UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended December 31, 2015
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.)
375 Park Avenue, 33rd Floor, New York, NY 10152 (Address of Principal Executive Offices)	**10152** (Zip Code)

(212) 759-0777

(Registrant’s Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	The New York Stock Exchange
7.125% Notes due 2019	The New York Stock Exchange
6.500% Notes due 2021	The New York Stock Exchange
6.125% Notes due 2023	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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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 ☒

As of February 5, 2016 the Registrant had 55,845,703 shares of common stock, $0.001 par value, outstanding.

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Medley Capital Corporation

Consolidated Statements of Assets and Liabilities

	As of	
	December 31, 2015 (unaudited)	September 30, 2015
ASSETS		
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of $1,098,861,920 and $1,175,785,384, respectively)	$ 1,012,558,424	$ 1,131,893,787
Controlled investments (amortized cost of $122,734,732 and $86,755,896 respectively)	92,565,318	74,198,202
Affiliated investments (amortized cost of $10,000,000 and $10,000,000, respectively)	10,000,000	10,000,000
Total investments at fair value	1,115,123,742	1,216,091,989
Cash and cash equivalents	24,113,304	15,714,256
Deferred financing costs, net	15,258,251	13,127,630
Interest receivable	8,718,789	9,542,547
Fees receivable	1,976,108	1,389,634
Receivable for dispositions and investments sold	1,143,215	578,868
Other assets	436,318	556,285
Deferred offering costs	327,053	208,477
Total assets	$ 1,167,096,780	$ 1,257,209,686
LIABILITIES		
Revolving credit facility payable	$ 89,200,000	$ 192,700,000
Term loan payable	174,000,000	174,000,000
Notes payable	174,262,825	103,500,000
SBA debentures payable	150,000,000	150,000,000
Management and incentive fees payable (See note 6)	9,263,227	9,962,534
Interest and fees payable	2,591,837	1,313,931
Deferred tax liability	2,021,973	1,797,356
Accounts payable and accrued expenses	1,475,599	2,503,442
Administrator expenses payable (See note 6)	917,681	1,000,846
Deferred revenue	430,410	402,029
Due to affiliate	218,230	109,164
Total liabilities	$ 604,381,782	$ 637,289,302
Commitments (See note 8)		
NET ASSETS		
Common stock, par value $0.001 per share, 100,000,000 common shares authorized, 56,193,803 and 56,337,152 common shares issued and outstanding, respectively	$ 56,194	$ 56,337
Capital in excess of par value	717,140,810	718,240,597
Accumulated undistributed net investment income	19,116,562	20,351,831
Accumulated net realized gain/(loss) from investments	(55,247,568)	(60,625,616)
Net unrealized appreciation/(depreciation) on investments, net of deferred taxes	(118,351,000)	(58,102,765)
Total net assets	562,714,998	619,920,384
Total liabilities and net assets	$ 1,167,096,780	$ 1,257,209,686
NET ASSET VALUE PER SHARE	$ 10.01	$ 11.00

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Operations

	For the three months ended December 31	
	2015	2014
	(unaudited)	(unaudited)
INVESTMENT INCOME:		
Interest from investments		
Non-controlled/non-affiliated investments:		
Cash	$ 28,126,021	$ 32,440,714
Payment-in-kind	1,222,112	1,850,728
Affiliated investments:		
Cash	166,750	464,552
Payment-in-kind	-	122,079
Controlled investments:		
Cash	855,626	401,153
Payment-in-kind	995,956	484,203
Total interest income	31,366,465	35,763,429
Interest from cash and cash equivalents	2,235	1,645
Fee income (See note 9)	3,058,627	4,083,857
Total investment income	34,427,327	39,848,931
EXPENSES:		
Base management fees (See note 6)	5,346,758	5,784,178
Incentive fees (See note 6)	3,916,469	5,097,508
Interest and financing expenses	6,970,085	6,356,502
Administrator expenses (See note 6)	916,377	1,021,811
General and administrative	709,992	349,848
Professional fees	632,521	532,692
Insurance	135,409	142,823
Directors fees	133,841	173,536
Total expenses	18,761,452	19,458,898
NET INVESTMENT INCOME	15,665,875	20,390,033
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:		
Net realized gain/(loss) from investments	5,378,048	(216,584)
Net unrealized appreciation/(depreciation) on investments	(60,023,619)	(38,700,337)
Change in provision for deferred taxes on unrealized gain on investments	(224,616)	210,950
Net gain/(loss) on investments	(54,870,187)	(38,705,971)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ (39,204,312)	$ (18,315,938)
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ (0.70)	$ (0.31)
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	$ 0.28	$ 0.35
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	56,300,067	58,733,284
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.30	$ 0.37

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets

	For the three months ended December 31	
	2015	2014
	(unaudited)	(unaudited)
OPERATIONS:		
Net investment income	$ 15,665,875	$ 20,390,033
Net realized gain/(loss) from investments	5,378,048	(216,584)
Net unrealized appreciation/(depreciation) on investments	(60,023,619)	(38,700,337)
Change in provision for deferred taxes on unrealized gain on investments	(224,616)	210,950
Net increase/(decrease) in net assets from operations	(39,204,312)	(18,315,938)
SHAREHOLDER DISTRIBUTIONS:		
Distributions from net investment income	(16,901,142)	(21,731,314)
Net decrease in net assets from shareholder distributions	(16,901,142)	(21,731,314)
CAPITAL SHARE TRANSACTIONS:		
Repurchase of common stock under stock repurchase program (143,349 and 0 shares, respectively)	(1,099,932)	-
Net increase/(decrease) in net assets from common share transactions	(1,099,932)	-
Total increase/(decrease) in net assets	(57,205,386)	(40,047,252)
Net assets at beginning of period	619,920,384	729,856,881
Net assets at end of period including accumulated undistributed net investment income of $19,116,562 and $20,332,513, respectively	$ 562,714,998	$ 689,809,629
Net asset value per common share	$ 10.01	$ 11.74
Common shares outstanding at end of period	56,193,803	58,733,284

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Cash Flows

	For the three months ended December 31	
	2015	2014
	(unaudited)	(unaudited)
Cash flows from operating activities		
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	$ (39,204,312)	$ (18,315,938)
ADJUSTMENTS TO RECONCILE NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Investment increases due to payment-in-kind interest	(3,817,899)	(2,082,905)
Net amortization of premium/(discount) on investments	(229,653)	(387,216)
Amortization of deferred financing costs	788,924	599,148
Net realized (gain)/loss from investments	(5,378,048)	216,584
Net deferred income taxes	224,616	(210,950)
Net unrealized (appreciation)/depreciation on investments	60,023,619	38,700,337
Proceeds from sale and settlements of investments	97,056,910	98,691,113
Purchases, originations and participations	(46,686,682)	(112,342,683)
(Increase)/decrease in operating assets:		
Interest receivable	823,758	136,556
Fees receivable	(586,474)	753,477
Other assets	119,967	137,961
Receivable for dispositions and investments sold	(564,347)	6,638,891
Increase/(decrease) in operating liabilities:		
Payable for investments purchased, originated and participated	-	(54,995,000)
Management and incentive fees payable, net	(699,307)	436,875
Accounts payable and accrued expenses	(1,027,843)	(122,265)
Interest and fees payable	1,277,906	(252,885)
Administrator expenses payable	(83,165)	9,345
Deferred revenue	28,381	54,774
Due to affiliate	109,066	(18,672)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	62,175,417	(42,353,453)
Cash flows from financing activities		
Repurchase of common stock under stock repurchase program	(1,099,932)	-
Offering costs paid	(118,576)	(32,367)
Borrowings on debt	83,762,825	69,500,000
Paydowns on debt	(116,500,000)	-
Financing costs paid	(2,919,544)	(300,000)
Payments of cash dividends	(16,901,142)	(21,731,314)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(53,776,369)	47,436,319
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,399,048	5,082,866
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,714,256	36,731,488
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 24,113,304	$ 41,814,354
Supplemental Information:		
Interest paid during the period	$ 4,883,873	$ 5,990,801
Supplemental non-cash information:		
Payment-in-kind interest income	$ 2,218,068	$ 2,457,010
Net amortization of premium/(discount) on investments	$ 229,653	$ 387,216
Amortization of deferred financing costs	$ (788,924)	$ (599,148)

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

December 31, 2015
(Unaudited)

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Non-Controlled/ Non-Affiliated Investments:							
AAR Intermediate Holdings LLC[12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 14.00%, 1.00% LIBOR Floor)[10][19]	3/30/2019	33,207,993	30,302,820	17,832,476	3.2%
		Warrants to purchase 2.51% of outstanding company equity	3/30/2019	-	2,274,480	-	0.0%
				33,207,993	32,577,300	17,832,476	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) [18]	3/20/2020	31,000,000	31,000,000	31,000,000	5.5%
				31,000,000	31,000,000	31,000,000	
Advanced Diagnostic Holdings, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 8.75% Cash, 0.875% LIBOR Floor) [19]	12/11/2020	15,554,250	15,554,250	15,554,250	2.8%
				15,554,250	15,554,250	15,554,250	
AESC Holding Corp, Inc.	Retail	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	5/27/2019	20,000,000	20,000,000	20,000,000	3.6%
				20,000,000	20,000,000	20,000,000	
Albertville Quality Foods, Inc. [12]	Beverages & Food	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap) [18]	10/31/2018	17,343,750	17,343,750	17,413,819	3.1%
				17,343,750	17,343,750	17,413,819	
Access Media Holdings, LLC	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	7/22/2020	7,632,573	7,632,573	7,632,573	1.4%
		Preferred Equity (12.00% PIK)	7/22/2020	1,652,475	1,652,475	577,845	0.1%
		16% of Common Equity of Newco	7/22/2020	-	-	-	0.0%
				9,285,048	9,285,048	8,210,418	
American Covers, Inc.	Consumer Discretionary	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[19]	3/1/2021	10,000,000	10,000,000	10,000,000	1.8%
				10,000,000	10,000,000	10,000,000	
Aurora Flight Sciences Corporation	Aerospace & Defense	Senior Secured Second Lien Term Loan (11.25% Cash, 2.00% PIK)	3/16/2016	16,545,825	16,545,825	16,545,825	2.9%
				16,545,825	16,545,825	16,545,825	
Autosplice, Inc. [7][9]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% LIBOR Floor)[19]	6/30/2019	14,725,232	14,725,232	14,468,717	2.6%
				14,725,232	14,725,232	14,468,717	
Backcountry.com, Inc.	Retail	Senior Secured First Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[19]	6/30/2020	2,575,260	2,575,260	2,571,037	0.5%
				2,575,260	2,575,260	2,571,037	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
BayDelta Maritime LLC	Transportation: Cargo	Warrants to purchase 10% of the outstanding equity	6/30/2016	-	25,000	612,366	0.1%
				-	25,000	612,366	
Be Green Packaging, LLC [7][9]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 10.00%, 1.00% LIBOR Floor)[19]	12/13/2018	5,000,000	5,000,000	4,820,327	0.9%
		Senior Secured First Lien Delayed Draw (LIBOR + 10.00%, 1.00% LIBOR Floor)[19]	12/13/2018	3,416,667	3,416,667	3,319,608	0.6%
		Revolver (LIBOR + 10.00%, 1.00% LIBOR Floor)[19]	12/13/2018	354,167	354,167	328,050	0.1%
		1.13% Partnership Interest in RCAF VI CIV XXIII, L.P.	12/13/2018	-	416,250	86,921	0.0%
				8,770,834	9,187,084	8,554,906	
Black Angus Steakhouses, LLC [7][9]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	4/24/2020	8,060,268	8,060,268	8,023,202	1.4%
		Senior Secured First Lien Delayed Draw (LIBOR + 9.00%, 1.00% LIBOR Floor)	4/24/2020	-	-	-	0.0%
		Revolver (LIBOR + 9.00%, 1.00% LIBOR Floor)[27]	4/24/2020	357,143	357,143	357,077	0.1%
				8,417,411	8,417,411	8,380,279	
Brantley Transportation LLC [12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00%)[10]	8/2/2017	9,183,928	9,088,925	4,884,647	0.9%
				9,183,928	9,088,925	4,884,647	
Calloway Laboratories, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (17.00% PIK) [10]	9/30/2016	40,347,859	29,573,477	-	0.0%
		Warrants to purchase 15.00% of the outstanding equity	9/30/2016	-	68,433	-	0.0%
				40,347,859	29,641,910	-	
CP OPCO LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.75% Cash, 1.00% LIBOR Floor)[19]	9/30/2020	17,000,000	17,000,000	17,000,000	3.0%
				17,000,000	17,000,000	17,000,000	
ContMid Intermediate Inc.[12]	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	10/25/2019	23,000,000	23,000,000	22,785,732	4.0%
				23,000,000	23,000,000	22,785,732	
ConvergeOne Holdings Corporation	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[19]	6/17/2021	12,500,000	12,395,556	12,109,375	2.1%
				12,500,000	12,395,556	12,109,375	
Crow Precision Components LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	9/30/2019	13,965,000	13,965,000	13,934,701	2.5%
		350 units of outstanding equity in Wingman Holdings, Inc.	9/30/2019	-	700,000	716,774	0.1%
				13,965,000	14,665,000	14,651,475	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
DHISCO Electronic Distribution, Inc. [7][12]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 9.00%, 1.50% LIBOR Floor)	11/10/2019	31,238,095	31,238,095	31,310,568	5.6%
		Senior Secured First Lien Term Loan B (10.50% PIK)	2/10/2018	6,448,036	6,448,036	6,436,078	1.1%
		Revolving Credit Facility (LIBOR + 9.00%, 1.50% LIBOR Floor)[24]	5/10/2017	-	-	-	0.0%
		Equity - 1,230,769 Units[22]	2/10/2018	-	1,230,769	2,624,130	0.5%
				37,686,131	38,916,900	40,370,776	
DLR Restaurants LLC [12]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (11.00% Cash, 2.50% PIK)	4/18/2018	23,663,226	23,663,226	23,160,244	4.1%
		Unsecured Debt (12.00% Cash, 4.00% PIK)	4/18/2018	278,924	278,924	274,248	0.0%
				23,942,150	23,942,150	23,434,492	
DreamFinders Homes LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)	10/1/2018	11,417,103	11,305,812	11,219,587	2.0%
		5,000 common units represent 5% of the outstanding equity interest of Dream Finders Holdings, LLC	10/1/2018	-	180,000	1,783,179	0.3%
				11,417,103	11,485,812	13,002,766	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/6/2018	17,337,500	17,337,500	16,799,344	3.0%
				17,337,500	17,337,500	16,799,344	
Essex Crane Rental Corp. [12]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 12.50% Cash, 1.00% LIBOR Floor)[10][19]	5/13/2019	20,930,727	20,460,116	3,558,642	0.6%
				20,930,727	20,460,116	3,558,642	
FKI Security Group LLC [12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[19]	3/30/2020	14,812,500	14,812,500	14,479,811	2.6%
				14,812,500	14,812,500	14,479,811	
Footprint Acquisition LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash)	2/27/2020	5,250,102	5,250,102	5,165,938	0.9%
		Preferred Equity (8.75% PIK)	2/27/2020	5,383,267	5,383,267	4,790,100	0.9%
		150.0 units of Common Stock[23]	2/27/2020	-	-	-	0.0%
				10,633,369	10,633,369	9,956,038	
Freedom Powersports LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.50% LIBOR Floor)[19]	9/26/2019	15,000,000	15,000,000	14,970,707	2.7%
				15,000,000	15,000,000	14,970,707	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Harrison Gypsum LLC [12]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.50% PIK, 1.50% LIBOR Floor)[18]	12/21/2018	55,546,997	55,546,997	54,383,843	9.7%
				55,546,997	55,546,997	54,383,843	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	20,278,885	3.6%
				20,000,000	20,000,000	20,278,885	
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.25% Cash)	3/6/2019	22,200,000	22,200,000	21,598,549	3.8%
				22,200,000	22,200,000	21,598,549	
Jordan Reses Supply Company LLC	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00%, 1.00% LIBOR Floor)	4/24/2020	20,000,000	20,000,000	19,985,238	3.6%
				20,000,000	20,000,000	19,985,238	
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK)	2/19/2019	15,810,280	15,136,429	14,957,157	2.6%
		Warrants to purchase 2.36% of the outstanding equity	2/19/2019	-	955,680	145,000	0.0%
				15,810,280	16,092,109	15,102,157	
Lucky Strike Entertainment, L.L.C.	Hotel, Gaming & Leisure	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 2.00% PIK)[19]	12/24/2019	10,254,472	10,254,472	10,036,360	1.8%
				10,254,472	10,254,472	10,036,360	
Lydell Jewelry Design Studio LLC [12]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 7.50% PIK, 1.50% LIBOR Floor)[11][18]	9/13/2018	14,711,807	14,269,868	5,889,898	1.0%
		Warrants to purchase 13.3% of the outstanding membership units	9/13/2018	-	-	-	0.0%
				14,711,807	14,269,868	5,889,898	
Merchant Cash and Capital LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Delayed Draw (LIBOR + 8.00% Cash, 3.00% LIBOR Floor)[18]	3/4/2016	17,500,000	17,500,000	17,510,500	3.1%
		Senior Secured Second Lien Term Loan (12.00% Cash)	8/19/2016	15,000,000	15,000,000	14,933,700	2.7%
				32,500,000	32,500,000	32,444,200	
Miratech Intermediate Holdings, Inc. [12]	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor, 2% PIK)[18]	5/9/2019	13,727,445	13,727,445	13,461,544	2.3%
				13,727,445	13,727,445	13,461,544	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/10/2019	9,032,218	9,032,218	9,155,146	1.6%
				9,032,218	9,032,218	9,155,146	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Nation Safe Drivers Holdings, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor)[19]	9/29/2020	35,278,846	35,278,846	34,734,493	6.2%
				35,278,846	35,278,846	34,734,493	
Nielsen & Bainbridge LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 9.25% Cash, 1.00% LIBOR Floor)[18]	8/15/2021	25,000,000	25,000,000	24,213,499	4.3%
				25,000,000	25,000,000	24,213,499	
Northern Lights MIDCO LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.50% LIBOR Floor)	11/24/2019	4,523,750	4,523,750	4,588,252	0.8%
				4,523,750	4,523,750	4,588,252	
NorthStar Group Services, Inc.	Construction & Building	Unsecured Debt (2.50% Cash, 15.50% PIK)	10/24/2019	23,658,218	23,658,218	23,658,218	4.2%
				23,658,218	23,658,218	23,658,218	
Oxford Mining Company, LLC	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor)	12/31/2018	20,288,028	20,288,028	19,383,238	3.4%
				20,288,028	20,288,028	19,383,238	
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,537,432	21,537,432	20,926,846	3.7%
				21,537,432	21,537,432	20,926,846	
Point.360 [7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash)[19]	7/8/2020	960,000	960,000	960,000	0.2%
		Equity - 479,283 Common Shares[25]	7/8/2020	-	129,406	421,769	0.1%
		Warrants to purchase 2.8% of the outstanding common shares [26]	7/8/2020	-	52,757	284,555	0.1%
				960,000	1,142,163	1,666,324	
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (18.00% PIK)	11/1/2017	7,506,654	7,463,220	6,889,757	1.2%
		Warrants to purchase 0.63% of the outstanding common units	11/1/2017	-	151,855	-	0.0%
				7,506,654	7,615,075	6,889,757	
Prince Mineral Holding Corp.[8]	Wholesale	Senior Secured First Lien Note (11.50%)	12/15/2019	6,800,000	6,747,184	4,972,500	0.9%
				6,800,000	6,747,184	4,972,500	
RCS Management Corporation & Specialized Medical Services, Inc. [7]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.50% LIBOR Floor, 0.50% PIK)[18]	2/29/2016	30,785,260	30,785,260	30,785,260	5.5%
				30,785,260	30,785,260	30,785,260	
Reddy Ice Corporation	Beverages & Food	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor)[18]	11/1/2019	17,000,000	17,000,000	13,165,425	2.3%
				17,000,000	17,000,000	13,165,425	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Response Team Holdings, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 2.00% LIBOR Floor)[18]	3/28/2019	26,936,514	26,936,514	27,164,397	4.8%
		Preferred Equity (12.00% PIK)	3/28/2019	5,718,078	5,405,897	5,445,440	1.0%
		Warrants to purchase 6.17% of the outstanding common units	3/28/2019	-	429,012	1,492,557	0.3%
				32,654,592	32,771,423	34,102,394	
Safeworks LLC[12]	Capital Equipment	Unsecured Debt (12.00% Cash)	1/31/2020	15,000,000	15,000,000	14,972,225	2.7%
				15,000,000	15,000,000	14,972,225	
Sendero Drilling Company LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash)	3/18/2019	12,782,816	12,219,116	12,874,085	2.3%
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	-	793,523	4,934,674	0.9%
				12,782,816	13,012,639	17,808,759	
Seotowncenter, Inc.[12]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[19]	9/11/2019	27,500,000	27,500,000	27,038,603	4.8%
		3,249.697 shares of Common Stock[14]	9/11/2019	-	500,000	389,126	0.1%
				27,500,000	28,000,000	27,427,729	
Ship Supply Acquisition Corporation [7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[19]	7/31/2020	8,392,431	8,392,431	8,392,011	1.5%
		Revolver (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[19][20]	7/31/2016	-	-	-	0.0%
				8,392,431	8,392,431	8,392,011	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor)[18]	8/19/2019	5,981,818	5,981,818	5,832,252	1.0%
		263,814.43 Class A Units[15]	8/19/2019	-	263,814	242,409	0.0%
				5,981,818	6,245,632	6,074,661	
T. Residential Holdings LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	19,250,000	19,250,000	19,100,557	3.4%
				19,250,000	19,250,000	19,100,557	
Taylored Freight Services LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor)[19]	11/1/2017	15,258,183	15,258,183	14,091,390	2.5%
				15,258,183	15,258,183	14,091,390	
Tenere Acquisition Corp.[7][9]	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	12/15/2017	11,283,628	11,283,628	11,416,464	2.0%
				11,283,628	11,283,628	11,416,464	
Transtelco Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor)[18]	11/19/2017	18,816,000	18,816,000	18,774,793	3.3%
				18,816,000	18,816,000	18,774,793	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Untangle, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash)	4/18/2019	9,465,000	9,465,000	9,506,196	1.7%
				9,465,000	9,465,000	9,506,196	
Velocity Pooling Vehicle LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[18]	5/14/2022	24,000,000	21,086,650	16,804,940	3.0%
				24,000,000	21,086,650	16,804,940	
Watermill-QMC Midco, Inc.	Automotive	Senior Secured First Lien Term Loan (13.00% Cash)	6/30/2020	15,312,693	15,312,694	15,327,659	2.7%
		1.3% Partnership Interest in Watermill-QMC Midco Inc. [6]	6/30/2020	-	295,362	380,052	0.1%
				15,312,693	15,608,056	15,707,711	
Wheels Up Partners LLC [12]	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor)[19]	10/15/2021	17,857,315	17,857,315	17,771,064	3.1%
				17,857,315	17,857,315	17,771,064	
Window Products, Inc.	Construction & Building	Senior Secured Second Lien Term Loan (LIBOR + 10.75% Cash, 1.00% LIBOR Floor)[19]	12/27/2019	14,000,000	14,000,000	14,140,000	2.5%
				14,000,000	14,000,000	14,140,000	
Subtotal Non-Controlled / Non-Affiliated Investments				**$ 1,109,857,753**	**$ 1,098,861,920**	**$ 1,012,558,424**	
Control Investments:[5]							
Capstone Nutrition [12]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% PIK, 1.00% LIBOR Floor)[19]	4/28/2019	20,564,336	20,564,336	15,217,609	2.7%
		Senior Secured First Lien Delayed Draw (LIBOR + 11.50% Cash, 1.00% PIK, 1.00% LIBOR Floor)[19]	4/28/2019	4,372,497	4,372,497	3,235,648	0.6%
		7,463.4 Class B Shares, and 15,079.0 Class C Shares represent 33.0% ownership of Cornerstone Research & Development, Inc.	4/28/2019	-	12	-	0.0%
		384.62 Units of Common Stock [13]	4/28/2019	-	400,000	-	0.0%
				24,936,833	25,336,845	18,453,257	
MCC Senior Loan Strategy JV I LLC	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		-	23,187,500	22,988,940	4.1%
				-	23,187,500	22,988,940	
OmniVere LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash, 1.00% PIK)	5/5/2019	19,275,662	18,898,313	19,275,662	3.4%
		Unsecured Debt (8.00% PIK) [10]	7/24/2025	13,238,728	12,479,195	5,106,550	0.9%
		Warrants to purchase outstanding equity [21]	5/5/2019	-	872,698	-	0.0%
				32,514,390	32,250,206	24,382,212	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
United Road Towing Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash)	2/21/2020	17,403,909	17,403,909	17,404,008	3.1%
		Preferred Equity Class C (8.00% PIK) [10]	2/21/2020	18,802,789	17,466,376	9,336,901	1.6%
		Preferred Equity Class C-1 (8.00% PIK) [10]	2/21/2020	1,732,849	1,326,945	-	0.0%
		Preferred Equity Class A-2 (8.00% PIK) [10]	2/21/2020	5,097,330	4,664,855	-	0.0%
		65,809.73 Class B Common Units[16]	2/21/2020	-	1,098,096	-	0.0%
				43,036,877	41,960,181	26,740,909	
Subtotal Control Investments				**$ 100,488,100**	**$ 122,734,732**	**$ 92,565,318**	
Affiliated Investments:							
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.2%
		Preferred Equity - 33,300 Units[17]	9/10/2019	-	3,330,000	3,330,000	0.6%
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				**$ 6,670,000**	**$ 10,000,000**	**$ 10,000,000**	
Total Investments, December 31, 2015				**$ 1,217,015,853**	**$ 1,231,596,652**	**$ 1,115,123,742**	198.2%

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

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

(3) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $22.3 million, $118.6 million and $96.3 million, respectively. The tax cost of investments is $1,211.7 million.

(4) Percentage is based on net assets of $562,714,998 as of December 31, 2015.

(5) Control Investments are defined by the Investment Company Act of 1940 ("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) 12,711 Units represents 1.3% of partnership interest in Watermill-QMC Partners, LP.

(7) The investment has an unfunded commitment as of December 31, 2015 (See note 8).

(8) Securities are exempt from registration under Rule 144a of the Securities Act of 1933. This security represents a fair value of $5.0 million and 0.9% of net assets as of December 31, 2015 and is considered restricted.

(9) Includes an analysis of the value of any unfunded loan commitments.

(10) The investment was on non-accrual status as of December 31, 2015.

(11) The investment was on PIK non-accrual status as of December 31, 2015.

(12) A portion of this investment was sold via a participation agreement (See note 3).

(13) 384.62 Units represents 1.55% ownership of Cornerstone Research & Development Inc.

(14) 3,249.697 shares of Common Stock represents 2.917% ownership of Boostability Holdings, Inc.

(15) 263,814.43 Class A Units represents 0.882% ownership of Stancor, Inc.

(16) 65,809.73 Class B Common Units Represents 65.8% ownership of United Road Towing, Inc.

(17) 33,300 Units represents 18.167% ownership of US Multifamily, LLC.

(18) The interest rate on these loans is subject to a base rate plus 1 Month London Interbank Offering Rate ("LIBOR"), which at December 31, 2015 was 0.24%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at December 31, 2015, the prevailing rate in effect at December 31, 2015 was the base rate plus the LIBOR Floor.

(19) The interest rate on these loans is subject to a base rate plus 3 Month LIBOR, which at December 31, 2015 was 0.41%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at December 31, 2015, the prevailing rate in effect at December 31, 2015 was the base rate plus the LIBOR Floor.

(20) The investment earns 0.50% commitment fee on all unused commitment. At December 31, 2015, there was $1,036,422 of unused commitment.

(21) 5,055.56 Units of Common Stock, represents 50.56% of the outstanding equity.

(22) 1,230,769 Units represents 4.17% ownership of Pegasus Solutions, Inc.

(23) 150 Units represents 15.0% of Footprint Holding Company, Inc.

(24) The investment earns 0.50% commitment fee on all unused commitment. At December 31, 2015, there was $3,047,619 of unused commitment.

(25) 479,283 Common Shares represents 3.8% of the outstanding common shares in Point.360.

(26) 351,713 Units represents 2.8% of the outstanding common shares in Point.360.

(27) The investment earns 0.50% commitment fee on all unused commitment. At December 31, 2015, there was $535,714 of unused commitment.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2015

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Non-Controlled/ Non-Affiliated Investments:							
AAR Intermediate Holdings LLC[11]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 12.00%, 1.00% LIBOR Floor)[18]	3/30/2019	31,966,906	30,302,821	22,503,872	3.6%
		Warrants to purchase 1.80% of outstanding company equity	3/30/2019	-	2,274,480	-	0.0%
				31,966,906	32,577,301	22,503,872	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) [17]	3/20/2020	35,000,000	35,000,000	34,680,800	5.6%
				35,000,000	35,000,000	34,680,800	
AESC Holding Corp, Inc.	Retail	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[17]	5/27/2019	20,000,000	20,000,000	20,149,200	3.3%
				20,000,000	20,000,000	20,149,200	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Albertville Quality Foods, Inc. [11]	Beverages & Food	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap) [17]	10/31/2018	17,452,830	17,452,830	17,580,585	2.8%
				17,452,830	17,452,830	17,580,585	
Access Media Holdings, LLC [7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	7/22/2020	7,536,913	7,536,913	7,536,913	1.2%
		Preferred Equity (12.00% PIK)	7/22/2020	1,187,417	1,187,417	207,578	0.0%
		16% of Common Equity of Newco	7/22/2020	-	-	-	0.0%
				8,724,330	8,724,330	7,744,491	
American Covers, Inc.	Consumer Discretionary	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/1/2021	10,000,000	10,000,000	10,000,000	1.6%
				10,000,000	10,000,000	10,000,000	
Aurora Flight Sciences Corporation	Aerospace & Defense	Senior Secured Second Lien Term Loan (11.25% Cash, 2.00% PIK)	3/16/2016	16,461,545	16,461,545	16,461,545	2.7%
				16,461,545	16,461,545	16,461,545	
Autosplice, Inc. [7][9]	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% LIBOR Floor)[18]	6/30/2019	14,817,844	14,817,844	14,773,761	2.4%
				14,817,844	14,817,844	14,773,761	
Backcountry.com, Inc.	Retail	Senior Secured First Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[18]	6/30/2020	2,583,333	2,583,333	2,583,333	0.4%
				2,583,333	2,583,333	2,583,333	
BayDelta Maritime LLC	Transportation: Cargo	Warrants to purchase 10% of the outstanding equity	6/30/2016	-	25,000	460,099	0.1%
				-	25,000	460,099	
Be Green Packaging, LLC [7][9]	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 10.00%, 1.00% LIBOR Floor)[18]	12/13/2018	5,000,000	5,000,000	4,823,494	0.8%
		Senior Secured First Lien Delayed Draw (LIBOR + 10.00%, 1.00% LIBOR Floor)[18]	12/13/2018	3,416,667	3,416,667	3,294,714	0.5%
		Revolver (LIBOR + 10.00%, 1.00% LIBOR Floor)[18]	12/13/2018	354,167	354,167	327,425	0.1%
		1.13% Partnership Interest in RCAF VI CIV XXIII, L.P.	12/13/2018	-	416,250	230,894	0.0%
				8,770,834	9,187,084	8,676,527	
Black Angus Steakhouses, LLC [7] [9]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[17]	4/24/2020	8,111,607	8,111,607	8,111,607	1.3%
		Senior Secured First Lien Delayed Draw (LIBOR + 9.00%, 1.00% LIBOR Floor)	4/24/2020	-	-	-	0.0%
		Revolver (LIBOR + 9.00%, 1.00% LIBOR Floor)	4/24/2020	446,429	446,429	446,429	0.1%
				8,558,036	8,558,036	8,558,036	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Brantley Transportation LLC [11]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00%)	8/2/2017	9,000,000	9,100,912	6,332,324	1.0%
				9,000,000	9,100,912	6,332,324	
California Products Corporation	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (13.00%)	5/27/2019	13,750,000	13,750,000	13,837,313	2.2%
				13,750,000	13,750,000	13,837,313	
Calloway Laboratories, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (17.00% PIK) [10]	9/30/2016	38,860,511	29,573,477	-	0.0%
		Warrants to purchase 15.00% of the outstanding equity	9/30/2016	-	68,433	-	0.0%
				38,860,511	29,641,910	-	
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% PIK, 1.00% LIBOR Floor)[18]	4/28/2019	20,085,144	20,085,144	20,109,849	3.2%
		384.62 Units of Common Stock [12]	4/28/2019	-	400,000	731,126	0.1%
				20,085,144	20,485,144	20,840,975	
CP OPCO LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.75% Cash, 1.00% LIBOR Floor)[18]	9/30/2020	17,000,000	17,000,000	17,000,000	2.7%
				17,000,000	17,000,000	17,000,000	
ContMid Intermediate Inc.[11]	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[17]	10/25/2019	15,000,000	15,000,000	14,811,049	2.4%
				15,000,000	15,000,000	14,811,049	
ConvergeOne Holdings Corporation	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[18]	6/17/2021	12,500,000	12,391,902	12,320,250	2.0%
				12,500,000	12,391,902	12,320,250	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Crow Precision Components LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[17]	9/30/2019	14,000,000	14,000,000	13,998,510	2.3%
		250 units of outstanding equity in Wingman Holdings, Inc.	9/30/2019	-	500,000	589,147	0.1%
				14,000,000	14,500,000	14,587,657	
DHISCO Electronic Distribution, Inc. [7][11]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 9.00%, 1.50% LIBOR Floor)	11/10/2019	31,238,095	31,238,095	31,479,253	5.1%
		Senior Secured First Lien Term Loan B (10.50% PIK)	2/10/2018	6,278,067	6,278,067	6,301,164	1.0%
		Revolving Credit Facility (LIBOR + 9.00%, 1.50% LIBOR Floor)[23]	5/10/2017	-	-	-	0.0%
		Equity - 1,230,769 Units[21]	2/10/2018	-	1,230,769	2,378,890	0.4%
				37,516,162	38,746,931	40,159,307	
DLR Restaurants LLC [11]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (11.00% Cash, 2.50% PIK)	4/18/2018	23,512,686	23,512,686	23,226,501	3.7%
		Unsecured Debt (12.00% Cash, 4.00% PIK)	4/18/2018	276,092	276,092	272,037	0.0%
				23,788,778	23,788,778	23,498,538	
DreamFinders Homes LLC [9]	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)	10/1/2018	14,091,194	13,971,357	14,140,514	2.3%
		5,000 units of outstanding equity	10/1/2018	-	180,000	1,929,761	0.3%
				14,091,194	14,151,357	16,070,275	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[17]	3/6/2018	17,575,000	17,575,000	17,042,829	2.7%
				17,575,000	17,575,000	17,042,829	
Essex Crane Rental Corp. [11]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 12.50% Cash, 1.00% LIBOR Floor)[18]	5/13/2019	20,000,000	20,000,000	19,325,800	3.1%
				20,000,000	20,000,000	19,325,800	
FKI Security Group LLC [11]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/30/2020	14,906,250	14,906,250	14,616,174	2.4%
				14,906,250	14,906,250	14,616,174	
Footprint Acquisition LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash)[17]	2/27/2020	5,250,102	5,250,103	5,151,828	0.8%
		Preferred Equity (8.75% PIK)	2/27/2020	5,151,581	5,151,581	4,652,001	0.8%
		150.0 units of Common Stock[22]	2/27/2020	-	-	-	0.0%
				10,401,683	10,401,684	9,803,829	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Freedom Powersports LLC[7][9]	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.50% LIBOR Floor)[18]	9/26/2019	10,200,000	10,200,000	10,268,663	1.7%
		Senior Secured First Lien Delayed Draw (LIBOR + 11.50% Cash, 1.50% LIBOR Floor)	9/26/2019	3,000,000	3,000,000	3,032,312	0.5%
				13,200,000	13,200,000	13,300,975	
Harrison Gypsum LLC [11]	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.50% PIK, 1.50% LIBOR Floor)[17]	12/21/2018	56,134,983	56,134,983	55,225,035	8.9%
				56,134,983	56,134,983	55,225,035	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	20,523,479	3.3%
				20,000,000	20,000,000	20,523,479	
Help/Systems LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[17]	6/28/2020	15,000,000	15,000,000	15,150,000	2.5%
				15,000,000	15,000,000	15,150,000	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.25% Cash)[17]	3/6/2019	22,500,000	22,500,000	22,183,434	3.6%
				22,500,000	22,500,000	22,183,434	
Jordan Reses Supply Company LLC	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00%, 1.00% LIBOR Floor)	4/24/2020	20,000,000	20,000,000	20,349,811	3.3%
				20,000,000	20,000,000	20,349,811	
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK)[18]	2/19/2019	15,730,619	15,014,318	15,055,776	2.4%
		Warrants to purchase 2.36% of the outstanding equity	2/19/2019	-	955,680	353,080	0.1%
				15,730,619	15,969,998	15,408,856	
Lucky Strike Entertainment, L.L.C.	Hotel, Gaming & Leisure	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 2.00% PIK) [18]	12/24/2019	10,254,472	10,254,472	10,163,515	1.6%
				10,254,472	10,254,472	10,163,515	
Lydell Jewelry Design Studio LLC [11]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 7.50% PIK, 1.50% LIBOR Floor)[17]	9/13/2018	14,436,386	14,195,568	11,888,075	1.9 %
		Warrants to purchase 13.3% of the outstanding membership units	9/13/2018	-	-	-	0.0%
				14,436,386	14,195,568	11,888,075	
Merchant Cash and Capital LLC [9]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Delayed Draw (LIBOR + 8.00% Cash, 3.00% LIBOR Floor)[17]	3/4/2016	17,500,000	17,500,000	17,547,775	2.8%
		Senior Secured Second Lien Term Loan (12.00% Cash)	8/19/2016	15,000,000	15,000,000	14,978,850	2.4%
				32,500,000	32,500,000	32,526,625	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Meridian Behavioral Health LLC (7)(9)	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 11.50%, 2.50% LIBOR Floor)[18]	11/14/2016	10,289,141	10,122,094	10,289,141	1.7%
		Senior Secured First Lien Term Loan B (LIBOR + 11.50%, 2.50% LIBOR Floor)[18]	11/14/2016	6,600,000	6,600,000	6,600,000	1.1%
		Warrants to purchase 8% of the outstanding equity	11/14/2016	-	536,296	5,431,566	0.9%
				16,889,141	17,258,390	22,320,707	
Miratech Intermediate Holdings, Inc. (9)(11)	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor, 2% PIK)[17]	5/9/2019	13,756,657	13,756,657	13,580,572	2.2%
				13,756,657	13,756,657	13,580,572	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[17]	3/10/2019	9,140,653	9,140,653	9,274,290	1.5%
				9,140,653	9,140,653	9,274,290	
Nation Safe Drivers Holdings, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor)[18]	9/29/2020	35,278,846	35,278,846	35,302,130	5.7%
				35,278,846	35,278,846	35,302,130	
Nielsen & Bainbridge LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 9.25% Cash, 1.00% LIBOR Floor)[17]	8/15/2021	25,000,000	25,000,000	24,714,648	4.0%
				25,000,000	25,000,000	24,714,648	
Northern Lights MIDCO LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.50% LIBOR Floor)	11/24/2019	4,523,750	4,523,750	4,570,584	0.7%
				4,523,750	4,523,750	4,570,584	
NorthStar Group Services, Inc.	Construction & Building	Unsecured Debt (2.50% Cash, 15.50% PIK)	10/24/2019	23,181,705	23,181,705	23,181,705	3.7%
				23,181,705	23,181,705	23,181,705	
Oxford Mining Company, LLC (9)	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor)	12/31/2018	20,160,994	20,160,994	19,387,166	3.1%
				20,160,994	20,160,994	19,387,166	
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,427,726	21,427,726	21,083,168	3.4%
				21,427,726	21,427,726	21,083,168	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Point.360 [7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash)[18]	7/8/2020	320,000	320,000	320,000	0.1%
		Equity - 479,283 Common Shares[24]	7/8/2020	-	129,406	479,283	0.1%
		Warrants to purchase 2.8% of the outstanding common shares [25]	7/8/2020	-	52,757	272,711	0.0%
				320,000	502,163	1,071,994	
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (18.00% PIK)	11/1/2017	7,932,041	7,879,442	7,280,186	1.2%
		Warrants to purchase 0.63% of the outstanding common units	11/1/2017	-	151,855	-	0.0%
				7,932,041	8,031,297	7,280,186	
Prince Mineral Holding Corp.[8]	Metals & Mining	Senior Secured First Lien Note (11.50%)	12/15/2019	6,800,000	6,744,599	5,712,000	0.9%
				6,800,000	6,744,599	5,712,000	
RCS Management Corporation & Specialized Medical Services, Inc. [7]	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.50% LIBOR Floor, 0.50% PIK)[17]	2/29/2016	28,746,290	28,746,290	28,746,290	4.6%
				28,746,290	28,746,290	28,746,290	
Red Skye Wireless LLC [7][9]	Retail	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[17]	6/27/2018	20,387,686	20,387,686	20,666,563	3.3%
				20,387,686	20,387,686	20,666,563	
Reddy Ice Corporation	Beverages & Food	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor)[17]	11/1/2019	17,000,000	17,000,000	13,436,761	2.2%
				17,000,000	17,000,000	13,436,761	
Response Team Holdings, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 2.00% LIBOR Floor)[17]	3/28/2019	25,537,850	25,537,850	25,305,455	4.1%
		Preferred Equity (12.00% PIK)	3/28/2019	5,549,736	5,218,954	5,077,731	0.8%
		Warrants to purchase 6.17% of the outstanding common units	3/28/2019	-	429,012	837,967	0.1%
				31,087,586	31,185,816	31,221,153	
Safeworks LLC[11]	Capital Equipment	Unsecured Debt (12.00% Cash)	1/31/2020	15,000,000	15,000,000	15,148,023	2.4%
				15,000,000	15,000,000	15,148,023	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Sendero Drilling Company LLC [9]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash)[17]	3/18/2019	13,026,628	12,427,454	13,106,872	2.1%
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	-	793,523	4,353,269	0.7%
				13,026,628	13,220,977	17,460,141	
Seotowncenter, Inc.[11]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	9/11/2019	27,500,000	27,500,000	27,428,182	4.4%
		3,249.697 shares of Common Stock[13]	9/11/2019	-	500,000	1,184,303	0.2%
				27,500,000	28,000,000	28,612,485	
Ship Supply Acquisition Corporation [7]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[18]	7/31/2020	8,498,664	8,498,664	8,498,579	1.4%
		Revolver (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)(18)(19)	7/31/2016	414,569	414,569	414,569	0.1%
				8,913,233	8,913,233	8,913,148	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor)[17]	8/19/2019	7,000,000	7,000,000	6,815,830	1.1%
		263,814.43 Class A Units[14]	8/19/2019	-	263,814	267,114	0.0%
				7,000,000	7,263,814	7,082,944	
T. Residential Holdings LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	19,500,000	19,500,000	19,500,000	3.1%
				19,500,000	19,500,000	19,500,000	
Taylored Freight Services LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor)[18]	11/1/2017	15,330,548	15,330,548	14,274,887	2.3%
				15,330,548	15,330,548	14,274,887	
Tempel Steel Company[8]	Metals & Mining	Senior Secured First Lien Note (12.00%)	8/15/2016	11,000,000	10,952,851	10,145,174	1.7%
				11,000,000	10,952,851	10,145,174	
Tenere Acquisition Corp.[7][9]	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	12/15/2017	11,359,842	11,359,842	11,627,039	1.9%
				11,359,842	11,359,842	11,627,039	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Transtelco Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor)[17]	11/19/2017	18,864,000	18,864,000	18,924,365	3.1%
				18,864,000	18,864,000	18,924,365	
Untangle, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash)[17]	4/18/2019	9,527,500	9,527,500	9,527,690	1.5%
				9,527,500	9,527,500	9,527,690	
Velocity Pooling Vehicle LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[17]	5/14/2022	24,000,000	21,008,149	19,832,766	3.2%
				24,000,000	21,008,149	19,832,766	
Watermill-QMC Midco, Inc.	Automotive	Senior Secured First Lien Term Loan (13.00% Cash)	6/30/2020	15,409,609	15,409,609	15,409,609	2.5%
		1.3% Partnership Interest in Watermill-QMC Midco Inc. [6]	6/30/2020	-	295,362	295,362	0.0%
				15,409,609	15,704,971	15,704,971	
Wheels Up Partners LLC [11]	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor)[18]	10/15/2021	18,230,736	18,230,736	18,311,863	3.1%
				18,230,736	18,230,736	18,311,863	
Window Products, Inc.	Construction & Building	Senior Secured Second Lien Term Loan (LIBOR + 10.75% Cash, 1.00% LIBOR Floor)[18]	12/27/2019	14,000,000	14,000,000	14,140,000	2.3%
				14,000,000	14,000,000	14,140,000	
Subtotal Non-Controlled / Non-Affiliated Investments				**$ 1,213,639,618**	**$ 1,206,547,508**	**$ 1,156,759,365**	

Company [1]	Industry	Type of Investment	Maturity	Par Amount [2]	Cost[3]	Fair Value	% of Net Assets [4]
Control Investments:[5]							
MCC Senior Loan Strategy JV I LLC	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		-	14,437,500	14,215,834	2.3%
				-	14,437,500	14,215,834	
OmniVere LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash, 1.00% PIK)[18]	5/5/2019	17,805,885	17,406,591	17,805,885	2.9%
		Unsecured Debt (8.00% PIK) [10]	7/24/2025	12,971,722	12,482,834	7,059,693	1.1%
		Warrants to purchase outstanding equity [20]	5/5/2019	-	872,698	-	0.0%
				30,777,607	30,762,123	24,865,578	
United Road Towing Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash)[18]	2/21/2020	17,000,000	17,000,000	16,489,975	2.7%
		Preferred Equity Class C (8.00% PIK) [10]	2/21/2020	18,802,789	17,466,375	17,747,200	2.9%
		Preferred Equity Class C-1 (8.00% PIK) [10]	2/21/2020	1,326,945	1,326,946	27,028	0.0%
		Preferred Equity Class A-2 (8.00% PIK) [10]	2/21/2020	4,996,578	4,664,855	690,695	0.1%
		65,809.73 Class B Common Units[15]	2/21/2020	-	1,098,096	161,892	0.0%
				42,126,312	41,556,272	35,116,790	
Subtotal Control Investments				**$ 42,126,312**	**$ 55,993,772**	**$ 49,332,624**	
Affiliated Investments:							
US Multifamily, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.1%
		Preferred Equity - 33,300 Units[16]	9/10/2019	-	3,330,000	3,330,000	0.5%
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				**$ 6,670,000**	**$ 10,000,000**	**$ 10,000,000**	
Total Investments, September 30, 2015				**$ 1,262,435,930**	**$ 1,272,541,280**	**$ 1,216,091,989**	196.2%

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.
(2) Par amount includes accumulated PIK interest and is net of repayments.
(3) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled $32.9 million, $71.4 million and $38.5 million, respectively. The tax cost of investments is $1,253.0 million.
(4) Percentage is based on net assets of $619,920,384 as of September 30, 2015.
(5) Control Investments are defined by the Investment Company Act of 1940 ("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) 12,711 Units represents 1.3% of partnership interest in Watermill-QMC Partners, LP.
(7) The investment has an unfunded commitment as of September 30, 2015 (See note 8).
(8) Securities are exempt from registration under Rule 144a of the Securities Act of 1933. These securities represent a fair value of $15.9 million and 2.6% of net assets as of September 30, 2015 and are considered restricted.
(9) Includes an analysis of the value of any unfunded loan commitments.
(10) The investment was on non-accrual status as of September 30, 2015.
(11) A portion of this investment was sold via a participation agreement (See note 3).
(12) 384.62 Units represents 1.55% ownership of Cornerstone Research & Development Inc.
(13) 3,249.697 shares of Common Stock represents 2.917% ownership of Boostability Holdings, Inc.
(14) 263,814.43 Class A Units represents 0.882% ownership of Stancor, Inc.
(15) 65,809.73 Class B Common Units Represents 65.8% ownership of United Road Towing, Inc.
(16) 33,300 Units represents 18.167% ownership of US Multifamily, LLC.
(17) The interest rate on these loans is subject to a base rate plus 1 Month London Interbank Offering Rate ("LIBOR"), which at September 30, 2015 was 0.20%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at September 30, 2015, the prevailing rate in effect at September 30, 2015 was the base rate plus the LIBOR Floor.
(18) The interest rate on these loans is subject to a base rate plus 3 Month LIBOR, which at September 30, 2015 was 0.33%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at September 30, 2015, the prevailing rate in effect at September 30, 2015 was the base rate plus the LIBOR Floor.
(19) The investment earns 0.50% commitment fee on all unused commitment. At September 30, 2015, there was $621,853.46 of unused commitment.
(20) 5,055.56 Units of Common Stock, represents 50.56% of the outstanding equity
(21) 1,230,769 Units represents 4.17% ownership of Pegasus Solutions, Inc.
(22) 150 Units represents 15.0% of Footprint Holding Company, Inc.
(23) The investment earns 0.50% commitment fee on all unused commitment. At September 30, 2015, there was $3,047,619.05 of unused commitment.
(24) 479,283 Common Shares represents 3.8% of the outstanding common shares in Point.360.
(25) 351,713 Units represents 2.8% of the outstanding common shares in Point.360.

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 treated and is 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 qualified to be treated for U.S. federal income tax purposes as a regulated investment company (“RIC”) under subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We are externally managed and advised by MCC Advisors LLC (“MCC Advisors”), a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), pursuant to an investment management agreement. MCC Advisors is a majority owned subsidiary of Medley LLC, which is controlled by Medley Management Inc., a publicly traded asset management firm, which in turn is controlled by Medley Group LLC, an entity wholly-owned by the senior professionals of Medley LLC. We use the term “Medley” to refer collectively to the activities and operations of Medley Capital LLC, Medley LLC, Medley Management Inc., Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates.

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

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

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

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

On January 18, 2011, each of MOF LTD and MOF LP contributed their respective MOF I BDC membership interests to the LLC in exchange for LLC membership interests. As a result, MOF I BDC became a wholly-owned subsidiary of the LLC. As a result of the LLC’s conversion noted above, MOF LTD and MOF LP’s LLC membership interests were exchanged for 5,759,356 shares of the Company’s common stock at $14.75 per share. On February 23, 2012, MOF LTD and MOF LP collectively sold 4,406,301 shares of common stock in an underwritten public offering. See Note 7 for further information.

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP (“SBIC LP”), a Delaware limited partnership which we own directly and through our wholly-owned subsidiary, Medley SBIC GP LLC, received a license from 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.

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 loans and senior secured second lien loans. In many of our investments, we will receive warrants or other equity participation features which we believe will increase the total investment returns.

Note 2. Significant Accounting Policies

Basis of Presentation

The Company follows the accounting and reporting guidance in the Financial Accounting Standards Board 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 accounts of the Company and its wholly-owned subsidiary SBIC LP and its 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 that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Organizational Expenses

Organizational expenses consist principally of legal and accounting fees incurred in connection with the organization of the Company and have been expensed as incurred.

Offerings

On February 5, 2014, the Company completed a public offering of 6,000,000 shares of our common stock at a public offering price of $14.00 per share, raising approximately $81.1 million in net proceeds.

On April 28, 2014, the Company completed a public offering of 6,000,000 shares of our common stock at a public offering price of $13.25 per share, raising approximately $76.9 million in net proceeds.

On August 1, 2014, the Company entered into an "At-The-Market" ("ATM") equity distribution agreement with Goldman, Sachs & Co., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Keefe, Bruyette & Woods, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Janney Montgomery Scott LLC, Ladenburg Thalmann & Co. Inc., MLV & Co. LLC, Maxim Group LLC, National Securities Corporation and Gilford Securities Incorporated, through which the Company could sell shares of its common stock having an aggregate offering price of up to $100.0 million. During the period from August 5, 2014 to September 30, 2014, the Company sold 671,278 shares of its common stock at an average price of $12.87 per share, and raised $8.7 million in net proceeds, under the ATM program.

On August 26, 2014, the Company completed a public offering of 5,000,000 shares of our common stock and an additional 750,000 shares of our common stock pursuant to the underwriters' partial exercise of the over-allotment option at a public offering price of $13.02 per share, raising approximately $72.8 million in net proceeds.

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.

Deferred Financing Costs

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

Indemnification

In the normal course of business, the Company enters into contractual agreements that provide general indemnifications against losses, costs, claims and liabilities arising from the performance of individual obligations under such agreements. The Company has had no prior 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, are recorded on ex-dividend date and when distribution is received, 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. Fee income for the three months ended December 31, 2015 and 2014 was approximately $3.0 million, and $4.1 million, respectively (see Note 9).

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 other fee income when the services are rendered.

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three months ended December 31, 2015 and 2014, the Company earned approximately $2.2 million and $2.5 million in PIK, net of reserves respectively.

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. The Company reports changes in fair value of investments as a component of the net change in 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 December 31, 2015, seven investments were on non-accrual status with a combined fair value of approximately $46.6 million, or 4.2% of the fair value of our portfolio. At September 30, 2015, three investments were on non-accrual status with a combined fair value of approximately $25.5 million, or 2.1% of the fair value of our portfolio.

Investment Classification

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

Valuation of Investments

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

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

Investments in investment funds are valued at fair value. Fair values are generally determined utilizing the net asset value ("NAV") supplied by, or on behalf of, management of each investment fund, which is net of management and incentive fees or allocations charged by the investment fund and is in accordance with the "practical expedient", as defined by the 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 its 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. Based on market data obtained from the third-party valuation firms, 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 includes, 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 “(Acquisition Price Approach)”,
- 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 includes:

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

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

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

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

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ 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.

Fair Value of Financial Instruments

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

Recent Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-07 Fair Value Measurements: Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). The pronouncement removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using NAV per share practical expedient. The pronouncement also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to the investments for which the entity has not elected to measure the fair value using that practical expedient. The Company has elected to early adopt the pronouncement for the current reporting period, which is permitted; therefore the Company excluded all investments in affiliated entities fair valued using the practical expedient from the fair value hierarchy.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the guidance is effective for annual and interim periods beginning after December 15, 2015. We are currently evaluating the impact of ASU 2015-03 and its impact on our consolidated financial statements.

Federal Income Taxes

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There is no provision for federal excise tax for 2015 accrued at December 31, 2015.

The Company's Taxable Subsidiaries accrue income taxes payable based on the applicable corporate rates on the unrealized gains generated by the investments held by the Taxable Subsidiaries. As of December 31, 2015 and September 30, 2015, the Company recorded a deferred tax liability of $2.0 million and $1.8 million, respectively, on the consolidated statements of assets and liabilities. The change in provision for deferred taxes is included as a component of net gain/(loss) on investments in the consolidated statements of operations. For the three months ended December 31, 2015 and 2014, the change in provision for deferred taxes were $(0.2) million and $0.2 million, respectively.

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 statement of operations. There were no material uncertain income tax positions at December 31, 2015. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's inception-to-date federal tax years remain subject to examination by the Internal Revenue Service.

Segments

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

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

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

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

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

Note 3. Investments

The composition of our investments as of December 31, 2015 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 723,570	58.7%	$ 640,696	57.4%
Senior Secured Second Lien Term Loans	356,609	28.9	344,582	30.9
Senior Secured First Lien Notes	26,747	2.2	25,252	2.3
Unsecured Debt	51,416	4.2	44,011	3.9
MCC Senior Loan Strategy JV I LLC	23,188	1.9	22,989	2.1
Equity/Warrants	50,067	4.1	37,594	3.4
Total	$ 1,231,597	100.0%	$ 1,115,124	100.0%

The composition of our investments as of September 30, 2015 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 740,831	58.2%	$ 695,970	57.2%
Senior Secured Second Lien Term Loans	379,115	29.8	372,176	30.6
Senior Secured First Lien Notes	37,697	3.0	36,380	3.0
Unsecured Debt	50,941	4.0	45,661	3.7
MCC Senior Loan Strategy JV I LLC	14,437	1.1	14,216	1.2
Equity/Warrants	49,520	3.9	51,689	4.3
Total	$ 1,272,541	100.0%	$ 1,216,092	100.0%

In connection with certain of the Company's investments, the Company receives warrants which are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At December 31, 2015 and September 30 2015, the total fair value of warrants was $7.6 million and $11.9 million, respectively, and were included in investments at fair value on the consolidated statement of assets and liabilities.

Total unrealized losses related to warrants for the three months ended December 31, 2015 and 2014 were $3.4 million and $3.0 million, respectively and were recorded on the consolidated statement of operations in those accounts. The warrants are received in connection with individual investments and are not subject to master netting arrangements. During the three months ended December 31, 2015, the Company did not acquire any warrant positions.

The following table shows the portfolio composition by industry grouping at fair value at December 31, 2015 (dollars in thousands):

	Fair Value	Percentage
Construction & Building	$ 142,846	12.8%
Services: Business	135,127	12.1
Automotive	105,329	9.5
Banking, Finance, Insurance & Real Estate	100,868	9.1
Healthcare & Pharmaceuticals	84,778	7.6
Hotel, Gaming & Leisure	82,222	7.4
Aerospace & Defense	69,247	6.2
Energy: Oil & Gas	57,325	5.1
Containers, Packaging & Glass	54,657	4.9
Telecommunications	40,039	3.6
Chemicals, Plastics & Rubber	32,343	2.9
Beverages & Food	30,579	2.7
Capital Equipment	29,452	2.6
Consumer goods: Durable	24,214	2.2
Multisector Holdings	22,989	2.1
Retail	22,571	2.0
Metals & Mining	19,383	1.7
Services: Consumer	17,000	1.5
High Tech Industries	14,469	1.3
Consumer Discretionary	10,000	0.9
Media: Broadcasting & Subscription	8,211	0.7
Consumer goods: Non-durable	5,890	0.5
Wholesale	4,973	0.5
Transportation: Cargo	612	0.1
Total	$ 1,115,124	100.0%

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2015 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 161,700	13.3%
Construction & Building	103,939	8.6
Banking, Finance, Insurance & Real Estate	101,899	8.4
Automotive	99,414	8.2
Healthcare & Pharmaceuticals	92,258	7.6
Metals & Mining	90,469	7.4
Hotel, Gaming & Leisure	73,821	6.1
Aerospace & Defense	69,885	5.7
Energy: Oil & Gas	63,339	5.2
Containers, Packaging & Glass	58,766	4.8
Chemicals, Plastics & Rubber	46,548	3.8
Retail	43,399	3.6
Telecommunications	40,519	3.3
Beverages & Food	39,575	3.3
Capital Equipment	29,764	2.4
Consumer goods: Durable	24,715	2.0
Services: Consumer	17,000	1.4
High Tech Industries	14,774	1.2
Multisector Holdings	14,216	1.2
Consumer goods: Non-durable	11,888	1.0
Consumer Discretionary	10,000	0.8
Media: Broadcasting & Subscription	7,744	0.6
Transportation: Cargo	460	0.1
Total	$ 1,216,092	100.0%

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

The following table shows the portfolio composition by geographic location at fair value at December 31, 2015 (dollars in thousands):

	Fair Value	Percentage
Midwest	$ 299,727	26.9%
Southwest	252,585	22.7
Southeast	190,892	17.1
West	184,302	16.5
Northeast	113,799	10.2
Mid-Atlantic	73,819	6.6
Total	$ 1,115,124	100.0%

The following table shows the portfolio composition by geographic location at fair value at September 30, 2015 (dollars in thousands):

	Fair Value	Percentage
Midwest	$ 387,086	31.8%
Southwest	254,265	20.9
West	192,906	15.9
Southeast	177,269	14.6
Northeast	126,756	10.4
Mid-Atlantic	77,810	6.4
Total	$ 1,216,092	100.0%

Transactions With Affiliated Companies

During the three months ended December 31, 2015 and 2014, the Company had investments in portfolio companies designated as controlled investments and affiliates under the 1940 Act. Transactions with control investments and affiliates were as follows:

Name of Investment	**Fair Value at September 30, 2015**	**Purchases (Sales) of/Advances to Affiliates**	**Transfers In/(Out) of Affiliates**	**Fair Value at December 31, 2015**	**Income Earned**	**Unrealized Gain/(Loss)**	**Realized Gain/(Loss)**
Controlled Investments							
Capstone Nutrition	$ -	$ 4,329,897	$ 20,840,975	$ 18,453,257	$ 783,359	$ (7,239,419)	$ -
MCC Senior Loan Strategy JV I LLC[(1)]	14,215,834	8,750,000	-	22,988,940	-	23,106	-
OmniVere LLC	24,865,578	833,333	-	24,382,212	655,456	(1,971,448)	-
United Road Towing, Inc.	35,116,790	-	-	26,740,909	412,766	(8,779,789)	-
Total Controlled Investments	$ 74,198,202	$ 13,913,230	$ 20,840,975	$ 92,565,318	$ 1,851,581	$ (17,967,550)	$ -
Non-Controlled Affiliates							
US Multifamily, LLC	$ 10,000,000	$ -	$ -	$ 10,000,000	$ 166,750	$ -	$ -
Total Non-Controlled Affiliates	$ 10,000,000	$ -	$ -	$ 10,000,000	$ 166,750	$ -	$ -

[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.

Name of Investment	Fair Value at September 30, 2014	Purchases (Sales) of/Advances to Affiliates	Transfers In/(Out) of Affiliates	Fair Value at December 31, 2014	Income Earned	Unrealized Gain/(Loss)[1]	Realized Gain/(Loss)[1]
Controlled Investments							
United Road Towing, Inc.	$ 38,244,386	$ -	$ -	$ 38,244,294	$ 885,356	$ (4,783,914)	$ -
Total Controlled Investments	$ 38,244,386	$ -	$ -	$ 38,244,294	$ 885,356	$ (4,783,914)	$ -
Non-Controlled Affiliates							
US Multifamily, LLC	$ 10,000,000	$ -	$ -	$ 10,000,000	$ 166,750	$ -	$ -
Cymax Stores, Inc.	11,434,667	-	-	11,634,907	419,881	-	1,449,030
Total Non-Controlled Affiliates	$ 21,434,667	$ -	$ -	$ 21,634,907	$ 586,631	$ -	$ 1,449,030

(1) The prior year table has been modified to conform to the current year.

Purchases (sales) of/advances (distributions) to affiliates are included in the purchases and sales presented on the consolidated statements of cash flows for the three months ended December 31, 2015 and 2014, respectively. Transfers in/(out) of affiliates represents the fair value for the month an investment became or was removed as an affiliated investment. Income received from affiliates is included in total investment income on the consolidated statements of operations for the three months ended December 31, 2015 and 2014, respectively.

Loan Participation Sales

The Company sells portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. At December 31, 2015, there were 15 participation agreements outstanding with an aggregate fair value of $281.9 million. At September 30, 2015, there were 14 participation agreements outstanding with an aggregate fair value of $301.6 million. Such investments where the Company has retained a proportionate interest are included in the consolidated schedule of investments. All of these investments are classified within Level 3 of the fair value hierarchy, as defined in Note 4.

During the three months ended December 31, 2015 and 2014, the Company made interest and principal payments to the sub-participant in the aggregate amount of $2.1 million, and $9.8 million, respectively. Under the terms of the participation agreements, the Company will make periodic payments to the sub-participant equal to the sub-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 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 3).

As of December 31, 2015, MCC JV had total capital commitments of $100.0 million with the Company providing $87.5 million and GALIC providing $12.5 million. Approximately $26.5 million was funded as of December 31, 2015 relating to these commitments, of which $23.2 was 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 with initial commitments of $100 million subject to leverage and borrowing base restrictions. The JV Facility will bear interest at a rate of LIBOR (with no minimum) + 2.50% per annum. The revolving loan period ends on August 4, 2021 and the final maturity date is August 4, 2022. As of December 31, 2015, there was $7.2 million outstanding under the JV Facility.

At December 31, 2015 and September 30, 2015, MCC JV had total assets at fair value of $29.4 million and $14.3 million, respectively. As of December 31, 2015 and September 30, 2015, MCC JV's portfolio was comprised of senior secured first lien term loans to 9 and 5 borrowers, respectively. As of December 31, 2015 and September 30, 2015, none of these loans were on non-accrual status.

Below is a summary of MCC JV's portfolio, followed by a listing of the individual loans in MCC JV's portfolio as of December 31, 2015 and September 30, 2015:

	December 31, 2015	September 30, 2015
Senior secured loans[1]	$ 29,647,571	$ 14,373,473
Weighted average current interest rate on senior secured loans[2]	6.82%	7.17%
Number of borrowers in MCC JV	9	5
Largest loan to a single borrower[1]	$ 4,000,000	$ 3,000,000
Total of five largest loans to borrowers[1]	$ 17,934,333	$ 14,373,473

(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 principal amount.

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
AccentCare, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term loans (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	9/3/2021	2,800,000	2,773,350	2,772,000	10.5%
				2,800,000	2,773,350	2,772,000	
CP OPCO LLC	Services: Consumer	Senior Secured First Lien Term loans (LIBOR + 6.75%, 1.00% LIBOR Floor)[1]	9/30/2020	3,000,000	2,983,363	3,000,000	11.4%
				3,000,000	2,983,363	3,000,000	
CRGT, Inc.	High Tech Industries	Senior Secured First Lien Term loans (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	12/19/2020	2,962,025	2,955,025	2,948,317	11.2%
				2,962,025	2,955,025	2,948,317	
Language Line, Inc.	Telecommunications	Senior Secured First Lien Term loans (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	7/7/2021	3,934,334	3,913,618	3,901,560	14.9%
				3,934,334	3,913,618	3,901,560	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term loans (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	6/4/2020	2,984,920	2,984,920	2,943,877	11.2%
				2,984,920	2,984,920	2,943,877	
MB Aerospace ACP Holdings Corp.	Aerospace and Defense	Senior Secured First Lien Term loans (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	12/15/2022	4,000,000	3,960,000	3,960,000	15.1%
				4,000,000	3,960,000	3,960,000	
Quanex Building Products Corporation	Construction and Building	Senior Secured First Lien Term loans (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	11/2/2022	4,000,000	3,983,211	3,980,000	15.1%
				4,000,000	3,983,211	3,980,000	
Sundial Brands LLC	Consumer Goods - Non-Durable	Senior Secured First Lien Term loans (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	10/19/2021	3,000,000	2,941,840	2,940,000	11.2%
				3,000,000	2,941,840	2,940,000	
Sirius Computer Solutions, Inc.	Wholesale	Senior Secured First Lien Term loans (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	10/30/2022	2,966,292	2,908,021	2,906,967	11.1%
				2,966,292	2,908,021	2,906,967	
Total Investments, December 31, 2015				**$ 29,647,571**	**$ 29,403,348**	**$ 29,352,721**	111.7%

(1) Represents the weighted average annual current interest rate as of December 31, 2015. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Company’s Board of Directors’ valuation process described elsewhere herein.

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
AccentCare, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term loans (LIBOR + 5.75%, 1.00% LIBOR Floor)[1]	9/3/2021	2,800,000	2,772,167	2,772,000	17.0%
				2,800,000	2,772,167	2,772,000	
CP OPCO LLC	Services: Consumer	Senior Secured First Lien Term loans (LIBOR + 6.75%, 1.00% LIBOR Floor)[1]	9/30/2020	3,000,000	2,982,480	3,000,000	18.5%
				3,000,000	2,982,480	3,000,000	
CRGT, Inc.	High Tech Industries	Senior Secured First Lien Term loans (LIBOR + 6.50%, 1.00% LIBOR Floor)[1]	12/19/2020	2,981,013	2,973,610	2,973,560	18.3%
				2,981,013	2,973,610	2,973,560	
Language Line, Inc.	Telecommunications	Senior Secured First Lien Term loans (LIBOR + 5.50%, 1.00% LIBOR Floor)[1]	7/7/2021	2,600,000	2,574,605	2,596,750	16.0%
				2,600,000	2,574,605	2,596,750	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term loans (LIBOR + 6.25%, 1.00% LIBOR Floor)[1]	6/4/2020	2,992,460	2,992,460	2,939,191	18.1%
				2,992,460	2,992,460	2,939,191	
Total Investments, September 30, 2015				**$ 14,373,473**	**$ 14,295,322**	**$ 14,281,501**	87.9%

(1) Represents the weighted average annual current interest rate as of September 30, 2015. All interest rates are payable in cash, unless otherwise noted.

(2) Represents the fair value in accordance with ASC 820. The determination of such fair value is not included in the Company's Board of Directors' valuation process described elsewhere herein.

Below is certain summarized financial Information for MCC JV as of December 31, 2015 and September 30, 2015, and for the three months ended December 31, 2015:

	As of December 31, 2015	As of September 30, 2015
Selected Consolidated Statement of Assets and Liabilities Information:		
Investments in loans at fair value (cost: of $29,403,348 and $14,295,322, respectively)	$ 29,352,721	$ 14,281,501
Cash	10,502,417	977,318
Other assets	50,101	34,869
Deferred financing costs (net of amortization of $85,636, and $34,302, respectively)	1,143,058	1,196,392
Total assets	$ 41,048,297	$ 16,490,080
Payable for unsettled trades	$ 7,395,751	$ -
Line of credit	7,200,000	-
Other liabilities	134,545	162,857
Interest payable	44,927	80,556
Total liabilities	14,775,223	243,413
Members' capital	26,273,074	16,246,667
Total liabilities and members' capital	$ 41,048,297	$ 16,490,080

	For the three months ended December 31	
	2015	2014[1]
Selected Consolidated Statement of Operations Information:		
Total revenues	$ 355,113	N/A
Total expenses	(291,814)	N/A
Net unrealized depreciation	(36,806)	N/A
Net realized gains	1,867	N/A
Net income/(loss)	$ 28,360	N/A

(1) MCC JV did not commence operations until July 2015.

Note 4. Fair Value Measurements

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

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

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

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

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

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of December 31, 2015 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ -	$ -	$ 640,696	$ 640,696
Senior Secured Second Lien Term Loans	-	-	344,582	344,582
Senior Secured First Lien Notes	-	-	25,252	25,252
Unsecured Debt	-	-	44,011	44,011
Equity/Warrants	422	430	36,742	37,594
Total	$ 422	$ 430	$ 1,091,283	$ 1,092,135
MCC Senior Loan Strategy JV I LLC				$ 22,989
Total Investments, at fair value				$ 1,115,124

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2015 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ -	$ -	$ 695,970	$ 695,970
Senior Secured Second Lien Term Loans	-	-	372,176	372,176
Senior Secured First Lien Notes	-	5,711	30,669	36,380
Unsecured Debt	-	-	45,661	45,661
Equity/Warrants	479	626	50,584	51,689
Total	$ 479	$ 6,337	$ 1,195,060	$ 1,201,876
MCC Senior Loan Strategy JV I LLC				$ 14,216
Total Investments, at fair value				$ 1,216,092

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 2015 (dollars in thousands):

	Senior Secured First Lien Loans	Senior Secured Second Lien Loans	Senior Secured Notes	Unsecured Debt	Equities/ Warrants	Total
Balance as of September 30, 2015	$ 695,970	$ 372,176	$ 30,669	$ 45,661	$ 50,584	$ 1,195,060
Purchases and other adjustments to cost	3,232	393	9	476	460	4,570
Issuance	24,190	10,000	-	-	624	34,814
Sales	(44,834)	(32,900)	-	-	-	(77,734)
Settlements	-	-	(11,000)	-	(5,840)	(16,840)
Net realized gains (losses) from investments	151	-	39	-	5,303	5,493
Net transfers in and/or out of Level 3	-	-	4,972	-	-	4,972
Net unrealized gains (losses)	(38,013)	(5,087)	563	(2,126)	(14,389)	(59,052)
Balance as of December 31, 2015	$ 640,696	$ 344,582	$ 25,252	$ 44,011	$ 36,742	$ 1,091,283

The following table provides a reconciliation of the beginning and ending balances for investments that use level 3 inputs for the three months ended December 31, 2014 (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, 2014	$ 747,740	$ 359,209	$ 53,634	$ 38,186	$ 44,282	$ 1,243,051
Purchases and other adjustments to cost	2,554	725	9	3	381	3,672
Originations	68,422	23,000	-	-	1,231	92,653
Sales	(3,470)	(17,826)	(6,419)	-	(233)	(27,948)
Settlements	(44,030)	(8,237)	-	-	-	(52,267)
Net realized gains (losses) from investments	-	(542)	325	-	-	(217)
Net transfers in and/or out of Level 3	-	-	(11,110)	-	-	(11,110)
Net unrealized gains (losses)	(31,708)	(1,778)	(694)	205	(1,950)	(35,925)
Balance as of December 31, 2014	$ 739,508	$ 354,551	$ 35,745	$ 38,394	$ 43,711	$ 1,211,909

Net change in unrealized loss included in earnings related to investments still held as of December 31, 2015 and 2014, was approximately $75.8 million and $31.5 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 three months ended December 31, 2015, one of our Senior Secured Notes with a fair value of $5.0 million transferred from Level 2 to Level 3 because of the decrease in availability of the transaction data or the inputs to the valuation became observable. During the three months ended December 31, 2014, one of our Senior Secured Notes with a fair value of $10.4 million transferred from Level 3 to Level 2 because of the increase in availability of the transaction data or the inputs to the valuation became observable.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of December 31, 2015 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 538,262	Income Approach (DCF)	Market yield	8.38% - 16.75% (11.90%)
Senior Secured First Lien Term Loans	17,832	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1) and 2015 EBITDA Multiple(1)	0.50x - 1.00x (1.00x)/3.50x - 4.50x (4.50x)
Senior Secured First Lien Term Loans	7,633	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1), 2015 EBITDA Multiple(1), Revenue Generating Unit Price	1.00x - 1.25x (1.13x)/12.00x - 13.00x (12.50x)/$393.75 - $525.00 ($459.38)
Senior Secured First Lien Term Loans	18,453	Market Approach (Guideline Comparable)	LTM EBITDA Multiple(1)	5.75x-5.75x(5.75x)
Senior Secured First Lien Term Loans	4,885	Market Approach (Guideline Comparable)	LTM Revenue Multiple(1)	0.75x - 1.25x (0.88x)
Senior Secured First Lien Term Loans	19,276	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1)	0.50x - 1.25x (1.25x)
Senior Secured First Lien Term Loans	3,559	Enterprise Valuation Analysis	Sale of Business, Asset Sale, Precedent Transaction	$93.0M-$93.0M ($93.0M); $64.3M-$128.5M ($128.5M); $13.2M-$19.9M ($19.9M)
Senior Secured First Lien Term Loans	5,890	Market Approach (Guideline Comparable)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1)	0.50x-1.00x (0.88x); 4.50x-5.00x (4.88x)
Senior Secured First Lien Term Loans	24,906	Recent Arms-Length Transaction	Recent Arms-Length Transaction	N/A
Senior Secured Second Lien Term Loans	286,282	Income Approach (DCF)	Market yield	10.45% - 19.94% (12.42%)
Senior Secured Second Lien Term Loans	14,091	Income Approach (DCF)	Cost of equity	18.00%-18.00% (18.00%)
Senior Secured Second Lien Term Loans	16,805	Income Approach (DCF)	Market Yield/Cost of equity	14.42%-14.42% (14.42%); 18.00%-20.00% (19.00%)
Senior Secured Second Lien Term Loans	17,404	Market Approach (Guideline Comparable)	LTM EBITDA Multiple(1)	6.00x-6.50x (6.25x)
Senior Secured Second Lien Term Loans	10,000	Recent Arms-Length Transaction	Recent Arms-Length Transaction	N/A
Senior Secured Notes	25,252	Income Approach (DCF)	Market yield	9.81%-22.03% (12.22%)
Unsecured Debt	38,904	Income Approach (DCF)	Market yield	12.06% - 18.00% (15.71%)
Unsecured Debt	5,107	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1)	0.50x - 1.25x (1.25x)
Equity	10,235	Income Approach (DCF)	Market yield	11.60%-13.60% (12.70%)
Equity	578	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1), 2015 EBITDA Multiple(1), Revenue Generating Unit Price	1.00x - 1.25x (1.13x)/12.00x - 13.00x (12.50x)/$393.75 - $525.00 ($459.38)
Equity	9,717	Market Approach (Guideline Comparable)	LTM EBITDA Multiple(1)	4.50x-6.25x (6.18x)
Equity	12,270	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1)	4.25x -8.00x (6.11x)/3.75x -7.50x (5.49x)
Warrants	-	Market Approach (Guideline Comparable)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1)	0.50x-1.00x (0.88x); 4.50x-5.00x (4.88x)
Warrants	-	Market Approach (Guideline Comparable)	NTM EBITDA Multiple(1)	4.50x - 6.00x (4.57x)
Warrants	-	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1) and 2015 EBITDA Multiple(1)	0.50x - 1.00x (1.00x)/3.50x - 4.50x (4.50x)
Warrants	-	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1)	0.50x - 1.25x (0.55x)
Warrants	612	Market Approach (Guideline Comparable)/Option Model	LTM and NTM EBITDA Multiple(1), Volatilty	5.50x - 6.50x (6.00x); 5.00x - 6.00x (5.50x); 30.89% - 89.32% (45.0%)
Equity	3,330	Income Approach (DCF)	Discount Rate	8.00%-12.00% (8.00%)
Total	**$ 1,091,283**			

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2015 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 594,118	Income Approach (DCF)	Market yield	8.08% - 15.25% (11.48%)
Senior Secured First Lien Term Loans	22,504	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1) and 2015 EBITDA Multiple(1)	0.50x - 1.00x (0.75x)/3.50x - 4.50x (4.00x)
Senior Secured First Lien Term Loans	7,537	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1), 2015 EBITDA Multiple(1), Revenue Generating Unit Price	1.00x - 1.25x (1.13x)/12.00x - 13.00x (12.50x)/$393.75 - $525.00 ($459.38)
Senior Secured First Lien Term Loans	6,332	Market Approach (Guideline Comparable)	LTM EBITDA Multiple(1)	4.00x - 5.00x (5.00x)
Senior Secured First Lien Term Loans	-	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1)	0.40x - 0.60x (0.50x)
Senior Secured First Lien Term Loans	17,806	Market Approach (Guideline Comparable)	2015 EBITDA Multiple(1)	6.25x - 6.75x (6.50x)
Senior Secured First Lien Term Loans	11,888	Income Approach (DCF) and Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1), Discount Rate	4.50x - 5.00x (4.50x)/4.50x - 5.00x (4.50x)/20.0% - 22.0% (21.5%)
Senior Secured First Lien Term Loans	35,785	Recent Arms-Length Transaction	Recent Arms-Length Transaction	N/A
Senior Secured Second Lien Term Loans	340,621	Income Approach (DCF)	Market yield	9.58% - 18.38% (11.79%)
Senior Secured Second Lien Term Loans	7,280	Income Approach (DCF)	Market yield, Cost of equity	15.93%/19.00%-21.00% (19.00%)
Senior Secured Second Lien Term Loans	14,275	Income Approach (DCF)	Cost of equity	16.00%-18.00% (17.00%)
Senior Secured Second Lien Term Loans	10,000	Recent Arms-Length Transaction	Recent Arms-Length Transaction	N/A
Senior Secured Notes	30,669	Income Approach (DCF)	Market yield	9.46%-22.42% (13.75%)
Unsecured Debt	38,601	Income Approach (DCF)	Market yield	11.71% - 18.00% (15.52%)
Unsecured Debt	7,060	Market Approach (Guideline Comparable)	2015 EBITDA Multiple(1)	6.25x - 6.75x (6.50x)
Equity	208	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1), 2015 EBITDA Multiple(1), Revenue Generating Unit Price	1.00x - 1.25x (1.13x)/12.00x - 13.00x (12.50x)/$393.75 - $525.00 ($459.38)
Equity	5,078	Income Approach (DCF)	Market yield	14.63%-14.63% (14.63%)
Equity	18,627	Option Model	LTM EBITDA Multiple(1)/Discount Rate/Volatility	5.5x-6.5x (6.0x) / 12.0% -14.0% (12.0%) / 17.0% - 44.9% (25.0%)
Equity	7,869	Market Approach (Guideline Comparable)	LTM and 2015 EBITDA Multiple(1)	7.50x -7.50x (7.50x)/5.50x -7.00x (6.69x)
Warrants	-	Income Approach (DCF) and Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1), Discount Rate	4.50x - 5.00x (4.50x)/4.50x - 5.00x (4.50x)/20.0% - 22.0% (21.5%)
Warrants	14,486	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1)	4.25x - 10.00x (7.18x); 3.75x -10.00x (6.78x)
Warrants	231	Market Approach (Guideline Comparable)	2015 EBITDA Multiple(1)	4.0x - 7.5x (7.5x)
Warrants	-	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1) and 2015 EBITDA Multiple(1)	0.50x - 1.00x (0.75x)/3.50x - 4.50x (4.00x)
Warrants	-	Market Approach (Guideline Comparable)	2015 Revenue Multiple(1)	0.40x - 0.60x (0.50x)
Warrants	460	Market Approach (Guideline Comparable)/Option Model	LTM and NTM EBITDA Multiple(1), Volatilty	5.50x - 6.50x (6.00x); 5.00x - 6.00x (5.50x); 12.28% - 20.27% (45.0%)
Equity	3,330	Income Approach (DCF)	Discount Rate	8.00%-12.00% (8.00%)
Equity	295	Market Approach (Guideline Comparable)	LTM EBITDA Multiple(1)	4.00x - 5.00x (4.50x)
Total	**$ 1,195,060**			

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

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

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

Note 5. Borrowings

As a BDC, we are 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.

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

The Company's outstanding debt as of December 31, 2015 and September 30, 2015 was as follows (dollars in thousands):

	As of					
	December 31, 2015			September 30, 2015		
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	$ 343,500	$ 89,200	$ 89,200	$ 343,500	$ 192,700	$ 192,700
Term Loan Facility	174,000	174,000	174,000	174,000	174,000	174,000
2019 Notes	40,000	40,000	40,000	40,000	40,000	40,000
2021 Notes	70,763	70,763	70,763	N/A	N/A	N/A
2023 Notes	63,500	63,500	63,500	63,500	63,500	63,500
SBA Debentures	150,000	150,000	150,000	150,000	150,000	150,000
Total	$ 841,763	$ 587,463	$ 587,463	$ 771,000	$ 620,200	$ 620,200

Credit Facility

On July 28, 2015, we entered into Amendment No. 7 to our existing Revolver Amendment and Amendment No. 7 to our existing Term Loan Amendment, each with certain lenders party thereto and ING Capital LLC, as administrative agent. The Amendments amend certain provisions of the Facilities.

The pricing in the case of the Term Loan Facility was reduced for LIBOR loans from LIBOR (with no minimum) plus 3.25% to LIBOR plus 3.00%. The pricing on the Revolving Credit Facility will remain the same at LIBOR (with no minimum) plus 2.75%. Both the Term Loan Facility and Revolving Credit Facility will decrease by an additional 25 basis points upon receiving an investment grade rating from Standard & Poor's.

Additionally, the Term Loan Facility's bullet maturity was extended from June 2019 to July 2020 and the Revolving Credit Facility's revolving period was extended from June 2017 to July 2019, followed by a one-year amortization period and a final maturity in July 2020.

As of December 31, 2015, total commitments under the Facilities are $517.5 million, comprised of $343.5 million committed to the Revolving Credit Facility and $174.0 million funded under the Term Loan Facility.

At December 31, 2015, the carrying amount of our borrowings under the Facilities approximated their fair value. The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of our borrowings under the Facilities are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. At December 31, 2015 and September 30, 2015, the Facilities would be deemed to be Level 3, as defined in Note 4.

As of December 31, 2015 and September 30, 2015, $7.5 million and $7.4 million, respectively, of financing costs related to the Revolving Facility have been capitalized and are being amortized over their respective terms. As of December 31, 2015 and September 30, 2015, $3.9 million and $3.9 million of financing costs related to the Term Loan Facility have been capitalized and are being amortized over their respective terms.

The following table shows the components of interest expense, commitment fees related to the Revolving Facility, amortized deferred financing costs, weighted average stated interest rate and weighted average outstanding debt balance for the Facilities for the three months ended December 31, 2015 and 2014 (dollars in thousands):

	For the three months ended December 31	
	2015	2014
Revolving Facility interest	$ 1,202	$ 1,419
Revolving Facility commitment fee	287	201
Term Facility interest	1,445	1,507
Amortization of deferred financing costs	488	372
Agency and Other Fees	21	20
Total	$ 3,443	$ 3,519
Weighted average stated interest rate	3.2%	3.2%
Weighted average outstanding balance	$ 332,070	$ 359,918

As of December 31, 2015 and September 30, 2015, there was $89.2 million and $192.7 million, respectively, outstanding under the Revolving Facility. As of December 31, 2015 and September 30, 2015, there was $174.0 million outstanding under the Term Loan Facility.

Unsecured Senior Notes

On March 21, 2012, the Company issued $40.0 million in aggregate principal amount of 7.125% unsecured notes that mature on March 30, 2019 (the “2019 Notes”). The 2019 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 March 30, 2015. The 2019 Notes bear interest at a rate of 7.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2012. The 2019 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol “MCQ”.

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”). 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 or after March 30, 2016. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2013. The 2023 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol “MCV”.

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.

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 2019 Notes and 2023 Notes, the “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 New York Stock Exchange and trade thereon under the trading symbol “MCX”.

At December 31, 2015, the carrying amount and fair value of the 2019 Notes was $40.0 million and $40.3 million, respectively. At September 30, 2015, the carrying amount and fair value of the 2019 Notes was $40.0 million and $40.0 million, respectively. At December 31, 2015, the carrying amount and fair value of the 2023 Notes was $63.5 million and $61.6 million, respectively. At September 30, 2015, the carrying amount and fair value of the 2023 Notes was $63.5 million and $62.1 million, respectively. At December 31, 2015, the carrying amount and fair value of the 2021 Notes was $70.8 million and $69.8 million, respectively. 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. At December 31, 2015 and September 30, 2015 the Notes would be deemed to be Level 1, as defined in Note 4.

As of December 31, 2015 and September 30, 2015, $1.5 million and $1.5 million, respectively, of financing costs related to the 2019 Notes have been deferred and are being amortized over their respective terms. As of December 31, 2015 and September 30, 2015, $2.1 million and $2.1 million, respectively, of financing costs related to the 2023 Notes have been deferred and are being amortized over their respective terms. As of December 31, 2015, $2.9 million of financing costs related to the 2021 Notes have been deferred and are being amortized over their respective terms.

For the three months ended December 31, 2015 and 2014, the components of interest expense, amortized deferred financing 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 December 31	
	2015	2014
2019 Unsecured Notes interest	$ 713	$ 713
2021 Unsecured Notes interest	166	N/A
2023 Unsecured Notes interest	972	972
Amortization of deferred financing costs	129	106
Total	$ 1,980	$ 1,791
Weighted average stated interest rate	6.4%	6.5%
Weighted average outstanding balance	$ 114,268	$ 103,500

As of December 31, 2015 and September 30, 2015, $40.0 million and $63.5 million in aggregate principal amount of the 2019 Notes and the 2023 Notes were outstanding, respectively. As of December 31, 2015, $70.8 million in aggregate principal amount of the 2021 Notes was outstanding.

SBA Debentures

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

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

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

As of December 31, 2015, SBIC LP had $75.0 million in regulatory capital and had $150.0 million SBA Debentures outstanding. As of September 30, 2015, SBIC LP had $75.0 million in regulatory capital and had $150.0 million SBA Debentures outstanding that mature between September 2023 and September 2025.

Our fixed-rate SBA Debentures as of December 31, 2015 and September 30, 2015 were as follows (dollars in thousands):

	December 31, 2015		September 30, 2015	
Rate Fix Date	Debenture Amount	Fixed All-in Interest Rate	Debenture Amount	Fixed All-in Interest Rate
September 2013	$ 5,000	4.404%	$ 5,000	4.404%
March 2014	39,000	3.951	39,000	3.951
September 2014	50,000	3.370	50,000	3.370
September 2014	6,000	3.775	6,000	3.775
September 2015	50,000	3.571	50,000	3.571
Weighted Average Rate/Total	$ 150,000	3.639%	$ 150,000	3.639%

As of December 31, 2015, the carrying amount of the SBA Debentures approximated their fair value. The fair values of the SBA Debentures are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the SBA Debentures are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. At December 31, 2015, and September 30, 2015 the SBA Debentures would be deemed to be Level 3, as defined in Note 4.

As of December 31, 2015 and September 30, 2015, $5.1 million and $5.1 million, respectively, of financing costs related to the SBA Debentures have been deferred and are being amortized over their respective terms.

For the three months ended December 31, 2015 and 2014, the components of interest, amortized deferred financing costs, weighted average stated interest rate and weighted average outstanding debt balance for the SBA Debentures were as follows (dollars in thousands):

	For the three months ended December 31	
	2015	2014
SBA Debentures interest	$ 1,376	$ 926
Amortization of deferred financing costs	171	121
Total	$ 1,547	$ 1,047
Weighted average stated interest rate	3.6%	3.7%
Weighted average outstanding balance	$ 150,000	$ 100,000

Note 6. Agreements

Investment Management Agreement

On January 19, 2011, the Company entered into an investment management agreement (the “Management Agreement”) with MCC Advisors. Pursuant to the Management Agreement, MCC Advisors implements our business strategy on a day-to-day basis and performs certain services for us, subject to oversight by our board of directors. MCC Advisors is responsible for, among other duties, determining investment criteria, sourcing, analyzing and executing investments transactions, asset sales, financings and performing asset management duties. Under the Management Agreement, we have agreed to pay MCC Advisors a management fee for investment advisory and management services consisting of a fee and an incentive fee.

The base management fee will be calculated at an annual rate of 1.75% of our gross assets payable quarterly in arrears. For purposes of calculating the base management fee, the term “gross assets” includes any assets acquired with the proceeds of leverage. For the first quarter of our operations, the base management fee was calculated based on the initial value of our gross assets. Subsequently, the base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters. MCC Advisors agreed to waive the base management fee payable with respect to cash and cash equivalents held by the Company through December 31, 2011. This waiver does not extend to periods subsequent to December 31, 2011.

The incentive fee consists of the following two parts:

The first, calculated and payable quarterly in arrears is based on our pre-incentive fee net investment income earned during the calendar quarter for which the Incentive Fee is being calculated. 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 (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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, will be compared to a “hurdle rate” of 2.00% per quarter (8.0% annualized). We will pay the Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

(1) no incentive fee for any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

(2) 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 2.50% (10.0% annualized) in any calendar quarter; and

(3) 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% (10.0% annualized) in any calendar quarter.

The second part of the incentive fee (the “Capital Gains Fee”) is determined and payable in arrears as of the end of each calendar year (or upon termination of the Management Agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (1) the sum of our cumulative realized capital losses and unrealized capital depreciation from (2) our cumulative aggregate realized capital gains. If the amount so calculated is positive, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the aggregate amount of Capital Gains Fee paid in all prior years. If such amount is negative, then no Capital Gains Fee will be payable for such year. If this Agreement is terminated as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

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

For the three months ended December 31, 2015 and 2014, the Company incurred base management fees to MCC Advisors of $5.4 million and $5.8 million, respectively. For the three months ended December 31, 2015 and 2014, we incurred $3.9 million and $5.1 million of incentive fees related to pre-incentive fee net investment income, respectively.

As of December 31, 2015 and September 30, 2015, $9.3 million and $10.0 million were included in “management and incentive fees payable,” in the accompanying consolidated statements of assets and liabilities.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to this agreement, MCC Advisors furnishes us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimburse MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of certain of our officers and their respective staff. From time to time, our administrator may pay amounts owed by us to third-party service providers and we will subsequently reimburse our administrator for such amounts paid on our behalf. For the three months ended December 31, 2015 and 2014, we incurred $0.9 million, and $1.0 million in administrator expenses, respectively.

Note 7. Related Party Transactions

Investment in Loan Participations

As discussed in Note 1, the Loan Assets contributed to the Company by MOF LP and MOF LTD upon consummation of the Company's IPO were in the form of loan participations with an affiliated entity managed by affiliates of MCC Advisors. On June 30, 2011, the Company cancelled its participation agreements with an affiliate and executed loan assignment agreements for its investment Water Capital USA, Inc. The Company is now a direct lender of record to this borrower.

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 initial public offering 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.

On February 23, 2012, MOF LTD and MOF LP sold 4,406,301 shares of common stock at a price of $11.13 per share. The Company did not receive any of the proceeds of the sale of these shares. In April and May 2012, MOF LTD and MOF LP distributed the remaining 946,293 shares of common stock to their investors and as of June 30, 2012, MOF LTD and MOF LP collectively no longer own shares of our common stock.

Opportunities for co-investments may arise when MCC Advisors or an affiliated adviser becomes aware of investment opportunities that may be appropriate for the Company and other clients, or affiliated funds. As a BDC, the Company was substantially limited in its ability to co-invest in privately negotiated transactions with affiliated funds until it obtained an exemptive order from the SEC on November 25, 2013 (the "Exemptive Order"). The Exemptive Order permits the Company to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Medley, LLC, the parent company of Medley Capital LLC and MCC Advisors, or an investment adviser controlled by Medley, LLC in a manner consistent with its investment objective, strategies and restrictions, as well as regulatory requirements and other pertinent factors. Co-investment under the Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the Company's board of directors determines that it would be advantageous for the Company to co-invest in a manner described in the Exemptive Order. Before receiving the Exemptive Order, the Company only participated in co-investments that were allowed under existing regulatory guidance, such as syndicated loan transactions where price was the only negotiated term, which limited the types of investments that the Company could make.

Note 8. Commitments

Unfunded commitments

As of December 31, 2015 and September 30, 2015, we had commitments under loan and financing agreements to fund up to $15.0 million to 8 portfolio companies and $28.1 million to 12 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and a revolver and an analysis of their value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2015 and September 30, 2015 is shown in the table below (dollars in thousands):

	As of	
	December 31, 2015	September 30, 2015
DHISCO Electronic Distribution, Inc. - Revolver	$ 3,048	$ 3,048
Autosplice, Inc	3,026	3,026
RCS Management Corporation & Specialized Medical Services, Inc	3,000	5,000
Tenere Acquisition Corp.	2,000	2,000
Ship Supply Acquisition Corporation	1,036	622
Point.360	960	1,600
Black Angus Steakhouses, LLC - Delayed Draw TL	893	893
Black Angus Steakhouses, LLC - Revolver	536	446
Be Green Manufacturing and Distribution Centers LLC - Revolver	479	479
Red Skye Wireless LLC	-	7,500
Freedom Powersports LLC - (DDTL)	-	1,800
Be Green Manufacturing and Distribution Centers LLC - Delayed Draw TL	-	750
Meridian Behavioral Health, LLC (Term Loan B)	-	500
Access Media Holdings, LLC	-	424
Total	$ 14,978	$ 28,088

Legal Proceedings

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

Note 9. Fee Income

The fee income consists of origination/closing fee, amendment fee, prepayment penalty, administrative agent fee, transaction break-up fee and other miscellaneous fees. The following tables summarize the Company's fee income for the three months ended December 31, 2015 and 2014 (dollars in thousands):

	For the three months ended December 31	
	2015	2014
Origination fee	$ 1,008	$ 1,700
Prepayment fee	482	1,070
Amendment fee	1,103	761
Administrative agent fee	190	145
Other fees	276	407
Fee income	$ 3,059	$ 4,083

Note 10. Directors Fees

The independent directors each receive an annual fee of $55,000. They also receive $7,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of $25,000 and the chairman of each other committee receives an annual fee of $10,000 for their additional services in these capacities. In addition, other members of the audit committee receive an annual fee of $12,500 and other members of each other committee receive an annual fee of $6,000. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three months ended December 31, 2015 and 2014, we accrued $0.1 million and $0.2 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 shareholders 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 following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the three months ended December 31, 2015 and 2014 (dollars in thousands except share and per share amounts):

	For the three months ended December 31	
Basic and diluted	2015	2014
Net increase / (decrease) in net assets from operations	$ (39,204)	$ (18,316)
Weighted average common shares outstanding	56,300,067	58,733,284
Earnings per common share-basic and diluted	$ (0.70)	$ (0.31)

Note 12. Financial Highlights

The following is a schedule of financial highlights for the three months ended December, 2015 and 2014:

	For the three months ended December 31	
	2015	2014
Per share data:		
Net asset value per share at beginning of period	$ 11.00	$ 12.43
Net investment income [1]	0.28	0.35
Net realized gains (losses) on investments	0.10	-
Net unrealized appreciation/(depreciation) on investments	(1.07)	(0.66)
Change in provision for deferred taxes on unrealized gain/(loss) on investments	(0.01)	-
Net increase (decrease) in net assets	(0.70)	(0.31)
Dividends declared	(0.30)	(0.37)
Repurchase of common stock under stock repurchase program	0.01	-
Other [2]	-	(0.01)
Net asset value at end of period	$ 10.01	$ 11.74
Net assets at end of period	$ 562,714,998	$ 689,809,629
Shares outstanding at end of period	56,193,803	58,733,284
Per share market value at end of period	$ 7.52	$ 9.24
Total return based on market value [3]	4.87%	(18.48)%
Total return based on net asset value [4]	(5.59)%	(1.59)%
Portfolio turnover rate	15.26%	6.86%

The following is a schedule of ratios and supplemental data for the three months ended December 31, 2015 and 2014:

	For the three months ended December 31	
	2015	2014
Ratios: [5]		
Ratio of net investment income to average net assets	9.85%	12.13%
Ratio of total expenses to average net assets	11.80%	11.57%
Ratio of incentive fees to average net assets	2.46%	3.03%
Supplemental Data:		
Ratio of operating expenses to average net assets	9.33%	8.54%
Percentage of non-recurring fee income [6]	8.33%	9.88%
Average debt outstanding [7]	$ 596,337,821	$ 563,418,478
Average debt outstanding per common share	$ 10.59	$ 9.59
Asset coverage ratio per unit [8]	2,286	2,405
Average market value per unit		
Facilities [9]	N/A	N/A
SBA Debentures [9]	N/A	N/A
Notes due 2019	$ 25.18	$ 25.46
Notes due 2021	$ 24.56	N/A
Notes due 2023	$ 24.69	$ 24.41

(1) Net investment income based on total weighted average common stock outstanding equals $0.28, and $0.35 per share for the three months ended December 31, 2015 and 2014, respectively.
(2) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
(3) Total annual 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 change for the period.
(4) Total annual return is historical and assumes changes in net assets value, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales change for the period.
(5) Ratios are annualized.
(6) Represents the impact of the non-recurring fees over investment income.
(7) Based on daily weighted average balance of debt outstanding during the period.
(8) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness. Asset coverage ratio per unit does not include unfunded commitments. The inclusion of unfunded commitments in the calculation of the asset coverage ratio per unit would not cause us to be below the required amount of regulatory coverage.
(9) The Facilities and SBA Debentures are not registered for public trading.

Note 13. Dividends

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

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

The following table summarizes the Company's dividend distributions during the three months ended December 31, 2015 and 2014:

Date Declared	Record Date	Payment Date	Amount Per Share
During the three months ended December 31, 2015			
11/5/2015	11/25/2015	12/18/2015	$ 0.30
			$ 0.30

Date Declared	Record Date	Payment Date	Amount Per Share
During the three months ended December 31, 2014			
10/30/2014	11/26/2014	12/12/2014	$ 0.37
			$ 0.37

Note 14. Stock Repurchase Program

The following table summarizes our share repurchases under our stock repurchase program for the three months ended December 31, 2015 (dollars in thousands):

	For the three months ended December 31, 2015
Dollar amount repurchased	$ 1,100
Shares Repurchased	143,349
Average price per share	$ 7.68
Weighted average discount to Net Asset Value	30.2%

On February 5, 2015, our Board of Directors approved a share repurchase program pursuant to which we can purchase up to an aggregate amount of $30 million of our common stock between the period of the approval date and February 5, 2016. On December 4, 2015, the Board of Directors extended the duration of the share repurchase program through December 31, 2016, and increased the aggregate amount to $50.0 million. Any stock repurchases will be made through the open market at times, and in such amounts, as management deems appropriate. This program may be limited or terminated at any time without prior notice. Since the inception of the program, the Company's net asset value per share was increased by approximately $0.13 as a result of the share repurchases.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the three months ended December 31, 2015, except as disclosed below.

On December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the investment management agreement. Pursuant to a fee waiver agreement executed by MCC Advisors on February 8, 2016, effective January 1, 2016, the base management fee will be calculated at an annual rate of 1.75% of up to $1.0 billion of the Company’s gross assets and 1.50% of any amounts over $1.0 billion of the Company’s gross assets, and payable quarterly in arrears (the “Reduced Base Management Fee”). The Reduced 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.

In addition, effective January 1, 2016, the incentive fee based on net investment income will be determined and paid quarterly in arrears at the end of each calendar quarter by reference to our aggregate net investment income, as adjusted as described below (the “Reduced Incentive Fee on Net Investment Income”), 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 Reduced Incentive Fee on Net Investment Income is determined on a quarterly basis, and is equal to 1.5% multiplied by the Company’s net assets 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. Any Reduced Incentive Fee on Net Investment Income will be paid to MCC Advisors on a quarterly basis, and will be based on the amount by which (A) aggregate net investment income (“Ordinary Income”) in respect of the relevant Trailing Twelve Quarters exceeds (B) the hurdle amount for such Trailing Twelve Quarters. The amount of the excess of (A) over (B) described in this paragraph for such Trailing Twelve Quarters is referred to as the "Excess Income Amount." For the avoidance of doubt, Ordinary Income is net of all fees and expenses, including the Reduced Base Management Fee but excluding any incentive fee on pre-incentive fee net investment income or on the Company’s capital gains.

Quarterly Incentive Fee Based on Net Investment Income

The Reduced Incentive Fee on Net Investment Income for each quarter is determined as follows:

- No incentive fee based 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 Reduced 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 Reduced Incentive Fee on Net Investment Income.

The amount of the Reduced 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 based on 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 Reduced 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 based on net investment income that was paid in respect of the first eleven calendar quarters (or a 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 defined 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 based 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 Reduced Incentive Fee based 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 a Reduced 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 Reduced 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 a Reduced 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 fee structure is, beginning as of January 1, 2016, to permanently reduce aggregate fees payable to MCC Advisors by the Company. Beginning January 1, 2016, in order to ensure that the Company will pay MCC Advisors aggregate fees on a cumulative basis under the new fee structure that are less than the aggregate fees otherwise due under the Management Agreement, MCC advisors will, at the end of each quarter, calculate aggregate base management fees and incentive fees on net investment income under both the new fee structure and the fee structure under the Management Agreement, and if, at any time after January 1, 2016, the aggregate fees on a cumulative basis under the new fee structure would be greater than the aggregate fees on a cumulative basis under the fee structure under the Management Agreement, MCC Advisors shall only be entitled to the lesser of those two amounts.

On January 14, 2016, the Company closed an additional $3.3 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes.

On February 1, 2016, the Company's Board of Directors declared a quarterly dividend of $0.30 per share payable on March 18, 2016, to stockholders of record at the close of business on February 24, 2016.

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

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

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

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

Overview

We are an externally-managed, non-diversified closed-end management investment company that filed an election to be regulated as a BDC under the 1940 Act. In addition, we have elected and qualified 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. In many of our investments, 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% after such borrowing, with certain limited exceptions. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements. To maintain our RIC tax treatment under subchapter M for U.S. federal income tax purposes, we must timely distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, for the taxable year.

Revenues

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

Expenses

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

- our organization and continued corporate existence;
- calculating our NAV (including the cost and expenses of any independent valuation firms);
- 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 certain of our officers and their respective staffs (including travel expenses).

Portfolio and Investment Activity

As of December 31, 2015 and 2014, our portfolio had a fair market value of approximately $1,123.5 million and $1,222.7 million, respectively. The following table summarizes our portfolio and investment activity during the three months ended December 31, 2015 and 2014 (dollars in thousands):

	For the three months ended December 31	
	2015	2014
Investments made in new portfolio companies	$ 15,554	$ 74,748
Investments made in existing portfolio companies	28,011	19,119
Aggregate amount in exits and repayments	(94,574)	(80,215)
Net investment activity	$ (51,009)	$ 13,652
Portfollio Companies, at beginning of period	72	79
Number of new portfolio companies	1	4
Number of exited portfolio companies	(5)	(7)
Portfolio companies, at end of period	68	76
Number of investments in existing portfolio companies	12	10

The following table summarizes the amortized cost and the fair value of our average portfolio company investment and largest portfolio company investment as of December 31, 2015 (dollars in thousands):

	As of December 31, 2015	
	Amortized Cost	Fair Value
Average portfolio company investment	$ 18,112	$ 16,399
Largest portfolio company investment	55,547	54,384

The following table summarizes the amortized cost and the fair value of our average portfolio company investment and largest portfolio company investment as of December 31, 2014 (dollars in thousands):

	As of December 31, 2014	
	Amortized Cost	Fair Value
Average portfolio company investment	$ 16,971	$ 16,089
Largest portfolio company investment	38,270	38,270

The following table summarizes the amortized cost and the fair value of investments as of December 31, 2015 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 723,570	58.7%	$ 640,696	57.4%
Senior Secured Second Lien Term Loans	356,609	28.9	344,582	30.9
Senior Secured First Lien Notes	26,747	2.2	25,252	2.3
Unsecured Debt	51,416	4.2	44,011	3.9
MCC Senior Loan Strategy JV I LLC	23,188	1.9	22,989	2.1
Equity/Warrants	50,067	4.1	37,594	3.4
Total	$ 1,231,597	100.0%	$ 1,115,124	100.0%

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2015 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	$ 740,831	58.2%	$ 695,970	57.2%
Senior Secured Second Lien Term Loans	379,115	29.8	372,176	30.6
Senior Secured First Lien Notes	37,697	3.0	36,380	3.0
Unsecured Debt	50,941	4.0	45,661	3.7
MCC Senior Loan Strategy JV I LLC	14,437	1.1	14,216	1.2
Equity/Warrants	49,520	3.9	51,689	4.3
Total	$ 1,272,541	100.0%	$ 1,216,092	100.0%

As of December 31, 2015, our income-bearing investment portfolio, which represented nearly 92.2% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 12.2%, and 79.3% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR, and 20.7% bore interest at fixed rates.

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

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

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of December 31, 2015 (dollars in thousands):

Investment Performance Rating	Fair Value	Percentage
1	$ 96,296	8.6%
2	900,320	80.7
3	109,059	9.8
4	-	-
5	9,449	0.9
Total	$ 1,115,124	100.0%

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2015 (dollars in thousands):

Investment Performance Rating	Fair Value	Percentage
1	$ 146,699	12.0%
2	947,949	78.0
3	121,444	10.0
4	-	-
5	-	-
Total	$ 1,216,092	100.0%

Results of Operations

Operating results for the three months ended December 31, 2015 and 2014 are as follows (dollars in thousands):

	For the three months ended December 31	
	2015	2014
Total investment income	$ 34,427	$ 39,849
Total expenses, net	18,761	19,459
Net investment income	15,666	20,390
Net realized gains (losses)	5,378	(217)
Net unrealized gains (losses) on investments	(60,024)	(38,700)
Change in provision for deferred taxes on unrealized gains/(loss) on investments	(224)	211
Net increase in net assets resulting from operations	$ (39,204)	$ (18,316)

Investment Income

For the three months ended December 31, 2015, investment income totaled $34.4 million, of which $31.4 million was attributable to portfolio interest and dividend income, and $3.0 million to fee income. For the three months ended December 31, 2014, investment income totaled $39.9 million, of which $35.8 million was attributable to portfolio interest and $4.1 million to fee income.

Operating Expenses

Operating expenses for the three months ended December 31, 2015 and 2014 are as follows (dollars in thousands):

	For the three months ended December 31	
	2015	2014
Base management fees	$ 5,347	$ 5,784
Incentive fees	3,916	5,098
Interest and financing expenses	6,970	6,357
Administrator expenses	916	1,022
General and administrative	710	350
Professional fees	633	532
Insurance	135	143
Directors fees	134	173
Expenses	$ 18,761	$ 19,459

For the three months ended December 31, 2015, total operating expenses before manager expense waiver and reimbursement decreased by $0.7 million, or (3.6%), compared to the three months ended December 31, 2014.

Interest and financing expenses were higher in the three months ended December 31, 2015 than the three months ended December 31, 2014 as a result of an increase in commitment on a four-year senior secured revolving credit facility, issuing $40.0 million in aggregate principal amount of 7.125% unsecured notes that mature on March 30, 2019 (the “2019 Notes“), an increase in commitment on a five-year senior secured term loan credit facility, issuing $63.5 million in aggregate principal amount of 6.125% unsecured notes that mature on March 30, 2023 (the “2023 Notes“), issuing $70.8 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the “2021 Notes”), and issuing SBA-guaranteed debentures (“SBA Debentures”).

Excluding interest and financing expenses, expenses decreased for the three months ended December 31, 2015 compared to the three months ended December 31, 2014 due to a decrease in base management fees, incentive fees, and administrative service fees offset by an increase in professional fees and general and administrative expenses. Base management fees, which are calculated based on average gross assets, decreased due to the decline in the portfolio throughout the period. The incentive fee decreased as a result of the decrease in pre-incentive fee net investment income. Administrative service fees decreased due to lower administrator expenses. Professional fees have increased due to higher legal, audit, and valuation service expenses.

Net Realized Gains/Losses from Investments

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

During the three months ended December 31, 2015 and 2014, we recognized $5.4 million of realized gain and $0.2 million of realized loss on our portfolio investments, respectively.

Net Unrealized Appreciation/Depreciation on Investments

Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of our investment portfolio. For the three months ended December 31, 2015 and 2014, we had $60.0 million and $38.7 million of unrealized depreciation, respectively, on portfolio investments.

Provision for Deferred Taxes on Unrealized Appreciation on Investments

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three months ended December 31, 2015 and 2014, the Company recognized a provision for deferred tax on unrealized gains of ($0.2) million and $0.2 million for consolidated subsidiaries, respectively.

Changes in Net Assets from Operations

For the three months ended December 31, 2015, we recorded a net decrease in net assets resulting from operations of $39.2 million compared to a net decrease in net assets resulting from operations of $18.3 million for the three months ended December 31, 2014 as a result of the factors discussed above. Based on 56,300,067 and 58,733,284 weighted average common shares outstanding for the three months ended December, 2015 and 2014, respectively, our per share net decrease in net assets resulting from operations was $0.70 for the three months ended December 31, 2015 compared to a per share net decrease in net assets from operations of $0.31 for the three months ended December 31, 2014.

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 Facility and the Term Loan Facility and net proceeds from the issuance of notes as well as cash flows from operations.

On January 20, 2011, we completed our IPO and issued 11,111,112 common shares and received net proceeds of $129.6 million.

On March 21, 2012, we issued $40.0 million in aggregate principal amount of the 2019 Notes. The 2019 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after March 30, 2015. The 2019 Notes bear interest at a rate of 7.125% per year, payable quarterly on March 30, June 30, September 30 and December 30 of each year, beginning June 30, 2012. The 2019 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol “MCQ”.

On August 24, 2012, we completed a public offering of 5,750,000 shares, including the underwriters’ full exercise of the option to purchase additional shares, of our common stock at a public offering price of $12.95 per share, raising approximately $71.9 million in net proceeds.

On December 3, 2012, we completed a public offering of 5,000,000 shares of our common stock at a public offering price of $13.75 per share, raising approximately $66.0 million in net proceeds. On December 19, 2012, we sold an additional 495,263 shares of our common stock at a public offering price of $13.75 per share, raising approximately $6.5 million in net proceeds, pursuant to the underwriters’ partial exercise of the option to purchase additional shares.

On March 18, 2013, the Company issued $60.0 million in aggregate principal amount of the 2023 Notes. 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 or after March 30, 2016. 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 New York Stock Exchange and trade thereon under the trading symbol “MCV”.

On April 12, 2013, we completed a public offering of 4,000,000 shares of our common stock and an additional 492,271 shares of our common stock pursuant to the underwriters’ partial exercise of the over-allotment option at a public offering price of $14.70 per share, raising approximately $63.4 million in net proceeds.

On September 9, 2013, we completed a public offering of 6,900,000 shares of our common stock, which included the full exercise of the underwriters’ option to purchase an additional 900,000 shares, at a public offering price of $13.00 per share, raising approximately $86.6 million in net proceeds.

On February 5, 2014 we completed a public offering of 6,000,000 shares of our common stock at a public offering price of $14.00 per share, raising approximately $81.1 million in net proceeds.

On April 28, 2014 we completed a public offering of 6,000,000 shares of our common stock at a public offering price of $13.25 per share, raising approximately $76.9 million in net proceeds.

On August 1, 2014, the Company entered into an “At-The-Market” (“ATM”) equity distribution agreement with Goldman, Sachs & Co., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Keefe, Bruyette & Woods, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Janney Montgomery Scott LLC, Ladenburg Thalmann & Co. Inc., MLV & Co. LLC, Maxim Group LLC, National Securities Corporation and Gilford Securities Incorporated, through which the Company could sell shares of its common stock having an aggregate offering price of up to $100.0 million. During the period from August 5, 2014 to September 30, 2014, the Company sold 671,278 shares of its common stock at an average price of $12.87 per share, and raised $8.7 million in net proceeds, under the ATM Program.

On August 26, 2014, the Company completed a public offering of 5,000,000 shares of our common stock and an additional 750,000 shares of our common stock pursuant to the underwriters' partial exercise of the over-allotment option at a public offering price of $13.02 per share, raising approximately $72.8 million in net proceeds.

On July 28, 2015, we entered into Amendment No. 7 to our existing Revolver Amendment and Amendment No. 7 to our existing Term Loan Amendment, each with certain lenders party thereto and ING Capital LLC, as administrative agent. The Amendments amend certain provisions of the Facilities.

The pricing in the case of the Term Loan Facility was reduced for LIBOR loans from LIBOR (with no minimum) plus 3.25% to LIBOR plus 3.00%. The pricing on the Revolving Credit Facility will remain the same at LIBOR (with no minimum) plus 2.75%. Both the Term Loan Facility and Revolving Credit Facility will decrease by an additional 25 basis points upon receiving an investment grade rating from Standard & Poor's.

Additionally, the Term Loan Facility's bullet maturity was extended from June 2019 to July 2020 and the Revolving Credit Facility's revolving period was extended from June 2017 to July 2019, followed by a one-year amortization period and a final maturity in July 2020.

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 2019 Notes and 2023 Notes, the "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 New York Stock Exchange and trade thereon under the trading symbol ''MCX''.

As of December 31, 2015, total commitments under the Facilities are $517.5 million, comprised of $343.5 million committed to the Revolving Credit Facility and $174.0 million funded under the Term Loan Facility.

As of December 31, 2015, we had $24.1 million in cash. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

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

On March 26, 2013, our wholly-owned subsidiary, Medley SBIC LP ("SBIC LP") received a Small Business Investment Company ("SBIC") license from the Small Business Administration ("SBA").

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

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

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

As of December 31, 2015, SBIC LP had $75.0 million in regulatory capital and had $150.0 million SBA Debentures outstanding.

Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2015 and September 30, 2015, we had commitments under loan and financing agreements to fund up to $15.0 million to 8 portfolio companies and $28.1 million to 12 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and a revolver and an analysis of their value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2015 and September 30, 2015 is shown in the table below (dollars in thousands):

	As of	
	December 31, 2015	September 30, 2015
DHISCO Electronic Distribution, Inc. - Revolver	$ 3,048	$ 3,048
Autosplice, Inc	3,026	3,026
RCS Management Corporation & Specialized Medical Services, Inc	3,000	5,000
Tenere Acquisition Corp.	2,000	2,000
Ship Supply Acquisition Corporation	1,036	622
Point.360	960	1,600
Black Angus Steakhouses, LLC - Delayed Draw TL	893	893
Black Angus Steakhouses, LLC - Revolver	536	446
Be Green Manufacturing and Distribution Centers LLC - Revolver	479	479
Red Skye Wireless LLC	-	7,500
Freedom Powersports LLC - (DDTL)	-	1,800
Be Green Manufacturing and Distribution Centers LLC - Delayed Draw TL	-	750
Meridian Behavioral Health, LLC (Term Loan B)	-	500
Access Media Holdings, LLC	-	424
Total	$ 14,978	$ 28,088

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

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

The following table shows our payment obligations for repayment of debt and other contractual obligations at December 31, 2015 (dollars in thousands):

	Payment Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Revolving Facility	$ 89,200	$ -	$ -	$ 89,200	$ -
Term Loan Facility	174,000	-	-	174,000	-
7.125% Notes	40,000	-	-	40,000	-
6.50% Notes	70,763	-	-	-	70,763
6.125% Notes	63,500	-	-	-	63,500
SBA Debenture	150,000	-	-	-	150,000
Total contractual obligations	$ 587,463	$ -	$ -	$ 303,200	$ 284,263

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

On March 27, 2015, Medley Capital Corporation 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"). Medley Capital Corporation and GALIC have committed to provide $100 million of equity to MCC JV, with Medley Capital Corporation providing $87.5 million and GALIC providing $12.5 million. MCC JV commenced operations on July 15, 2015. On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the "JV Facility") led by Credit Suisse, AG with initial commitments of $100 million. As of December 31, 2015, MCC JV has not drawn on the JV Facility. As of December 31, 2015, MCC JV had total investments at fair value of $29.4 million. As of December 31, 2015, MCC JV's portfolio was comprised of senior secured first lien loans to 9 different borrowers. As of December 31, 2015, none of these loans were on non-accrual status.

Medley Capital Corporation has determined that MCC JV is an investment company under ASC 946, however in accordance with such guidance, Medley Capital Corporation 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, Medley Capital Corporation does not consolidate its interest in MCC JV.

Distributions

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

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

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

(2) at least 98.2 percent of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period ending on October 31st of the calendar year; and

(3) income realized, but not distributed, in preceding years and on which we did not pay federal income tax.

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

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

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

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

The following table summarizes the dividend distributions during the three months ended December 31, 2015:

Date Declared	Record Date	Payment Date	Amount Per Share
11/5/2015	11/25/2015	12/18/2015	$ 0.30

Stock Repurchase Program

The following table summarizes our share repurchases under our stock repurchase program for the three months ended December 31, 2015 (dollars in thousands):

	For the three months ended December 31, 2015
Dollar amount repurchased	$ 1,100
Shares Repurchased	143,349
Average price per share	$ 7.68
Weighted average discount to Net Asset Value	30.2%

On February 5, 2015, our Board of Directors approved a share repurchase program pursuant to which we can purchase up to an aggregate amount of $30 million of our common stock between the period of the approval date and February 5, 2016. On December 4, 2015, the Board of Directors extended the duration of the share repurchase program through December 31, 2016, and increased the aggregate amount to $50.0 million. Any stock repurchases will be made through the open market at times, and in such amounts, as management deems appropriate. This program may be limited or terminated at any time without prior notice. Since the inception of the program, the Company's net asset value per share was increased by approximately $0.13 as a result of the share repurchases.

Related Party Transactions

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

- We entered into an investment management agreement with MCC Advisors. Mr. Brook Taube, our chairman and chief executive officer, is a managing partner and senior portfolio manager of MCC Advisors, and Mr. Seth Taube, one of our directors, is a managing partner of MCC Advisors.

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

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

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

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

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.

Management Fee

Pursuant to the investment management agreement, we pay our investment adviser a fee for investment management services consisting of two components - a base management fee and an incentive fee.

MCC Advisors receives a base management fee from us payable quarterly in arrears, at an annual rate of 1.75% of our gross assets, including any assets acquired with the proceeds of leverage. MCC Advisors agreed to waive the base management fee payable with respect to cash and cash equivalents held by the Company through December 31, 2011.

The investment management agreement also provides that MCC Advisors is entitled to an incentive fee. The incentive fee consists of the following two parts:

The first, calculated and payable quarterly in arrears is based on our pre-incentive fee net investment income earned during the calendar quarter for which the Incentive Fee is being calculated. 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 (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

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, will be compared to a "hurdle rate" of 2.0% per quarter (8.0% annualized). We will pay the Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

(1) no incentive fee for any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

(2) 100.0% 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% (10.0% annualized) in any calendar quarter; and

(3) 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% (10.0% annualized) in any calendar quarter.

The second part of the incentive fee (the "Capital Gains Fee") is determined and payable in arrears as of the end of each calendar year (or upon termination of the Management Agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (1) the sum of our cumulative realized capital losses and unrealized capital depreciation from (2) our cumulative aggregate realized capital gains. If the amount so calculated is positive, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the aggregate amount of Capital Gains Fee paid in all prior years. If such amount is negative, then no Capital Gains Fee will be payable for such year. If this Agreement is terminated as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

The Company calculates incentive fee as if the Company had realized all assets at their fair values and liabilities at their settlement amounts as of the reporting date. Accordingly, the Company accrues a provisional incentive fee taking into account any unrealized gains. As the provisional incentive fee is subject to the performance of investments until there is a realization event, the amount of provisional incentive fee accrued at a reporting date may vary from the incentive fee that is ultimately paid, 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. We also employ independent third party valuation firms for all of our investments for which there is not a readily available market value.

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

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

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

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

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

- At least twice annually, the valuation for each portfolio investment is reviewed by an independent valuation firm.

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

- Our board of directors discusses 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 not verifiable by auditing procedures. Under current auditing standards, 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 statement 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 December 31, 2015, seven investments were on non-accrual status with a combined fair value of approximately $46.6 million, or 4.2% of the fair value of our portfolio. At September 30, 2015, three investments were on non-accrual status with a combined fair value of approximately $25.5 million, or 2.1% of the fair value of our portfolio.

Federal Income Taxes

The Company has elected and qualified 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 December 3, 2015, MCC Advisors recommended and, in consultation with the Board, agreed to reduce fees under the investment management agreement. Pursuant to a fee waiver agreement executed by MCC Advisors on February 8, 2016, effective January 1, 2016, the base management fee will be calculated at an annual rate of 1.75% of up to $1.0 billion of the Company's gross assets and 1.50% of any amounts over $1.0 billion of the Company's gross assets, and payable quarterly in arrears (the "Reduced Base Management Fee"). The Reduced 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.

In addition, effective January 1, 2016, the incentive fee based on net investment income will be determined and paid quarterly in arrears at the end of each calendar quarter by reference to our aggregate net investment income, as adjusted as described below (the "Reduced Incentive Fee on Net Investment Income"), 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 Reduced Incentive Fee on Net Investment Income is determined on a quarterly basis, and is equal to 1.5% multiplied by the Company's net assets 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. Any Reduced Incentive Fee on Net Investment Income will be paid to MCC Advisors on a quarterly basis, and will be based on the amount by which (A) aggregate net investment income ("Ordinary Income") in respect of the relevant Trailing Twelve Quarters exceeds (B) the hurdle amount for such Trailing Twelve Quarters. The amount of the excess of (A) over (B) described in this paragraph for such Trailing Twelve Quarters is referred to as the "Excess Income Amount." For the avoidance of doubt, Ordinary Income is net of all fees and expenses, including the Reduced Base Management Fee but excluding any incentive fee on pre-incentive fee net investment income or on the Company's capital gains.

Quarterly Incentive Fee Based on Net Investment Income

The Reduced Incentive Fee on Net Investment Income for each quarter is determined as follows:

- No incentive fee based 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 Reduced 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 Reduced Incentive Fee on Net Investment Income.

The amount of the Reduced 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 based on 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 Reduced 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 based on net investment income that was paid in respect of the first eleven calendar quarters (or a 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 defined 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 based 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 Reduced Incentive Fee based 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 a Reduced 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 Reduced 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 a Reduced 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 fee structure is, beginning as of January 1, 2016, to permanently reduce aggregate fees payable to MCC Advisors by the Company. Beginning January 1, 2016, in order to ensure that the Company will pay MCC Advisors aggregate fees on a cumulative basis under the new fee structure that are less than the aggregate fees otherwise due under the Management Agreement, MCC advisors will, at the end of each quarter, calculate aggregate base management fees and incentive fees on net investment income under both the new fee structure and the fee structure under the Management Agreement, and if, at any time after January 1, 2016, the aggregate fees on a cumulative basis under the new fee structure would be greater than the aggregate fees on a cumulative basis under the fee structure under the Management Agreement, MCC Advisors shall only be entitled to the lesser of those two amounts.

On January 14, 2016, the Company closed an additional $3.3 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes.

On February 1, 2016, the Company’s Board of Directors declared a quarterly dividend of $0.30 per share payable on March 18, 2016, to stockholders of record at the close of business on February 24, 2016.

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 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 December 31, 2015, we did not engage in hedging activities.

As of December 31, 2015, 79.3% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate floor as of December 31, 2015 was as follows (dollars in thousands):

	December 31, 2015	
	Fair Value	% of Floating Rate Portfolio
Under 1%	$ 158,521	19.4%
1% to under 2%	577,428	70.8
2% to under 3%	61,899	7.6
3%	17,510	2.2
Total	$ 815,358	100.0%

Based on our Consolidated Statement of Assets and Liabilities as of December 31, 2015, the following table (dollars in thousands) shows the approximate increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investment and capital structure.

Basis point increase [(1)]	Interest Income	Interest Expense	Net Increase (Decrease)
100	$ 2,800	$ 5,200	$ (2,400)
200	9,600	10,300	(700)
300	17,600	15,500	2,100
400	25,500	20,700	4,800
500	33,400	25,800	7,600

As of September 30, 2015, 78.8% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate floor as of September 30, 2015 was as follows (dollars in thousands):

	September 30, 2015	
	Fair Value	% of Floating Rate Portfolio
Under 1%	$ 144,637	15.9%
1% to under 2%	669,130	73.7
2% to under 3%	77,497	8.5
3%	17,548	1.9
Total	$ 908,812	100.0%

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2015, the following table (dollars in thousands) shows the approximate increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investment and capital structure.

Basis point increase [(1)]	Interest Income	Interest Expense	Net Increase (Decrease)
100	$ 2,600	$ 5,200	$ (2,600)
200	10,100	10,300	(200)
300	18,900	15,500	3,400
400	27,800	20,700	7,100
500	36,600	25,800	10,800

(1) A hypothetical decline in interest rates would not have a material impact on our financial statements.

Item 4. 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 December 31, 2015. The term “disclosure controls and procedures” is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the evaluation of our disclosure controls and procedures as of December 31, 2015, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

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

Part II – Other Information

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 May 29, 2015, Moshe Barkat and Modern VideoFilm Holdings, LLC filed a complaint against the Company, Medley Opportunity Fund II LP ("MOF II"), MCC Advisors LLC, Deloitte Transactions and Business Analytics LLP A/K/A Deloitte ERG, Scott Avila, Charles Sweet, and Modern VideoFilm, Inc. ("MVF"), seeking damages in excess of $100 million. The Company, together with MOF II, Congruent, and Main Street, (and together with the Company, MOF II and Congruent, "Lenders"), had a loan to MVF. The outstanding balance on the loan was in excess of $66.5 million, of which $15 million was due to the Company. After MVF defaulted on its loan, the Lenders exercised voting rights under a stock pledge and appointed an independent director, Charles Sweet, as MFV's sole director. Mr. Sweet subsequently appointed Scott Avila and Cooper Crouse of Deloitte CRG as chief restructuring officer and assistant chief restructuring officer, respectively. Mr. Barkat was the former chief executive officer and founder of MVF. MVF terminated Mr. Barkat's employment. Mr. Barkat has asserted claims against MVF for breach of his employment contract and wrongful termination. Mr. Barkat has asserted claims against the Company and MOF II for breach of fiduciary duty, intentional interference with contract, unfair competition and defamation. Medley disputes the claims and is vigorously defending the action, as well as prosecuting affirmative counterclaims against Moshe Barkat and Modern VideoFilm Holdings, LLC.

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, 2015, filed with the SEC on December 4, 2015, which could materially affect our business, financial condition and/or operating results. There have been no material changes during the three months ended December 31, 2015 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.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Other Information.

None.

Item 5. Exhibits.

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

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 Registrant 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 Registrant Statement on Form N-2 (File No. 333-179237), filed on March 15, 2013).
4.5	Statement of Eligibility of Trustee on Form T-1 (Incorporated by reference to Exhibit d.5 to the Registrant's Registration Statement on Form N-2, filed on March 15, 2013).
10.1	Form of Amended and Restated Investment Management Agreement between Registrant and MCC Advisors LLC (Incorporated by reference to Exhibit 99.G to Registrant's Post-Effective Amendment No. 3 to the Registration Statement on N-2, filed on December 10, 2013).
10.2	Form of Custody Agreement (Incorporated by reference to Exhibit 99.J to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
10.3	Form of Administration Agreement (Incorporated by reference to Exhibit 99.K to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
10.4	Form of Sub-Administration Agreement (Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
10.5	Form of Trademark License Agreement (Incorporated by reference to Exhibit 99.K.3 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
10.6	Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
10.7	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).
10.8	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).
10.9	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).
10.10	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).
10.11	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).

10.12	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).
10.13	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).
10.14	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).
10.15	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).
10.16	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).
10.17	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).
10.18	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).
10.19	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).
10.20	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).
10.21	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).
10.22	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).

10.23	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).
10.24	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).
10.25	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).
10.26	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).
10.27	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).
10.28	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).
14.1	Code of Business Conduct and Ethics of the Registrant (Incorporated by reference to Exhibit 14.1 to the Registrant's 10-Q for the period ended June 30, 2011, filed on August 4, 2011).
14.2	Code of Business Ethics of MCC Advisors (Incorporated by reference to Exhibit 99.R.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
21.1	List of Subsidiaries
24.0	Power of attorney (included on the signature page hereto)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 9, 2016	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)

Exhibit 21.1

SUBSIDIARIES OF MEDLEY CAPITAL CORPORATION

Name	Jurisdiction
Medley SBIC LP	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 RT1 LLC	Delaware
MCC Investment Holdings Sendero LLC	Delaware

Exhibit 31.1

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: February 9, 2016

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

Exhibit 31.2

**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: February 9, 2016

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

Exhibit 32.1

**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 December 31, 2015, 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: February 9, 2016

By /s/ Brook Taube
Brook Taube
Chief Executive Officer

By /s/ Richard T. Allorto, Jr.
Richard T. Allorto, Jr.
Chief Financial Officer