <sup>(4)</sup>	(34.46)%	(9.30)%
Portfolio turnover rate <sup>(5)</sup>	7.96 %	16.50 %

The following is a schedule of ratios and supplemental data for the six months ended March 31, 2020 and 2019:

	For the six months ended March 31	
	2020	2019
<b>Ratios:</b>		
Ratio of net investment/(loss) income to average net assets after waivers, discounts and reimbursements <sup>(5)(6)</sup>	(1.11)%	(5.65)%
Ratio of total expenses to average net assets after waivers, discounts and reimbursements <sup>(5)(6)</sup>	13.48 %	22.77 %
Ratio of incentive fees to average net assets after waivers <sup>(6)</sup>	— %	— %
<b>Supplemental Data:</b>		
Ratio of net operating expenses and credit facility related expenses to average net assets <sup>(5)(6)(11)</sup>	13.48 %	22.77 %
Percentage of non-recurring fee income <sup>(7)</sup>	2.32 %	2.31 %
Average debt outstanding <sup>(8)</sup>	\$ 224,716,077	\$ 413,538,818
Average debt outstanding per common share	\$ 4.13	\$ 7.59
Asset coverage ratio per unit <sup>(9)</sup>	1,819	2,023
<b>Total Debt Outstanding<sup>(12)</sup></b>		
2021 Notes	\$ 73,487,214	\$ 72,856,481
2023 Notes	\$ 77,019,735	\$ 76,732,361
Israeli Notes	\$ 20,665,773	\$ 115,556,942
SBA Debentures	\$ —	\$ 133,118,654
<b>Average market value per unit:</b>		
SBA debentures <sup>(10)</sup>	N/A	N/A
2021 Notes	\$ 23.42	\$ 25.07
2023 Notes	\$ 21.79	\$ 24.68
Israeli Notes	\$ 231.99	\$ 245.62

(1) Table may not foot due to rounding.

(2) Net investment income/(loss) excluding management and incentive fee waivers, discounts and reimbursements based on total weighted average common stock outstanding equals \$(0.12) and \$0.03 per share for the six months ended March 31, 2020 and 2019, 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. Calculation is not annualized.

(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. Calculation is not annualized.

(5) Ratios are annualized during interim periods.

(6) For the six months ended March 31, 2020, excluding management and incentive fee waivers, discounts and reimbursements, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is (6.50)%, 18.88%, 0.00%, and 18.88%, respectively. For the six months ended March 31, 2019, excluding management and incentive fee waivers, discounts and reimbursements, the ratio of net investment income/(loss), total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets is (5.65)%, 22.77%, 0.00%, and 22.77%, 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. As of March 31, 2020, the Company's asset coverage was 181.9% after giving effect to leverage and therefore the Company's asset coverage was below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company is prohibited from making distributions to stockholders, including the payment of any dividend, and may not employ further leverage until the Company's asset coverage is at least 200% after giving effect to such leverage.

(10) The SBA Debentures were 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 Company did not make any distributions during the six months ended March 31, 2020.

The following table summarizes the Company's distributions during the six months ended March 31, 2019.

<b>Date Declared</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Amount Per Share</b>
<b>During the six months ended March 31, 2019</b>			
11/16/2018	12/5/2018	12/20/2018	\$ 0.10
2/10/19	2/22/19	3/12/19	0.05
			<hr/> <b>\$ 0.15</b> <hr/>

#### **Note 14. Subsequent Events**

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. Other than the items disclosed below, 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 six months ended March 31, 2020.

On May 1, 2020, the Company received a notice of termination from Sierra of the Amended MCC Merger Agreement. Under the Amended MCC Merger Agreement, either party may, subject to certain conditions, terminate the Amended MCC Merger Agreement if the MCC Merger is not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. Representatives of Sierra informed the Company that in determining to terminate the Amended MCC Merger Agreement, Sierra considered a number of factors, including, among other factors, changes in the relative valuation of the Company and Sierra, the changed circumstances and the unpredictable economic conditions resulting from the global health crisis caused by the coronavirus (COVID-19) pandemic, and the uncertainty regarding the parties' ability to satisfy the conditions to closing the MCC Merger in a timely manner.

In addition, on May 1, 2020, MDLY received a notice of termination from Sierra of the Amended MDLY Merger Agreement. Under the Amended MDLY Merger Agreement, either party may, subject to certain conditions, terminate the Amended MDLY Merger Agreement if the MDLY Merger is not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. Representatives of Sierra informed MDLY that in determining to terminate the Amended MDLY Merger Agreement, Sierra considered a number of factors, including, among other factors, changes in the relative valuation of MDLY and Sierra, the changed circumstances and the unpredictable economic conditions resulting from the global health crisis caused by the coronavirus (COVID-19) pandemic, and the uncertainty regarding the parties' ability to satisfy the conditions to closing the MDLY Merger in a timely manner.

As a result of the foregoing, in connection with the Delaware Action, no Settlement Fund will be established or paid to the stockholders of the Company and no Contingent Fee Award will be paid to plaintiff's counsel. The other terms of the Settlement, including the releases provided for in the Delaware Order and Final Judgment, remain in effect.

As previously disclosed, on January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended MCC Merger Agreement is in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement is terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra's notice of termination to the Company. As result of the termination of the Amended MCC Merger Agreement, unless further action is taken by the board of directors, including by a majority of the independent directors, the Investment Management Agreement will be terminated effective as of May 31, 2020.

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

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

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

### Forward-Looking Statements

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

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of MCC Advisors;
- 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;
- the unfavorable resolution of legal proceedings;
- uncertainties associated with the impact from the COVID-19 pandemic: including its impact on the global and U.S. capital markets and the global and U.S. economy; the length and duration of the COVID-19 outbreak in the United States as well as worldwide and the magnitude of the economic impact of that outbreak; the effect of the COVID-19 pandemic on our business prospects and the operational and financial performance of our portfolio companies, including our and their ability to achieve their respective objectives; and the effect of the disruptions caused by the COVID-19 pandemic on our ability to continue to effectively manage our business;
- the impact of the termination of the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement on our business, financial results, ability to pay dividends and distributions, if any, to our stockholders, and stock price; and
- risks and uncertainties relating to the possibility that the Company may explore strategic alternatives, including, but are not limited to: the timing, benefits and outcome of any exploration of strategic alternatives by the Company; potential disruptions in the Company's business and stock price as a result of our exploration of any strategic alternatives; the ability to realize anticipated efficiencies, or strategic or financial benefits; potential transaction costs and risks; and the risk that any exploration of strategic alternatives may have an adverse effect on our existing business arrangements or relationships, including our ability to retain or hire key personnel. There is no assurance that any exploration of strategic alternatives will result in a transaction or other strategic change or outcome.

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 on Form 10-Q 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 this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to



you or through reports that we have filed or in the future may file with the SEC, including quarterly reports on Form 10-Q, registration statements on Form N-2, annual reports on Form 10-K, and current reports on Form 8-K.

### **COVID-19 Developments**

On March 11, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) as a pandemic, and, on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines, imposed restricting travel, and temporarily closing many corporate offices, retail stores, restaurants, fitness clubs and manufacturing facilities and factories in affected jurisdictions. Such actions are creating disruption in global supply chains and adversely impacting a number of industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty and risks with respect to the underlying value of the Company’s portfolio companies, the Company’s business, financial condition, results of operations and cash flows, such as the potential negative impact to financing arrangements, increased costs of operations, changes in law and/or regulation, and uncertainty regarding government and regulatory policy.

We have evaluated subsequent events from March 31, 2020 through May 11, 2020. However, as the discussion in this Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations relates to the Company’s financial statements for the quarterly period end March 31, 2020, the analysis contained herein may not fully account for impacts relating to the COVID-19 pandemic. In that regard, for example, as of March 31, 2020, the Company valued its portfolio investments in conformity with U.S. GAAP based on the facts and circumstances known by the Company at that time, or reasonably expected to be known at that time. Due to the overall volatility that the COVID-19 pandemic has caused during the months that followed our March 31, 2020 valuation, any valuations conducted now or in the future in conformity with U.S. GAAP could result in a lower fair value of our portfolio. The potential impact to our results going forward will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain the coronavirus or treat its impact, all of which are beyond our control. Accordingly, the Company cannot predict the extent to which its financial condition and results of operations will be affected at this time.

### **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.

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**

The description of the Mergers (as defined below) and the Settlement (as defined below) set forth below are as of March 31, 2020. Subsequent to such date, the Amended MCC Merger Agreement (as defined below) and the Amended MDLY Merger Agreement (as defined below) were terminated. See “Recent Developments” for more information.

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 would, 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) would 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 would, 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 would 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) would 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 would have the right to receive certain dividends and/or other payments.

On July 29, 2019, the Company entered into the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the "Amended MCC Merger Agreement"), by and between the Company and Sierra, pursuant to which the Company will, on the terms and subject to the conditions set forth in the Amended MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving company in the MCC Merger. In the MCC Merger, each share of the Company's common stock (other than shares of the Company's common stock held by the Company, Sierra or their respective wholly owned subsidiaries) will be exchanged for the right to receive (i) 0.68 shares of Sierra's common stock if the attorneys' fees of plaintiffs' counsel and litigation expenses paid or incurred by plaintiffs' counsel or advanced by plaintiffs in connection with the Delaware Action, as described below (such fees and expenses, the "Plaintiff Attorney Fees"), are less than or equal to \$10,000,000; (ii) 0.66 shares of Sierra's common stock if the Plaintiff Attorney Fees are equal to or greater than \$15,000,000; (iii) between 0.68 and 0.66 per share of Sierra's common stock if the Plaintiff Attorney Fees are greater than \$10,000,000 but less than \$15,000,000, calculated on a descending basis, based on straight line interpolation between \$10,000,000 and \$15,000,000; or (iv) 0.66 shares of Sierra's common stock in the event that the Plaintiff Attorney Fees are not fully and finally determined prior to the closing of the MCC Merger (such ratio, the "MCC Merger Exchange Ratio"). Based upon the Plaintiff Attorney Fees approved by the Court of Chancery of the State of Delaware (the "Delaware Court of Chancery") as set forth in the Order and Final Judgment entered into on December 20, 2019, as described below (the "Delaware Order and Final Judgment"), the MCC Merger Exchange Ratio will be 0.66 shares of Sierra's common stock. The Company and Sierra are appealing the Delaware Order and Final Judgment with respect to the Delaware Court of Chancery's ruling on the Plaintiff Attorney Fees.

In addition, on July 29, 2019, Sierra and MDLY announced the execution of the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the "Amended MDLY Merger Agreement"), by and among MDLY, Sierra, and Merger Sub, pursuant to which MDLY will, on the terms and subject to the conditions set forth in the Amended MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the MDLY 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 shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries (the "Excluded MDLY Shares") and the Dissenting Shares (as defined in the Amended MDLY Merger Agreement), held, immediately prior to the MDLY Merger effective time, by any person other than a Medley LLC unitholder, will be exchanged for (i) 0.2668 shares of Sierra's common stock; plus (ii) cash in an amount equal to \$2.96 per share. In addition, 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 the Excluded MDLY Shares and the Dissenting Shares, held, immediately prior to the MDLY Merger effective time, by Medley LLC unitholders will be exchanged for (i) 0.2072 shares of Sierra's common stock; plus (ii) cash in an amount equal to \$2.66 per share.

Pursuant to terms of the Amended MCC Merger Agreement, the consummation of the MCC Merger is conditioned upon the satisfaction or waiver of each of the conditions to closing under the Amended MDLY Merger Agreement and the consummation of the MDLY Merger. However, pursuant to the terms of the Amended MDLY Merger Agreement, the consummation of the MDLY Merger is not contingent upon the consummation of the MCC Merger. If both Mergers are successfully consummated, Sierra's common stock would be listed on the NYSE, with such listing expected to be effective as of the closing date of the Mergers, and Sierra's common stock will be listed on the Tel Aviv Stock Exchange ("TASE"), with such listing expected to be effective as of the closing date of the MCC Merger. If, however, only the MDLY Merger is consummated, Sierra's common stock would be listed on the NYSE. If both Mergers are successfully consummated, the investment portfolios of MCC 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 LLC, its wholly controlled adviser subsidiary. If only the MDLY Merger is consummated, the investment portfolios of MCC and Sierra would not be combined; however, the investment management function relating to the operation of Sierra, as the surviving company, would still be internalized (the "Sierra/MDLY Company") and the Sierra/MDLY Company would be managed by MCC Advisors.

The Mergers are subject to approval by the stockholders of the Company, Sierra, and MDLY, regulators, including the SEC, court approval of the Settlement (as described below), other customary closing conditions and third-party consents. There is no assurance that any of the foregoing conditions will be satisfied. The Company and Sierra have the right to terminate the Amended MCC Merger Agreement under certain circumstances, including (subject to certain limitations set forth in the Amended MCC Merger Agreement), among others: (i) by mutual written agreement of each party; (ii) any governmental entity whose consent or approval is a condition to closing set forth in Section 8.1 of the Amended MCC Merger Agreement has denied the granting of any such consent or approval and such denial has become final and nonappealable, or any governmental entity of competent jurisdiction shall have issued a final and nonappealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Amended MCC Merger Agreement; (iii) the MCC Merger has not closed on or prior to March 31, 2020; or (iv) either party has failed to obtain stockholder approval or the Amended MDLY Merger Agreement has been terminated.

On February 11, 2019, a purported stockholder class action was commenced in the Delaware Court of Chancery by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd. (together, "FrontFour"), captioned as FrontFour Capital Group LLC, et al. v. Brook Taube et al., Case No. 2019-0100 (the "Delaware Action") against defendants Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, MDLY, Sierra, the Company, MCC Advisors, Medley Group LLC, 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 MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. The complaint sought to enjoin the vote of MCC stockholders on the proposed merger and enjoin enforcement of certain provisions of the Agreement and Plan of Merger, dated as of August 9, 2018, by and between MCC and Sierra (the "MCC Merger Agreement").

The Delaware Court of Chancery held a trial on the plaintiffs' motion for a preliminary injunction and issued a Memorandum Opinion (the "Decision") on March 11, 2019. The Delaware Court of Chancery 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 Delaware Court of Chancery 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 Delaware Court of Chancery 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 had been made and stockholders had the opportunity to assimilate that information.

On March 20, 2019, another 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 Delaware Court of Chancery, captioned Altman v. Taube, Case No. 2019-0219 (the "Altman Action"). The complaint alleged that the defendants breached their fiduciary duties to stockholders of the Company in connection with the vote of the Company's stockholders on the proposed mergers. On April 8, 2019, the Delaware Court of Chancery granted a stipulation consolidating the Delaware Action and the Altman Action, designating the amended complaint in the Delaware Action as the operative complaint, and designating the plaintiffs in the Delaware Action and their counsel the lead plaintiffs and lead plaintiffs' counsel, respectively.

On December 20, 2019, the Delaware Court of Chancery entered into the Delaware Order and Final Judgment approving the settlement of the Delaware Action (the "Settlement"). Pursuant to the Settlement, the Company agreed to certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement, which amendments are reflected in the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement. The Settlement also provides for, if the MCC Merger is consummated, the creation of a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra's common stock, with the number of shares of Sierra's common stock to be calculated using the pro forma net asset value of \$6.37 per share as of June 30, 2019, which will be distributed to eligible members of the Settlement Class (as defined in the Settlement). In addition, in connection with the Settlement, on July 29, 2019, the Company entered into a Governance Agreement with FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, pursuant to which, among other matters, FrontFour is subject to customary standstill restrictions and required to vote in favor of the revised MCC Merger at a meeting of stockholders to approve the revised MCC Merger Agreement. The Settlement also provides for mutual releases between and among FrontFour and the Settlement Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Delaware Action through September 26, 2019.

The Delaware Court of Chancery also awarded attorney's fees as follows: (i) an award of \$3,000,000 to lead plaintiffs' counsel and \$75,000 to counsel to plaintiff Stephen Altman (the "Therapeutics Fee Award") and \$420,334.97 of plaintiff counsel expenses payable to the lead plaintiff's counsel, which were paid on December 23, 2019, and (ii) an award that is contingent upon the closing of the proposed merger transactions (the "Contingent Fee Award"), consisting of:

- a. \$100,000 for the agreement to appoint an independent director on the board of directors of the post-merger company; and
- b. the amount calculated by solving for A in the following formula:

$$\text{Award}[A] = (\text{Monetary Fund}[M] + \text{Award}[A] - \text{Look Through}[L]) * \text{Percentage}[P]$$

Where:

- A shall be the amount of the Additional Fee (excluding the \$100,000 award for the agreement to appoint an independent director on the board of directors of the post-merger company);
- M shall be the sum of (i) the \$17 million cash component of the Settlement Fund and (ii) the value of the post-merger company stock component of the Settlement Fund, which shall be calculated as the product of the VPS (as defined below) and 4,709,576.14 (the number of shares of post-merger company's stock comprising the stock component of the net settlement amount);
- L shall be the amount representing the estimated value of the decrease in shares to be received by eligible class members arising by operation of the change in the "Exchange Ratio" under the Amended MCC Merger Agreement, calculated as follows:

$$L = ((ES * 68\%) - (ES * 66\%)) * VPS$$

Where:

ES shall be the number of eligible shares;

VPS shall be the pro forma net asset value per share of the post-merger company's common stock as of the closing as reported in the public disclosure filed nearest in time and after the closing (the "Closing NAV Disclosure"); and

P shall equal 0.26

The Contingent Fee Award is contingent upon the closing of the MCC Merger. Payment of the Contingent Fee Award will be made in two stages. First, within five (5) business days of the establishment of the Settlement Fund, the Company or its successor shall (i) pay the plaintiffs' counsel an estimate of the Contingent Fee Award (the "Additional Fee Estimate"), less twenty (20) percent (the "Additional Fee Estimate Payment"), and (ii) deposit the remaining twenty (20) percent of the Additional Fee Estimate into escrow (the "Escrowed Fee"). For purposes of calculating such estimate, the Company or its successor shall use the formula set above, except that VPS shall equal the pro forma net asset value of the post-merger company's common stock as reported in the public disclosure filed nearest in time and prior to the closing (the "Closing NAV Estimate").

Second, within five (5) business days of the Closing NAV Disclosure (as defined in the Order and Final Judgment), (i) if the Additional Fee is greater than the Additional Fee Estimate Payment, an amount of the Escrowed Fee shall be released to plaintiffs' counsel such that the total payments made to plaintiffs' counsel equal the Additional Fee and the remainder of the Escrowed Fee, if any, shall be released to the Company or its successor, (ii) if the Additional Fee is less than the Additional Fee Estimate Payment, plaintiffs' counsel shall return to the Company or its successor the difference between

the Additional Fee Estimate and the Additional Fee and the Escrowed Fee shall be released to the Company or its successor, or (iii) if the Additional Fee is equal to the Additional Fee Estimate Payment, the Escrowed Fee shall be released to the Company or its successor.

On January 17, 2020, the Company and Sierra filed a notice of appeal with the Delaware Supreme Court from those provisions of the Order and Final Judgment with respect to the Contingent Fee Award.

### **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 March 31, 2020 and September 30, 2019, our portfolio had a fair market value of approximately \$255.9 million and \$396.9 million, respectively. The following table summarizes our portfolio and investment activity during the three and six months ended March 31, 2020 and 2019 (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
Investments made in new portfolio companies	\$ —	\$ —	\$ 5,000	\$ 648
Investments made in existing portfolio companies	6,572	13,268	8,237	51,741
Aggregate amount in exits and repayments	(20,363)	(30,968)	(85,363)	(74,765)
Net investment activity	\$ (13,791)	\$ (17,700)	\$ (72,126)	\$ (22,376)
Portfolio Companies, at beginning of period	46	62	51	67
Number of new portfolio companies	—	—	1	2
Number of exited portfolio companies	(2)	(2)	(8)	(9)
Portfolio companies, at end of period	44	60	44	60
Number of investments in existing portfolio companies	11	13	16	19

The following table summarizes the amortized cost and the fair value of our average portfolio company, including the equity investment in the MCC Senior Loan Strategy JV I LLC (“MCC JV”), and largest portfolio company, excluding the equity investment in the MCC JV, as of March 31, 2020 and September 30, 2019 (dollars in thousands):

	March 31, 2020		September 30, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company	\$ 9,011	\$ 5,816	\$ 9,170	\$ 7,782
Largest portfolio company	39,990	43,053	38,395	41,855

The following table summarizes the amortized cost and the fair value of investments as of March 31, 2020 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 188,920	47.7%	\$ 106,008	41.4%
Senior Secured Second Lien Term Loans	40,172	10.1	25,389	9.9
Unsecured Debt	2,103	0.5	1,466	0.6
MCC Senior Loan Strategy JV I LLC	78,575	19.8	41,927	16.4
Equity/Warrants	86,717	21.9	81,106	31.7
Total	\$ 396,487	100.0%	\$ 255,896	100.0%

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2019 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 243,342	52.0%	\$ 192,770	48.6%
Senior Secured Second Lien Term Loans	39,089	8.4	36,508	9.2
Unsecured Debt	2,653	0.6	2,653	0.7
MCC Senior Loan Strategy JV I LLC	78,575	16.8	69,949	17.6
Equity/Warrants	103,989	22.2	95,009	23.9
Total	\$ 467,648	100.0%	\$ 396,889	100.0%

As of March 31, 2020, our income-bearing investment portfolio, which represented 64.7% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 8.7%, and 82.7% of our income-bearing investment portfolio bore interest based on floating rates, such as the London Interbank Offering Rate (“LIBOR”), while 17.3% of our income-bearing investment portfolio bore interest at fixed rates. As of March 31, 2020, the weighted average yield based upon cost of our total portfolio was approximately 2.9%. 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 March 31, 2020 and September 30, 2019 (dollars in thousands):

Investment Performance Rating	March 31, 2020		September 30, 2019	
	Fair Value	Percentage	Fair Value	Percentage
1	\$ 65,248	25.5%	\$ 105,231	26.5%
2	107,692	42.1	146,053	36.8
3	56,898	22.2	123,253	31.1
4	4,530	1.8	4,915	1.2
5	21,528	8.4	17,437	4.4
Total	\$ 255,896	100.0%	\$ 396,889	100.0%

### Results of Operations

Operating results for the three months ended March 31, 2020 and 2019 are as follows (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
Total investment income/(loss)	\$ 5,301	\$ 12,587	\$ 12,792	\$ 26,789
Total expenses, net	9,517	23,182	13,935	35,625
Net investment income before excise taxes	(4,216)	(10,595)	(1,143)	(8,836)
Excise tax expense	—	—	—	—
Net investment income	(4,216)	(10,595)	(1,143)	(8,836)
Net realized gains/(losses) from investments	(100)	(10,615)	(1,844)	(67,338)
Net unrealized appreciation/(depreciation) on investments	(73,563)	(3,399)	(69,833)	41,610
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	(86)	—	(86)	—
Loss on extinguishment of debt	(895)	—	(1,784)	(123)
Net increase/(decrease) in net assets resulting from operations	\$ (78,860)	\$ (24,609)	\$ (74,690)	\$ (34,687)

### Investment Income

For the three months ended March 31, 2020, investment income totaled \$5.3 million, of which \$5.2 million was attributable to portfolio interest and dividend income, and \$0.1 million to fee income. For the six months ended March 31, 2020, investment income totaled \$12.8 million, of which \$12.4 million was attributable to portfolio interest and dividend income, and \$0.4 million to fee income.

For the three months ended March 31, 2019, investment income totaled \$12.6 million, of which \$12.3 million was attributable to portfolio interest and dividend income, and \$0.3 million to fee income. For the six months ended March 31, 2019, investment income totaled \$26.8 million, of which \$26.0 million was attributable to portfolio interest and dividend income, and \$0.8 million to fee income.

## Operating Expenses

Operating expenses for the three and six months ended March 31, 2020 and 2019 are as follows (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2020	2019	2020	2019
Base management fees	\$ 1,641	\$ 3,084	\$ 3,650	\$ 6,270
Incentive fees	—	—	—	—
Interest and financing expenses	4,432	5,899	9,576	11,908
General and administrative	2,083	2,881	2,600	3,485
Administrator expenses	576	668	1,128	1,700
Insurance	357	117	655	236
Directors fees	297	376	612	669
Professional fees, net	131	10,157	(4,286)	11,357
Expenses before management and incentive fee waivers	9,517	23,182	13,935	35,625
Management fee waiver	—	—	—	—
Incentive fee waiver	—	—	—	—
Expenses, net of management and incentive fee waivers	\$ 9,517	\$ 23,182	\$ 13,935	\$ 35,625

For the three months ended March 31, 2020, total operating expenses before management and incentive fee waivers decreased by \$13.7 million, or 58.9%, compared to the three months ended March 31, 2019. For the six months ended March 31, 2020, total operating expenses before management and incentive fee waivers decreased by \$21.7 million, or 60.9%, compared to the six months ended March 31, 2019.

## Interest and Financing Expenses

Interest and financing expenses for the three months ended March 31, 2020 decreased by \$1.5 million, or 24.9%, compared to the three months ended March 31, 2019. The decrease in interest and financing expenses was primarily due to the repayment of \$64.2 million Series A Israeli Notes offered in Israel (the "Israeli Notes") between August 12, 2019 and December 31, 2019 and the voluntary repayment of \$135.0 million SBA-guaranteed debentures (the "SBA Debentures"), which the Company repaid between March 28, 2019 and May 10, 2019.

Interest and financing expenses for the six months ended March 31, 2020 decreased by \$2.3 million, or 19.6%, compared to the six months ended March 31, 2019. The decrease in interest and financing expenses was primarily due to the redemption of \$12.0 million of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes"), the repayment of \$64.2 million of the Israeli Notes between August 12, 2019 and December 31, 2019 and the voluntary repayment of \$135.0 million of the SBA Debentures, which the Company repaid between March 28, 2019 and May 10, 2019.

## Base Management Fees and Incentive Fees

Base management fees for the three months ended March 31, 2020 decreased by \$1.4 million, or 46.8%, compared to the three months ended March 31, 2019 due to the decline in our gross assets during the period.

Base management fees for the six months ended March 31, 2020 decreased by \$2.6 million, or 41.8%, compared to the six months ended March 31, 2019 due to the decline in our gross assets during the period.

## Professional Fees and Other General and Administrative Expenses

Professional fees and general and administrative expenses for the three months ended March 31, 2020 decreased by \$10.8 million, or 75.7%, compared to the three months ended March 31, 2019 primarily due to insurance proceeds received related to legal expenses relating to the Delaware Action, as well as a decrease in legal expenses, administrative expenses, directors fees and valuation expenses, partially offset by an increase in insurance expenses.

Professional fees and general and administrative expenses for the six months ended March 31, 2020 decreased by \$16.7 million, or 95.9%, compared to the six months ended March 31, 2019 primarily due to insurance proceeds received related to legal expenses relating to the Delaware Action and the Therapeutic Fee Award of approximately \$3.5 million as well as a decrease in legal expenses, administrative expenses, directors fees and valuation expenses, partially offset by an increase in insurance 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 March 31, 2020, we recognized \$0.1 million of realized losses on our portfolio investments. The realized losses were primarily due to the sale of one investment. During the six months ended March 31, 2020, we recognized \$1.8 million of realized losses on our portfolio investments. The realized losses were primarily due to the sale of one investment.

During the three months ended March 31, 2019, we recognized \$10.6 million of realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring of one of our investments. During the six months ended March 31, 2019, we recognized \$67.3 million of

realized losses on our portfolio investments. The realized losses were primarily due to the non-cash restructuring of one of our investments as well as the write off of certain investments in two of our portfolio companies.

#### ***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 March 31, 2020, the Company recognized a net loss on extinguishment of debt of \$0.9 million, which was due to the company's \$34.1 million repayment of the Israeli Notes on March 31, 2020.

During the six months ended March 31, 2020, the Company recognized a net loss on extinguishment of debt of \$1.8 million, which was due to the company's \$34.1 million repayment of the Israeli Notes on March 31, 2020.

During the three months ended March 31, 2019, the Company did not recognize a loss on extinguishment of debt.

During the six months ended March 31, 2019, the Company recognized a net loss on extinguishment of debt of \$0.1 million, which was comprised of a \$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 Israeli Notes.

#### ***Net Unrealized Appreciation/Depreciation on Investments***

Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of our investment portfolio.

For the three months ended March 31, 2020, we had \$73.6 million of net unrealized depreciation on investments.

For the six months ended March 31, 2020, we had \$69.8 million of net unrealized depreciation on investments. The net unrealized depreciation comprised of \$71.9 million of net unrealized depreciation on investments offset by \$2.1 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized or written-off during the year.

For the three months ended March 31, 2019, the Company had \$3.4 million of net unrealized depreciation on investments. The net unrealized depreciation comprised of \$12.3 million of net unrealized depreciation on investments offset by \$8.9 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized or written-off during the year.

For the six months ended March 31, 2019, the Company had \$41.6 million of net unrealized appreciation on investments. The net unrealized appreciation comprised of \$19.6 million of net unrealized depreciation on investments offset by \$61.2 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized or written-off during the year.

#### ***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 and six months ended March 31, 2020 and 2019, the Company recorded a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments of \$85,664, respectively.

#### ***Changes in Net Assets from Operations***

For the three months ended March 31, 2020, we recorded a net decrease in net assets resulting from operations of \$78.9 million compared to a net decrease in net assets resulting from operations of \$24.6 million for the three months ended March 31, 2019 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the three months ended March 31, 2020 and 2019, our per share net decrease in net assets resulting from operations was \$1.45 for the three months ended March 31, 2020 and a decrease of \$0.45 for the three months ended March 31, 2019.

For the six months ended March 31, 2020, we recorded a net decrease in net assets resulting from operations of \$74.7 million compared to a net decrease in net assets resulting from operations of \$34.7 million for the six months ended March 31, 2019 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the six months ended March 31, 2020 and 2019, our per share net decrease in net assets resulting from operations was \$1.37 for the six months ended March 31, 2020 and a decrease of \$0.64 for the six months ended March 31, 2019.

#### ***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. 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.



As of March 31, 2020, we had \$61.1 million in cash and cash equivalents.

In order to maintain our RIC tax treatment 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, 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.

### **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" and together with the 2023 Notes, the "U.S. 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 "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 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, through 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.

### **Secured Notes**

#### *Israeli Notes*

On January 26, 2018, the Company priced a debt offering in Israel of \$121.3 million of Israeli Notes and collectively with the U.S. Notes, the "Notes"). The Israeli 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 the Company. The Israeli 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 the TASE.

On August 12, 2019, the Company and its wholly owned subsidiaries, Medley Small Business Fund, LP (formerly known as Medley SBIC, LP) and Medley SLF, on the one hand, and the Trustee, on the other hand, entered into an amendment to the deed of trust (the "Deed") governing the Israeli Notes (the "Amendment" together with the Deed, the "Deed of Trust"). The Amendment amends the Deed by, among other things: (a) modifying Section 2.2 of the Deed to provide for full repayment of the Israeli Notes in eight (8) equal installments, each comprising twelve and one-half percent (12.5%) of the principal amount of the Israeli Notes, beginning on August 12, 2019 (the "Effective Date") and ending on January 31, 2021, rather than four (4) equal annual installments, each comprising twenty five percent (25%) of the principal amount of the Israeli Notes, that were payable on February 27 of each of the years 2021-2024 (inclusive); (b) changing the interest payment dates for the Israeli Notes from semi-annual to quarterly except for the initial interest payment, which was paid on the Effective Date, and the final interest payment, which will be paid on January 31, 2021; (c) decreasing the annual interest rate on the Israeli Notes by 0.25% per annum on the Effective Date and further decreasing the annual interest rate on the Israeli Notes by 0.50% per annum if the Mergers close, which further decrease will be effective upon the closing of the Mergers; (d) decreasing the minimum Total Net Asset covenant in Section 6.1.1 of the Deed from \$275 million to \$215 million; (e) modifying the acceleration event in Section 10.1.25 of the Deed to provide that it will occur if the credit rating on the Israeli Notes drops below (i) il/B of Maalot before November 30, 2019, (ii) il/BB- of Maalot during the period between December 1, 2019 and April 1, 2020, and (iii) il/BBB- of Maalot on or after April 1, 2020; (f) waiving the make-whole and market value payment requirements of Section 9.1.7 of the Deed for all early redemption payments on the Israeli Notes within eighteen (18) months following the Effective Date; (g) requiring each of Medley Small Business Fund and Medley SLF to guarantee all of the Company's obligations under the Deed (including the Amendment) and the Israeli Notes and to grant security interests on all of their assets (the "Collateral") to secure such guaranties and providing for the termination of the Medley SLF guaranty and release of the security interests in Medley SLF's assets upon the closing of the Mergers, subject to certain limitations; (h) that the Company use principal collections from the Collateral to make early redemption payments on the Israeli Notes, which payments will be applied in inverse order of the maturity of the required principal installment payments on the Israeli Notes; (i) providing for a waiver by the

Trustee and the holders of the Israeli Notes of any right to accelerate the full balance of the amount due to the holders of the Israeli Notes based on any claims, allegations, actions, and/or rights that were raised, and/or resulting or deriving from certain claims or allegations as set forth in Section 19.1 of the Amendment; (j) providing for a waiver by the Trustee and the holders of the Israeli Notes of certain claims, demands, rights, and/or actions against and/or relating to the Company, its subsidiaries and/or affiliates and their respective employees (including their respective directors, officers, members of the Company's board of directors, employees, stockholders, stakeholders and advisors); and (k) adding other definitions, representations and covenants to the Deed and making related conforming changes to the Deed. Pursuant to the Amendment, no prepayment penalties were due or payable in connection with the payment of principal made by the Company on the Effective Date.

The Deed (including the Amendment) includes certain customary covenants, including minimum net assets of \$215 million and a maximum debt to total assets ratio of 70%. The date for determining compliance with these financial covenants is the date that the Company publishes its financial statements (i.e., in a quarterly report on Form 10-Q or an annual report on Form 10-K) with the SEC. If the Company does not satisfy these financial covenants for two consecutive quarters, it is an event of default under the Deed. If this event of default is expected to occur, the Company has the right to request the trustee for the Israeli Notes (the "Trustee") to appoint an emergency committee of the three largest noteholders for the purpose of obtaining a one-quarter extension of time to satisfy the financial covenants. If the Company does not make this request and the breach occurs, or if the emergency committee does not grant the extension, then the Trustee is required to convene a meeting of the noteholders as described below.

In addition to not complying with the financial covenants as described above, the events of default include: (i) a change of control of the Company (defined in the Deed as MCC Advisors' ceasing to provide investment management or advisory services to the Company); (ii) the Company not publishing a tender offer for the purchase of all of the Israeli Notes within 45 days; (iii) the Company not paying any amount due and payable to the holders of the Israeli Notes within seven business days after the payment due date; (iv) certain insolvency and receivership events with respect to the Company or with respect to all or substantially all of its assets, and (v) the Israeli Notes being delisted from the TASE or the TASE's suspension of trading of the Israeli Notes for more than 60 days.

If an event of default occurs under the Deed, there is no automatic acceleration or mandatory redemption of the Israeli Notes. Rather, the Trustee is required to convene a meeting of the noteholders for a vote on whether to accelerate the Israeli Notes. Noteholders holding at least 50% of the principal amount of the Israeli 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 foregoing description of the terms of Israeli Notes, the Deed, and the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of each of the Deed and the Amendment incorporated by reference as an exhibit to this quarterly report on Form 10-Q.

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 Israeli Notes on the 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 Israeli Notes is not expected to result in any material tax consequences to the Company or the holders of the Israeli Notes.

During the quarter 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 Israeli Notes on the TASE. As the Israeli 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 Israeli 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.

On December 31, 2019 in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal collections in Medley SLF and Medley Small Business Fund to pre-pay an additional \$19.1 million of the Israeli Notes. The pre-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 net loss on extinguishment of debt.

On March 31, 2020, in addition to the scheduled 12.5% quarterly amortization payment, the Company used proceeds from its principal repayments in assets held by Medley SLF and Medley Small Business Fund to pre-pay an additional \$19.8 million of the Israeli Notes. The pre-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 net loss on extinguishment of debt.

On April 14, 2020, the Company repaid the remaining \$21.1 million of Israeli Notes outstanding, and as such is no longer subject to any covenants relating thereto. The Israeli Notes were redeemed at 100% of their principal amount, plus the accrued interest thereon, through April 14, 2020.

#### **SBA Debentures**

On March 26, 2013, SBIC LP received a SBIC license from the SBA. The SBIC license allowed 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 were non-recourse, interest only debentures with interest payable semi-annually and had a ten year maturity. The principal amount of SBA Debentures were not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA Debentures were 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, had a superior claim to the SBIC LP's assets over our stockholders in the event we liquidated the SBIC LP or the SBA exercised its remedies under the SBA Debentures issued by the SBIC LP upon an event of default.

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.

SBIC LP received a letter from the SBA (the “SBA Letter”), dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP’s outstanding SBA Debentures. The SBA Letter stated that SBIC LP had until March 29, 2019, fifteen (15) days from the date of the SBA Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA. SBIC LP’s management submitted an orderly wind-down plan to the SBA to prepay the remaining \$135.0 million of outstanding SBA Debentures using available cash at SBIC LP as well as the sale of assets to third parties or affiliates of SBIC LP. On March 28, 2019, SBIC LP agreed and made a repayment of \$50.0 million of outstanding SBA Debentures by April 3, 2019 using available cash at SBIC LP and the cure period was extended to April 19, 2019. On April 18, 2019, SBIC LP agreed and made a repayment of \$20.0 million of outstanding SBA Debentures on April 23, 2019 and an additional \$30.0 million of outstanding SBA Debentures on April 30, 2019 using proceeds from the sale of certain assets and the cure period was extended to May 10, 2019. On May 10, 2019, SBIC LP made the final repayment of the remaining \$35.0 million of outstanding SBA Debentures using proceeds from the sale of certain assets. In connection therewith, effective July 1, 2019, SBIC LP surrendered its SBIC license and operates as Medley Small Business Fund.

The \$135.0 million in aggregate repayments made in connection with the orderly wind-down plan was accounted for as debt extinguishments in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a cumulative realized loss of \$1.8 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

The Company believes the wind-down plan of SBIC LP will not have a material impact on the Company’s net investment income per share. In addition, the Company believes the wind-down will not have an 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 outstanding SBA Debentures.

### 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 March 31, 2020 and September 30, 2019, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

As of March 31, 2020 and September 30, 2019, we had commitments under loan and financing agreements to fund up to \$4.6 million to seven portfolio companies and \$8.9 million to seven portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination 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 March 31, 2020 and September 30, 2019 is shown in the table below (dollars in thousands):

	March 31, 2020	September 30, 2019
1888 Industrial Services, LLC - Revolver <sup>(1)</sup>	\$ 1,078	\$ —
Alpine SG, LLC - Revolver	1,000	1,000
Kemmerer Operations, LLC - Delayed Draw Term Loan	908	908
NVTN LLC - Super Priority DDTL	500	—
Redwood Services Group, LLC - Revolver	350	875
NVTN LLC - DDTL	220	—
1888 Industrial Services, LLC - Term Loan E	219	—
DataOnline Corp. - Revolver	179	1,890
Access Media Holdings, LLC - Series AAA Preferred Equity	101	101
Dynamic Energy Services International LLC - Revolver	—	3,255
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	—	893
<b>Total</b>	<b>\$ 4,555</b>	<b>\$ 8,922</b>

(1) The revolving credit facility was fully drawn as of September 30, 2019.

We have certain contracts under which we have material future commitments. We have entered into an investment management agreement with MCC Advisors (the “Investment Management Agreement”) 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 March 31, 2020 (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	—	—
Israeli Notes	21,148	21,148	—	—	—
Total contractual obligations	\$ 173,008	\$ 95,161	\$ 77,847	\$ —	\$ —

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 the 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. Approximately \$89.8 million was funded as of March 31, 2020 relating to these commitments, of which \$78.6 million was from the Company. As of March 31, 2020, 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.

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. The JV Facility bears interest at a rate of LIBOR (with no minimum + 2.75% per annum. On March 29, 2019, the JV Facility reinvestment period was extended to June 28, 2019 from March 30, 2019. On June 28, 2019, the JV Facility reinvestment period was extended to October 28, 2019. On October 28, 2019, the JV Facility reinvestment period was further extended from October 28, 2019 to March 31, 2020, the maturity date was extended to March 31, 2023 and the interest rate was modified from bearing an interest rate of LIBOR (with no minimum) + 2.50% per annum to LIBOR (with no minimum) + 2.75% per annum. As of March 31, 2020, MCC JV has drawn approximately \$179.3 million on the JV Facility.

As of March 31, 2020, MCC JV had total investments at fair value of \$208.2 million. As of March 31, 2020, MCC JV’s portfolio was comprised of senior secured first lien term loans to 60 different borrowers. As of March 31, 2020, certain investments in one portfolio company were on non-accrual status.

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

#### Distributions

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

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

- 1) at least 98.0% of our ordinary income (not taking into account any capital gains or losses) for the calendar year;
- 2) at least 98.2% 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.

There were no dividend distributions during the six months ended March 31, 2020:

#### **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 the 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.

The description of the Mergers and the Settlement set forth below are as of March 31, 2020. Subsequent to such date, the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement were terminated. See “Recent Developments” for more information.

On August 9, 2018, the Company entered into the MCC Merger Agreement pursuant to which the Company would, 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) would 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 would, 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) would 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 would have the right to receive certain dividends and/or other payments.

On July 29, 2019, the Company entered into the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the “Amended MCC Merger Agreement”), by and between the Company and Sierra, pursuant to which the Company will, on the terms and subject to the conditions set forth in the Amended MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving company in the MCC Merger. In the MCC Merger, each share of the Company’s common stock (other than shares of the Company’s common stock held by the Company, Sierra or their respective wholly owned subsidiaries) will be exchanged for the right to receive (i) 0.68 shares of Sierra’s common stock if the attorneys’ fees of plaintiffs’ counsel and litigation expenses paid or incurred by plaintiffs’ counsel or advanced by plaintiffs in connection with the Delaware Action, as described below (such fees and expenses, the “Plaintiff Attorney Fees”), are less than or equal to \$10,000,000; (ii) 0.66 shares of Sierra’s common stock if the Plaintiff Attorney Fees are equal to or greater than \$15,000,000; (iii) between 0.68 and 0.66 per share of Sierra’s common stock if the Plaintiff Attorney Fees are greater than \$10,000,000 but less than \$15,000,000, calculated on a descending basis, based on straight line interpolation between \$10,000,000 and \$15,000,000; or (iv) 0.66 shares of Sierra’s common stock in the event that the Plaintiff Attorney Fees are not fully and finally determined prior to the closing of the MCC Merger (such ratio, the “MCC Merger Exchange Ratio”). Based upon the Plaintiff Attorney Fees approved by the Delaware Court of Chancery as set forth in the Delaware Order and Final Judgment, as described below, the MCC Merger Exchange Ratio will be 0.66 shares of Sierra’s common stock. The Company and Sierra are appealing the Delaware Order and Final Judgment with respect to the Delaware Court of Chancery’s ruling on the Plaintiff Attorney Fees.

In addition, on July 29, 2019, Sierra and MDLY announced the execution of the Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019 (the “Amended MDLY Merger Agreement”), by and among MDLY, Sierra, and Merger Sub, pursuant to which MDLY will, on the terms and subject to the conditions set forth in the Amended MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company

in the MDLY 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 shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries (the “Excluded MDLY Shares”) and the Dissenting Shares (as defined in the Amended MDLY Merger Agreement), held, immediately prior to the MDLY Merger effective time, by any person other than a Medley LLC unitholder, will be exchanged for (i) 0.2668 shares of Sierra’s common stock; plus (ii) cash in an amount equal to \$2.96 per share. In addition, 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 the Excluded MDLY Shares and the Dissenting Shares, held, immediately prior to the MDLY Merger effective time, by Medley LLC unitholders will be exchanged for (i) 0.2072 shares of Sierra’s common stock; plus (ii) cash in an amount equal to \$2.66 per share.

Pursuant to terms of the Amended MCC Merger Agreement, the consummation of the MCC Merger is conditioned upon the satisfaction or waiver of each of the conditions to closing under the Amended MDLY Merger Agreement and the consummation of the MDLY Merger. However, pursuant to the terms of the Amended MDLY Merger Agreement, the consummation of the MDLY Merger is not contingent upon the consummation of the MCC Merger. If both Mergers are successfully consummated, Sierra’s common stock would be listed on the NYSE, with such listing expected to be effective as of the closing date of the Mergers, and Sierra’s common stock will be listed on the Tel Aviv Stock Exchange (“TASE”), with such listing expected to be effective as of the closing date of the MCC Merger. If, however, only the MDLY Merger is consummated, Sierra’s common stock would be listed on the NYSE. If both Mergers are successfully consummated, the investment portfolios of MCC 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 LLC, its wholly controlled adviser subsidiary. If only the MDLY Merger is consummated, the investment portfolios of MCC and Sierra would not be combined; however, the investment management function relating to the operation of Sierra, as the surviving company, would still be internalized (the “Sierra/MDLY Company”) and the Sierra/MDLY Company would be managed by MCC Advisors.

The Mergers are subject to approval by the stockholders of the Company, Sierra, and MDLY, regulators, including the SEC, court approval of the Settlement (as described below), other customary closing conditions and third-party consents. There is no assurance that any of the foregoing conditions will be satisfied. The Company and Sierra have the right to terminate the Amended MCC Merger Agreement under certain circumstances, including (subject to certain limitations set forth in the Amended MCC Merger Agreement), among others: (i) by mutual written agreement of each party; (ii) any governmental entity whose consent or approval is a condition to closing set forth in Section 8.1 of the Amended MCC Merger Agreement has denied the granting of any such consent or approval and such denial has become final and nonappealable, or any governmental entity of competent jurisdiction shall have issued a final and nonappealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by the Amended MCC Merger Agreement; (iii) the MCC Merger has not closed on or prior to March 31, 2020; or (iv) either party has failed to obtain stockholder approval or the Amended MDLY Merger Agreement has been terminated.

On February 11, 2019, a purported stockholder class action was commenced in the Delaware Court of Chancery by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd. (together, “FrontFour”), captioned as FrontFour Capital Group LLC, et al. v. Brook Taube et al., Case No. 2019-0100 (the “Delaware Action”) against defendants Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, MDLY, Sierra, the Company, MCC Advisors, Medley Group LLC, 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 MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. The complaint sought to enjoin the vote of MCC stockholders on the proposed merger and enjoin enforcement of certain provisions of the Agreement and Plan of Merger, dated as of August 9, 2018, by and between MCC and Sierra (the “MCC Merger Agreement”).

The Delaware Court of Chancery held a trial on the plaintiffs’ motion for a preliminary injunction and issued a Memorandum Opinion (the “Decision”) on March 11, 2019. The Delaware Court of Chancery 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 Delaware Court of Chancery 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 Delaware Court of Chancery 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 had been made and stockholders had the opportunity to assimilate that information.

On March 20, 2019, another 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 Delaware Court of Chancery, captioned Altman v. Taube, Case No. 2019-0219 (the “Altman Action”). The complaint alleged that the defendants breached their fiduciary duties to stockholders of the Company in connection with the vote of the Company’s stockholders on the proposed mergers. On April 8, 2019, the Delaware Court of Chancery granted a stipulation consolidating the Delaware Action and the Altman Action, designating the amended complaint in the Delaware Action as the operative complaint, and designating the plaintiffs in the Delaware Action and their counsel the lead plaintiffs and lead plaintiffs’ counsel, respectively.

On December 20, 2019, the Delaware Court of Chancery entered the Delaware Opinion approving the settlement of the Delaware Action (the “Settlement”). Pursuant to the Settlement, the Company agreed to certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement, which amendments are reflected in the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement. The Settlement also provides for, if the MCC Merger is consummated, the creation of a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra’s common stock, with the number of shares of Sierra’s common stock to be calculated using the pro forma net asset value of \$6.37 per share as of June 30, 2019, which will be distributed to eligible members of the Settlement Class (as defined in the Settlement). In addition, in connection with the Settlement, on July 29, 2019, the Company entered into a Governance Agreement with FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, pursuant to which, among other matters, FrontFour is subject to customary standstill restrictions and required to vote in favor of the revised MCC Merger at a meeting of stockholders to approve the revised MCC Merger Agreement. The Settlement also provides for mutual releases between and among FrontFour and the Settlement Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Delaware Action through September 26, 2019.

The Delaware Court of Chancery also awarded attorney’s fees as follows: (i) an award of \$3,000,000 to lead plaintiffs’ counsel and \$75,000 to counsel to plaintiff Stephen Altman (the “Therapeutics Fee Award”) and \$420,334.97 of plaintiff counsel expenses payable to the lead plaintiff’s counsel, which

were paid on December 23, 2019, and (ii) an award that is contingent upon the closing of the proposed merger transactions (the "Contingent Fee Award"), consisting of:

- a. \$100,000 for the agreement to appoint an independent director on the board of directors of the post-merger company; and
- b. the amount calculated by solving for A in the following formula:

$$\text{Award}[A] = (\text{Monetary Fund}[M] + \text{Award}[A] - \text{Look Through}[L]) * \text{Percentage}[P]$$

Where:

- A shall be the amount of the Additional Fee (excluding the \$100,000 award for the agreement to appoint an independent director on the board of directors of the post-merger company);
- M shall be the sum of (i) the \$17 million cash component of the Settlement Fund and (ii) the value of the post-merger company stock component of the Settlement Fund, which shall be calculated as the product of the VPS (as defined below) and 4,709,576.14 (the number of shares of post-merger company's stock comprising the stock component of the net settlement amount);
- L shall be the amount representing the estimated value of the decrease in shares to be received by eligible class members arising by operation of the change in the "Exchange Ratio" under the Amended MCC Merger Agreement, calculated as follows:

$$L = ((ES * 68\%) - (ES * 66\%)) * VPS$$

Where:

ES shall be the number of eligible shares;

VPS shall be the pro forma net asset value per share of the post-merger company's common stock as of the closing as reported in the public disclosure filed nearest in time and after the closing (the "Closing NAV Disclosure"); and

P shall equal 0.26

The Contingent Fee Award is contingent upon the closing of the MCC Merger. Payment of the Contingent Fee Award will be made in two stages. First, within five (5) business days of the establishment of the Settlement Fund, the Company or its successor shall (i) pay the plaintiffs' counsel an estimate of the Contingent Fee Award (the "Additional Fee Estimate"), less twenty (20) percent (the "Additional Fee Estimate Payment"), and (ii) deposit the remaining twenty (20) percent of the Additional Fee Estimate into escrow (the "Escrowed Fee"). For purposes of calculating such estimate, the Company or its successor shall use the formula set above, except that VPS shall equal the pro forma net asset value of the post-merger company's common stock as reported in the public disclosure filed nearest in time and prior to the closing (the "Closing NAV Estimate").

Second, within five (5) business days of the Closing NAV Disclosure (as defined in the Order and Final Judgment), (i) if the Additional Fee is greater than the Additional Fee Estimate Payment, an amount of the Escrowed Fee shall be released to plaintiffs' counsel such that the total payments made to plaintiffs' counsel equal the Additional Fee and the remainder of the Escrowed Fee, if any, shall be released to the Company or its successor, (ii) if the Additional Fee is less than the Additional Fee Estimate Payment, plaintiffs' counsel shall return to the Company or its successor the difference between the Additional Fee Estimate and the Additional Fee and the Escrowed Fee shall be released to the Company or its successor, or (iii) if the Additional Fee is equal to the Additional Fee Estimate Payment, the Escrowed Fee shall be released to the Company or its successor.

On January 17, 2020, the Company and Sierra filed a notice of appeal with the Delaware Supreme Court from those provisions of the Order and Final Judgment with respect to the Contingent Fee Award.

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. 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 the 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 the 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.

On January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended MCC Merger Agreement is in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement is terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra's notice of termination to the Company. The Amended MCC Merger Agreement was terminated by Sierra on May 1, 2020. See "Recent Developments" for more information.

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

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

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

#### ***Revenue Recognition***

Our revenue recognition policies are as follows:

*Investments and Related Investment Income* We account for investment transactions on a trade-date basis and interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Origination, closing and/or commitment fees associated with investments in portfolio companies are recognized as income when the investment transaction closes. Other fees are capitalized as deferred revenue and recorded into income over the respective period. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded

as income upon receipt. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in the fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation/(depreciation) on investments in our Consolidated Statements of Operations.

**Non-accrual** We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At March 31, 2020, certain investments in ten portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$28.2 million, or 11.0% of the fair value of our portfolio. At March 31, 2020, certain investments in two portfolio companies held by the Company were on partial non-accrual status with a combined fair value of approximately \$13.3 million, or 5.2% of the fair value of our portfolio. At September 30, 2019, certain investments in seven portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$22.3 million, or 5.6% of the fair value of our portfolio.

### **Federal Income Taxes**

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

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

### **Recent Developments**

On May 1, 2020, the Company received a notice of termination from Sierra of the Amended MCC Merger Agreement. Under the Amended MCC Merger Agreement, either party may, subject to certain conditions, terminate the Amended MCC Merger Agreement if the MCC Merger is not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. Representatives of Sierra informed the Company that in determining to terminate the Amended MCC Merger Agreement, Sierra considered a number of factors, including, among other factors, changes in the relative valuation of the Company and Sierra, the changed circumstances and the unpredictable economic conditions resulting from the global health crisis caused by the coronavirus (COVID-19) pandemic, and the uncertainty regarding the parties' ability to satisfy the conditions to closing the MCC Merger in a timely manner.

In addition, on May 1, 2020, MDLY received a notice of termination from Sierra of the Amended MDLY Merger Agreement. Under the Amended MDLY Merger Agreement, either party may, subject to certain conditions, terminate the Amended MDLY Merger Agreement if the MDLY Merger is not consummated by March 31, 2020. Sierra elected to do so on May 1, 2020. Representatives of Sierra informed MDLY that in determining to terminate the Amended MDLY Merger Agreement, Sierra considered a number of factors, including, among other factors, changes in the relative valuation of MDLY and Sierra, the changed circumstances and the unpredictable economic conditions resulting from the global health crisis caused by the coronavirus (COVID-19) pandemic, and the uncertainty regarding the parties' ability to satisfy the conditions to closing the MDLY Merger in a timely manner.

As a result of the foregoing, in connection with the Delaware Action, no Settlement Fund will be established or paid to the stockholders of the Company and no Contingent Fee Award will be paid to plaintiff's counsel. The other terms of the Settlement, including the releases provided for in the Delaware Order and Final Judgment, remain in effect.

As previously disclosed, on January 15, 2020, the Company's board of directors, including all of the independent directors, approved the renewal of the Investment Management Agreement through the later of April 1, 2020 or so long as the Amended MCC Merger Agreement is in effect, but no longer than a year; provided that, if the Amended MCC Merger Agreement is terminated by Sierra, then the termination of the Investment Management Agreement would be effective on the 30th day following receipt of Sierra's notice of termination to the Company. As result of the termination of the Amended MCC Merger Agreement, unless further action is taken by the board of directors, including by a majority of the independent directors, the Investment Management Agreement will be terminated effective as of May 31, 2020.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the three months ended March 31, 2020, we did not engage in hedging activities.

As of March 31, 2020, 82.7% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate LIBOR floor as of March 31, 2020 was as follows (dollars in thousands):

LIBOR Floor	March 31, 2020	
	Fair Value	% of Floating Rate Portfolio
Under 1%	\$ —	—%
1% to under 2%	81,837	100.0
2% to under 3%	—	—
Total	<u>\$ 81,837</u>	<u>100.0%</u>

Based on our Consolidated Statements of Assets and Liabilities as of March 31, 2020, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR base rate changes in interest rates, assuming no changes in our investment and capital structure.

Basis point increase/(decrease)	Interest Income <sup>(1)</sup>	Interest Expense	Net Increase/(Decrease)
300	\$ 2,700	\$ —	\$ 2,700
200	1,800	—	1,800
100	900	—	900
(100)	(400)	—	(400)
(200)	(400)	—	(400)
(300)	(400)	—	(400)

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

#### **Item 4. Controls and Procedures**

##### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2020. The term “disclosure controls and procedures” is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

##### ***Change in Internal Control Over Financial Reporting***

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

## PART II

### Item 1. Legal Proceedings

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

On 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 Medley Capital Corporation, 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., Medley Capital Corporation, Medley Management Inc., Sierra Income Corporation, and Sierra Management, Inc. The complaints in each of the New York Actions alleged that the individuals named as defendants breached their fiduciary duties in connection with the proposed merger of MCC with and into Sierra, and that the other defendants aided and abetted those alleged breaches of fiduciary duties. Compensatory damages in unspecified amounts were sought. On December 20, 2019, the Delaware court entered an Order and Final Judgment approving the settlement of the Delaware Action (defined below). The plaintiffs in the New York Actions acknowledged that the settlement of the Delaware Action rendered the New York Actions moot; however, the attorneys for the plaintiffs in the New York Actions sought an order awarding them fees and recovery of expenses on account of their purported contributions to the settlement of the Delaware Action.

Following a period of negotiations, the Company reached an agreement with the respective plaintiffs to resolve the New York Actions. While the Company believed that the allegations in the New York Actions were without merit, to avoid the nuisance, potential expense, burden and delay due to continued litigation, the Company agreed to pay \$50,000 in attorneys’ fees and expenses to plaintiffs’ counsel in connection with the mooted claims asserted. This amount will be covered by the Company’s insurance carrier. On May 11, 2020, the court formally approved the parties’ settlement agreement and dismissed the New York Actions.

On February 11, 2019, a purported stockholder class action was commenced in the Court of Chancery of the State of Delaware (“Delaware Court of Chancery”) by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd. (together, “FrontFour”), captioned as *FrontFour Capital Group LLC, et al. v. Brook Taube et al.*, Case No. 2019-0100 (the “Delaware Action”) against defendants Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, MDLY, Sierra, the Company, MCC Advisors, Medley Group LLC, 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 MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. The complaint sought to enjoin the vote of MCC stockholders on the proposed merger and enjoin enforcement of certain provisions of the Agreement and Plan of Merger, dated as of August 9, 2018, by and between MCC and Sierra (the “MCC Merger Agreement”).

The Delaware Court of Chancery held a trial on the plaintiffs’ motion for a preliminary injunction and issued a Memorandum Opinion (the “Decision”) on March 11, 2019. The Delaware Court of Chancery 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 Delaware Court of Chancery 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 Delaware Court of Chancery 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 had been made and stockholders had the opportunity to assimilate that information.

On March 20, 2019, another 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 Delaware Court of Chancery, captioned *Altman v. Taube*, Case No. 2019-0219 (the “Altman Action”). The complaint in the Altman Action alleged that the defendants breached their fiduciary duties to stockholders of the Company in connection with the vote of the Company’s stockholders on the proposed mergers. On April 8, 2019, the Delaware Court of Chancery granted a stipulation consolidating the Delaware Action and the Altman Action, designating the amended complaint in the Delaware Action as the operative complaint, and designating the plaintiffs in the Delaware Action and their counsel the lead plaintiffs and lead plaintiffs’ counsel, respectively.

On December 20, 2019, the Delaware Court of Chancery entered an Order and Final Judgment approving the settlement of the Delaware Action (the “Settlement”). Pursuant to the Settlement, the Company agreed to certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement, which amendments are reflected in the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement. The Settlement also provides for, if the MCC Merger had been consummated, the creation of a settlement fund (the “Settlement Fund”), consisting of \$17 million in cash and \$30 million of Sierra’s common stock, with the number of shares of Sierra’s common stock to be calculated using the pro forma net asset value of \$6.37 per share as of June 30, 2019, which would have been distributed to eligible members of the Settlement Class (as defined in the Settlement). In addition, in connection with the Settlement, on July 29, 2019, the Company entered into a Governance Agreement with FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, pursuant to which, among other matters, FrontFour is subject to customary standstill restrictions and required to vote in favor of the amended MCC Merger at a meeting of stockholders to approve the Amended MCC Merger Agreement. The Settlement also provides for mutual releases between and among FrontFour and the Settlement Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Delaware Action through September 26, 2019.

The Delaware Court of Chancery also awarded attorney’s fees as follows: (i) an award of \$3,000,000 to lead plaintiffs’ counsel and \$75,000 to counsel to plaintiff Stephen Altman (the “Therapeutics Fee Award”) and \$420,334.97 of plaintiff counsel expenses payable to the lead plaintiff’s counsel, which were paid on December 23, 2019, and (ii) an award that was contingent upon the closing of the proposed merger transactions (the “Contingent Fee Award”).

On May 1, 2020, Sierra terminated the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement. Accordingly, no Settlement Fund will be established or paid to the stockholders of the Company and no Contingent Fee Award will be paid to plaintiff's counsel. The other terms of the Settlement, including the releases provided for in the Delaware Order and Final Judgment, remain in effect.

On January 17, 2020, the Company and Sierra filed a notice of appeal with the Delaware Supreme Court from those provisions of the Order and Final Judgment with respect to the Contingent Fee Award. In light of the termination of the Amended MCC Merger Agreement, the appeal is expected to be dismissed.

The Company was named as a defendant in a lawsuit on May 29, 2015, by Moshe Barkat and Modern VideoFilm Holdings, LLC ("MVF Holdings") against the Company, MOF II, MCC Advisors LLC, Deloitte Transactions and Business Analytics LLP A/K/A Deloitte ERG ("Deloitte"), Scott Avila ("Avila"), Charles Sweet, and Modern VideoFilm, Inc. ("MVF"). The lawsuit is pending in the California Superior Court, Los Angeles County, Central District, as Case No. BC 583437. The lawsuit was filed after the Company, as agent for the lender group, exercised remedies following a series of defaults by MVF and MVF Holdings on a secured loan with an outstanding balance at the time in excess of \$65 million. The lawsuit sought damages in excess of \$100 million. Deloitte and Avila have settled the claims against them in exchange for payment of \$1.5 million. On June 6, 2016, the court granted the Medley defendants' demurrers on several counts and dismissed Mr. Barkat's claims with prejudice except with respect to his claim for intentional interference with contract. On March 18, 2018, the court granted the Medley defendants' motion for summary adjudication with respect to Mr. Barkat's sole remaining claim against the Medley Defendants for intentional interference. Now that the trial court has ruled in favor of the Medley defendants on all counts, the only remaining claims in the Barkat litigation are the Company and MOF II's affirmative counterclaims against Mr. Barkat and MVF Holdings, which the Company and MOF II are diligently prosecuting.

On August 29, 2016, MVF Holdings filed another lawsuit in the California Superior Court, Los Angeles County, Central District, as Case No. BC 631888 (the "Derivative Action"), naming MCC Advisors LLC and certain of Medley's employees as defendants, among others. The plaintiff in the Derivative Action, asserts claims 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. MCC Advisors LLC 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. In light of the COVID-19 pandemic, the trial that was set for May 19, 2020 has been continued with no new date set.

Medley LLC, Medley Capital Corporation, Medley Opportunity Fund II LP, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube were named as defendants, along with other various parties, in a putative class action lawsuit captioned as Royce Solomon, Jodi Belleci, Michael Littlejohn, and Giulianna Lomaglio v. American Web Loan, Inc., AWL, Inc., Mark Curry, MacFarlane Group, Inc., Sol Partners, Medley Opportunity Fund, II, LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube, DHI Computing Service, Inc., Middlemarch Partners, and John Does 1-100, filed on December 15, 2017, amended on March 9, 2018, and amended a second time on February 15, 2019, in the United States District Court for the Eastern District of Virginia, Newport News Division, as Case No. 4:17-cv-145 (hereinafter, "Class Action 1"). Medley Opportunity Fund II LP and Medley Capital Corporation were also named as defendants, along with various other parties, in a putative class action lawsuit captioned George Hengle and Lula Williams v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed February 13, 2018, in the United States District Court, Eastern District of Virginia, Richmond Division, as Case No. 3:18-cv-100 ("Class Action 2"). Medley Opportunity Fund II LP and Medley Capital Corporation were also named as defendants, along with various other parties, in a putative class action lawsuit captioned 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, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube (in Class Action 1, as amended); Medley Opportunity Fund II LP and Medley Capital Corporation (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 had 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 all claims, and on October 29, 2018, Plaintiffs in Class Action 2 filed a notice of voluntary dismissal of all claims.

On April 16, 2020, the parties to Class Action 1 reached a settlement reflected in a Settlement Agreement (the "Settlement Agreement") that has been publicly filed in Class Action 1 (ECF No. 414-1). Among other things, upon satisfaction of the conditions specified in the Settlement Agreement and upon the Effective Date, the Settlement Agreement (capitalized terms not otherwise defined have the meaning set forth in the Settlement Agreement): (1) requires Plaintiffs to seek certification of a nationwide settlement class of all persons in the United States to whom American Web Loan lent money from February 10, 2010 through a future date on which the Court may enter a Preliminary Approval Order as to the Settlement Agreement (which certification Defendants have agreed not to oppose); (2) requires American Web Loan, and only American Web Loan, to pay Monetary Consideration of \$65,000,000 (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC,

Brook Taube, or Seth Taube are paying any Monetary Consideration pursuant to the Settlement Agreement); (3) requires American Web Loan, and only American Web Loan, to cancel (as a disputed debt) and release all claims that relate to or arise out of the loans in its Collection Portfolio, which is valued at Seventy-Six Million Dollars (\$76,000,000) and comprised of loans to more than 39,000 borrowers (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, or Seth Taube have any interest in any of the loans that are being cancelled); (4) requires American Web Loan and Curry to provide certain Non-Monetary Benefits (none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, or Seth Taube are conferring any Non-Monetary Benefits pursuant to the Settlement Agreement); (5) fully, finally, and forever releases Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube from any and all claims, causes of action, suits, obligations, debts, demands, agreements, promises, liabilities, damages, losses, controversies, costs, expenses and attorneys' fees of any nature whatsoever, whether arising under federal law, state law, common law or equity, tribal law, foreign law, territorial law, contract, rule, regulation, any regulatory promulgation (including, but not limited to, any opinion or declaratory ruling), or any other law, including Unknown Claims, whether suspected or unsuspected, asserted or unasserted, foreseen or unforeseen, actual or contingent, liquidated or unliquidated, punitive or compensatory, as of the date of the Final Fairness Approval Order and Judgment, that relate to or arise out of loans made by and/or in the name of AWL (including loans issued in the name of American Web Loan, Inc. or Clear Creek Lending) as of the date of entry of the Preliminary Approval Order (with the exception of claims to enforce the Settlement or the Judgment); (6) provides for a mutual general release between Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube on the one hand, and American Web Loan and Curry on the other hand; and (7) provides that, as of the future Effective Date, none of Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube shall (i) be entitled to indemnification from AWL Defendants (as defined in the Settlement Agreement) or (ii) bring any claim against any Released Parties, including American Web Loan and Curry, that relate to or arise out of loans made by and/or in the name of AWL (including loans issued in the name of American Web Loan, Inc. or Clear Creek Lending) as of the date of entry of the Preliminary Approval Order (with the exception of claims to enforce the Settlement or the Judgment). The Settlement Agreement is subject to various conditions before it will become effective on the Effective Date, including payment of the Monetary Consideration, Final Approval by the Court of the Settlement following Notice to the Settlement Class and a Final Approval Hearing; entry of Judgment dismissing Class Action 1 with prejudice; and expiration of the time during which Plaintiffs and American Web Loan may exercise specified termination rights. On April 16, 2020, Plaintiffs in Class Action 1 moved for a Preliminary Approval Order and to set a Final Approval hearing date; the motion remains pending.

#### **Item 1A. Risk Factors**

In addition to other information set forth in this report, you should carefully consider the "Risk Factors" discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2019, filed with the SEC on December 16, 2019, which could materially affect our business, financial condition and/or operating results. Other than the items disclosed below, there have been no material changes during the six months ended March 31, 2020 to the risk factors discussed in "Item 1A. Risk Factors" of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

##### **Risks Related to our Business**

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

When possible, 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 test applicable to us as a BDC could limit our ability to pay distributions. As of March 31, 2020, the Company's asset coverage was 181.7% after giving effect to leverage and therefore the Company's asset coverage is below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company is prohibited from making distributions to stockholders. 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, 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.

##### **Risks Related to our Operations as a BDC and RIC**

*Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.*

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.

As of March 31, 2020, the Company's asset coverage was 181.7% after giving effect to leverage and therefore the Company's asset coverage is below 200%, the minimum asset coverage requirement under the 1940 Act. As a result, the Company is prohibited from making distributions to stockholders, including the payment of any dividend, and may not employ further leverage until the Company's asset coverage is at least 200% after giving effect to such leverage.

##### **Risks Relating to an Investment in our Securities**

*The indenture under which the 2023 Notes and the 2021 Notes are issued place restrictions on our and/or our subsidiaries' activities.*

The terms of the indenture under which the 2023 Notes and the 2021 Notes (collectively, "U.S. Notes") were issued place restrictions on our and/or our subsidiaries' ability to, among other things:

- 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. As of March 31, 2020, the Company's asset coverage was 181.7% after giving effect to leverage and therefore the Company is prohibited from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities; or

- 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. As of March 31, 2020, the Company's asset coverage was 181.7% after giving effect to leverage and therefore the Company is prohibited from declaring any cash dividend or distribution upon any class of our capital stock, or purchasing any such capital stock.

#### **Certain Risks in the Current Environment**

***We are currently operating in a period of capital markets disruptions and economic uncertainty. Such market conditions may materially and adversely affect debt and equity capital markets, which may have a negative impact on our business, financial condition and operations.***

From time to time, capital markets may experience periods of disruption and instability. The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of coronavirus ("COVID-19") that began in December 2019. Some economists and major investment banks have expressed concern that the continued spread of the COVID-19 globally could lead to a world-wide economic downturn. Even after the COVID-19 pandemic subsides, the U.S. economy, as well as most other major economies, may continue to experience a recession, and we anticipate our businesses would be materially and adversely affected by a prolonged recession in the U.S. and other major markets. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. The COVID-19 outbreak is having, and any future outbreaks could have, an adverse impact on the ability of lenders to originate loans, the volume and type of loans originated, the ability of borrowers to make payments and the volume and type of amendments and waivers granted to borrowers and remedial actions taken in the event of a borrower default, each of which could negatively impact the amount and quality of loans available for investment by the Company and returns to the Company, among other things. With respect to the U.S. credit markets (in particular for middle market loans), the COVID-19 outbreak has resulted in, and until fully resolved is likely to continue to result in, the following among other things: (i) increased draws by borrowers on revolving lines of credit and other financing instruments; (ii) increased requests by borrowers for amendments and waivers of their credit agreements to avoid default, increased defaults by such borrowers and/or increased difficulty in obtaining refinancing at the maturity dates of their loans; (iii) greater volatility in pricing and spreads and difficulty in valuing loans during periods of increased volatility; and (iv) rapidly evolving proposals and/or actions by state and federal governments to address problems being experienced by the markets and by businesses and the economy in general which will not necessarily adequately address the problems facing the loan market and middle-market businesses. These and future market disruptions and/or illiquidity could have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments. We may have to access, if available, alternative markets for debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

For example, between 2008 and 2009, the U.S. and global capital markets were unstable as evidenced by periodic disruptions in liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular.

Equity capital may be difficult to raise during periods of adverse or volatile market conditions because, subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than NAV without first obtaining approval for such issuance from our shareholders and our independent directors. Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. The current market and future market conditions similar to those experienced from 2008 through 2009 for any substantial length of time could make it difficult to extend the maturity of or refinance our existing indebtedness or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience, including being at a higher cost in a rising interest rate environment. If any of these conditions appear, they may have an adverse effect on our business, financial condition, and results of operations. These events could limit our investment originations, limit our ability to increase returns to equity holders through the effective use of leverage, and negatively impact our operating results.

In addition, significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell our investments to access capital if required, and as a result, we could realize significantly less than the

value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

Governmental authorities worldwide have taken increased measures to stabilize the markets and support economic growth. The success of these measures is unknown and they may not be sufficient to address the market dislocations or avert severe and prolonged reductions in economic activity.

We also face an increased risk of investor, creditor or portfolio company disputes, litigation and governmental and regulatory scrutiny as a result of the effects of COVID-19 on economic and market conditions.

***Events outside of our control, including public health crises, could negatively affect our portfolio companies and our results of our operations.***

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. The recent outbreak of COVID-19 in many countries, including the United States, continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. COVID-19 spread quickly and has been identified as a global pandemic by the World Health Organization. In response, governmental authorities have imposed restrictions on travel and the temporary closure of many corporate offices, retail stores, restaurants, fitness clubs and manufacturing facilities and factories in affected jurisdictions, including, beginning in March 2020, in the United States. COVID-19 and the resulting economic dislocations have had adverse consequences for the business operations and financial performance of some of our portfolio companies, which may, in turn impact the valuation of our investments and have adversely affected, and threaten to continue to adversely affect, our operations. Local, state and federal and numerous non-U.S. governmental authorities have imposed travel restrictions, business closures and other quarantine measures on service providers and other individuals that remain in effect on the date of this Quarterly Report on Form 10-Q. COVID-19 has caused the effective cessation of all business activity deemed non-essential by such governmental authorities. We cannot predict the full impact of COVID-19, including the duration of the closures and restrictions described above. As a result, we are unable to predict the duration of these business and supply-chain disruptions, the extent to which COVID-19 will negatively affect our portfolio companies' operating results or the impact that such disruptions may have on our results of operations and financial condition. With respect to loans to portfolio companies, the Company will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments or allowing for PIK interest payments, (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business, or (iii) the value of loans held by the Company decreases as a result of such events and the uncertainty they cause. Portfolio companies may also be more likely to seek to draw on unfunded commitments we have made, and the risk of being unable to fund such commitments is heightened during such periods. Depending on the duration and extent of the disruption to the business operations of our portfolio companies, we expect some portfolio companies, particularly those in vulnerable industries, such as travel, to experience financial distress and possibly to default on their financial obligations to us and/or their other capital providers. In addition, if such portfolio companies are subjected to prolonged and severe financial distress, we expect some of them to substantially curtail their operations, defer capital expenditures and lay off workers. These developments would be likely to permanently impair their businesses and result in a reduction in the value of our investments in them.

The Company will also be negatively affected if the operations and effectiveness of MCC Advisors or our portfolio companies (or any of the key personnel or service providers of the foregoing) are compromised or if necessary or beneficial systems and processes are disrupted as a result of stay-at-home orders or other related interruptions to business operations.

#### **Risks Relating to the Termination of the Mergers**

***The termination of the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement could negatively impact us.***

The termination of the Amended MCC Merger Agreement and the Amended MDLY Merger Agreement 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 may decline to the extent that the market price prior to termination reflects a market assumption that the Mergers would be completed;
- we may not be able to find a party willing to pay an equivalent or more attractive price than the price Sierra had agreed to pay in the MCC Merger.
- the Company may experience negative publicity and negative reactions from the financial markets and from its investors, creditors and employees;
- the Company may experience negative publicity and negative reactions from the financial markets and from its investors, creditors and employees;
- the Company has incurred and may continue to incur certain significant costs relating to the Mergers, such as legal, accounting, financial advisor, printing, and other professional services fees, which may relate to activities that we would not have undertaken other than in connection with the Mergers; and
- the Company has committed, and may be required to further commit, time and resources to defending legal proceedings commenced against us related to the Mergers.

We cannot assure our stockholders that the risks described above will not negatively impact our business, financial results, and ability to pay dividends and distributions, if any, to our stockholders, and could negatively impact our stock prices.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

## Item 6. Exhibits

- 3.1 [Certificate of Incorporation \(Incorporated by reference to Exhibit 99.A.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 3.2 [Form of Bylaws \(Incorporated by reference to Exhibit 99.B.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 3.3 [Amendment to Bylaws \(Incorporated by reference to the Current Report on Form 8-K filed February 7, 2019\).](#)
- 4.1 [Form of Stock Certificate \(Incorporated by reference to Exhibit 99.D to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 4.2 [Indenture, dated February 7, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.2 to the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on February 13, 2012\).](#)
- 4.3 [First Supplemental Indenture, dated March 21, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on March 21, 2012\).](#)
- 4.4 [Second Supplemental Indenture, dated March 18, 2013, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 \(File No. 333-179237\), filed on March 15, 2013\).](#)
- 4.5 [Third Supplemental Indenture, dated December 17, 2015, between Medley Capital Corporation and U.S. Bank National Association, as Trustee \(Incorporated by reference to Exhibit 99.D.6 to the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2 \(File No. 333-187324\), filed December 17, 2015\).](#)
- 4.6 [Deed of Trust, dated January 23, 2018, between Medley Capital Corporation and Mishmeret Trust Company, Ltd. \(Incorporated by reference to the Registrant's Registration Statement on Form N-2 \(File No. 333-230790\), filed on April 10, 2019\).](#)
- 4.7 [Amendment to Deed of Trust, dated August 12, 2019, between Medley Capital Corporation and Mishmeret Trust Company, Ltd. \(Incorporated by reference by the Current Report on Form 8-K filed on August 16, 2019\).](#)
- 4.8 [Statement of Eligibility of Trustee on Form T-1 \(Incorporated by reference to Exhibit d.5 to the Registrant's Registration Statement on Form N-2 \(File No. 333-179237\), filed on March 15, 2013\).](#)
- 10.1 [Form of Amended and Restated Investment Management Agreement between Registrant and MCC Advisors LLC \(Incorporated by reference to Exhibit 99.G to Registrant's Post-Effective Amendment No. 3 to the Registration Statement on N-2 \(File No. 333-187324\), filed on December 10, 2013\).](#)
- 10.2 [Letter from MCC Advisors LLC re: Waiver of Base Management Fee and Incentive Fee on Net Investment Income, dated February 8, 2016 \(Incorporated by reference to Exhibit 99.K.5 to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-208746\), filed on March 25, 2016\).](#)
- 10.3 [Form of Custody Agreement \(Incorporated by reference to Exhibit 99.J.1 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 10.4 [Form of Administration Agreement \(Incorporated by reference to Exhibit 99.K.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on June 9, 2010\).](#)
- 10.5 [Form of Sub-Administration Agreement \(Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 10.6 [Trademark License Agreement \(Incorporated by reference to Exhibit 99.K.3 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on June 9, 2010\).](#)
- 10.7 [Form of Dividend Reinvestment Plan \(Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 23, 2010\).](#)
- 10.8 [Senior Secured Revolving Credit Agreement among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, dated August 4, 2011 \(Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011\).](#)
- 10.9 [Guarantee, Pledge and Security Agreement among the Company, the Subsidiary Guarantors party thereto, ING Capital LLC, as Administrative Agent, each Financial Agent and Designated Indebtedness Holder party thereto and ING Capital LLC, as Collateral Agent, dated August 4, 2011 \(Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011\).](#)
- 10.10 [Amendment No. 1, dated as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012\).](#)

- 10.11 [Amendment No. 2, dated as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 \(Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012\).](#)
- 10.12 [Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 and December 7, 2012, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013\).](#)
- 10.13 [Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012\).](#)
- 10.14 [Amendment No. 1, dated as of December 7, 2012, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012\).](#)
- 10.15 [Amendment No. 2, dated as of January 23, 2013, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Term Loan Credit Agreement, dated as of January 23, 2013 \(Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013\).](#)
- 10.16 [Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 and January 23, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013\).](#)
- 10.17 [Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012 and March 28, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013\).](#)
- 10.18 [Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013 and March 28, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013\).](#)
- 10.19 [Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013 and May 1, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014\).](#)
- 10.20 [Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013 and May 1, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014\).](#)
- 10.21 [Amendment No. 6, dated as of February 2, 2015, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, May 1, 2013 and June 2, 2014, respectively \(Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015\).](#)
- 10.22 [Amendment No. 6 to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013, May 1, 2013 and June 2, 2014, respectively \(Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015\).](#)
- 10.23 [Amended and Restated Senior Secured Revolving Credit Agreement, dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015\).](#)
- 10.24 [Amendment No. 1 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016\).](#)
- 10.25 [Amendment No. 2 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017\).](#)

- 10.26 [Amendment No. 3 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017\).](#)
- 10.27 [Amendment No. 4 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 12, 2018, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 16, 2018\).](#)
- 10.28 [Amended and Restated Senior Secured Term Loan Credit Agreement dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015\).](#)
- 10.29 [Amendment No. 1 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016\).](#)
- 10.30 [Amendment No. 2 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017\).](#)
- 10.31 [Amendment No. 3 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017\).](#)
- 10.32 [Incremental Assumption Agreement, dated as of February 10, 2012, made by Credit Suisse AG, Cayman Islands Branch, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2012\).](#)
- 10.33 [Incremental Assumption Agreement dated as of March 30, 2012, made by Onewest Bank, FSB, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on April 4, 2012\).](#)
- 10.34 [Incremental Assumption Agreement dated as of May 3, 2012, made by Doral Bank, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on May 3, 2012\).](#)
- 10.35 [Incremental Assumption Agreement dated as of September 25, 2012, made by Stamford First Bank, a division of the Bank of New Canaan, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, as amended by Amendment No. 1, dated as of August 31, 2012, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 28, 2012\).](#)
- 10.36 [Limited Liability Company Operating Agreement of MCC Senior Loan Strategy JV I LLC, a Delaware Limited Liability Company, dated as of March 27, 2015 \(Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2015\).](#)
- 10.37 [Agreement and Plan of Merger, dated as of August 9, 2018, by and between Medley Capital Corporation and Sierra Income Corporation \(Incorporated by reference to the Current Report on Form 8-K filed on August 15, 2018\).](#)
- 10.38 [Amended and Restated Agreement and Plan of Merger, dated as of July 29, 2019, by and between Medley Capital Corporation and Sierra Income Corporation \(Incorporated by reference to the Current Report on Form 8-K filed on August 2, 2019\).](#)
- 10.39 [Settlement Term Sheet, dated April 15, 2019 \(Incorporated by reference to the Current Report on Form 8-K, filed on April 17, 2019\).](#)
- 10.40 [Stipulation of Settlement, dated July 29, 2019, by and among Medley Capital Corporation, Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, Medley Management Inc., MCC Advisors LLC, Medley LLC and Medley Group LLC, on the one hand, and FrontFour Capital Group LLC and FrontFour Master Fund, Ltd., on behalf of themselves and a class of similarly situated stockholders of Medley Capital Corporation, on the other hand, in connection with the action styled In re Medley Capital Corporation Stockholder Litigation, Cons. C.A. No. 2019-0100-KSJM \(Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019\).](#)

- 10.41 [Governance Agreement, dated July 29, 2019, by and among, Medley Capital Corporation, on the one hand, and FrontFour Capital Group LLC, FrontFour Master Fund, Ltd., FrontFour Capital Corp., FrontFour Opportunity Fund, David A. Lorber, Stephen E. Loukas and Zachary R. George, on the other hand \(Incorporated by reference to the Current Report on Form 8-K, filed on August 2, 2019\).](#)
- 10.42 [Order and Final Judgment, dated December 20, 2019 \(Incorporated by reference to the Amendment No. 1 to the Current Report on the Form 8-K, filed on December 30, 2019\).](#)
- 14.1 [Code of Business Conduct and Ethics of the Registrant \(Incorporated by reference to Exhibit 14.1 to the Registrant's 10-Q for the period ended June 30, 2011, filed on August 4, 2011\).](#)
- 14.2 [Code of Business Ethics of MCC Advisors \(Incorporated by reference to Exhibit 99.R.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on June 9, 2010\).](#)
- 21.1 [List of Subsidiaries\\*](#)
- 24.0 Power of attorney (included on the signature page hereto).
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\\*](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\\*](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.\\*](#)

\* Filed herewith.

**SIGNATURES**

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

Dated:  
May 11, 2020

Medley Capital Corporation

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

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



## SUBSIDIARIES OF MEDLEY CAPITAL CORPORATION

<b>Name</b>	<b>Jurisdiction</b>
Medley Small Business Fund, LP (formerly known as Medley SBIC, LP)	Delaware
Medley Small Business Fund GP, LLC (formerly known as Medley SBIC GP, LLC)	Delaware
Medley SLF Funding I LLC	Delaware
MCC Investment Holdings LLC	Delaware
MCC Investment Holdings AAR LLC	Delaware
MCC Investment Holdings AmveStar LLC	Delaware
MCC Investment Holdings Omnivere LLC	Delaware
MCC Investment Holdings Sendero LLC	Delaware

**Certification of Chief Executive Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Brook Taube, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Medley Capital Corporation (the “Company”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 11, 2020

/s/ Brook Taube

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Brook Taube

Chief Executive Officer

(Principal Executive Officer)

**Certification of Chief Financial Officer  
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)**

I, Richard T. Allorto, Jr., certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Medley Capital Corporation (the “Company”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 11, 2020

/s/ Richard T. Allorto, Jr.

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Richard T. Allorto, Jr.  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Medley Capital Corporation, (the "Company") for the quarterly period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Brook Taube and Richard T. Allorto, Jr., Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 11, 2020

By /s/ Brook Taube

Brook Taube

*Chief Executive Officer*

By /s/ Richard T. Allorto, Jr.

Richard T. Allorto, Jr.

*Chief Financial Officer*