UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended December 31, 2016
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	**27-4576073**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
280 Park Avenue, 6th Floor East, New York, NY 10017	**10017**
(Address of Principal Executive Offices)	(Zip Code)

(212) 759-0777

(Registrant's Telephone Number, Including Area Code)

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

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

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 ☒

The Registrant had 54,474,211 shares of common stock, $0.001 par value, outstanding as of February 9, 2017.

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Medley Capital Corporation

Consolidated Statements of Assets and Liabilities

	As of	
	December 31, 2016	**September 30, 2016**
ASSETS	(unaudited)	
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of $775,077,727 and $813,813,853, respectively)	$ 730,315,622	$ 767,302,020
Controlled investments (amortized cost of $228,752,509 and $189,077,188, respectively)	177,297,064	136,882,275
Affiliated investments (amortized cost of $10,000,000 and $10,000,000, respectively)	10,000,000	10,000,000
Total investments at fair value	917,612,686	914,184,295
Cash and cash equivalents	102,135,006	104,485,263
Interest receivable	11,006,751	8,982,154
Other assets	750,073	893,140
Fees receivable	638,859	1,403,383
Receivable for dispositions and investments sold	555,748	689,379
Deferred offering costs	244,372	242,991
Total assets	$ 1,032,943,495	$ 1,030,880,605
LIABILITIES		
Revolving credit facility payable (net of debt issuance costs of $3,210,753 and $3,589,844, respectively)	$ 14,789,247	$ 10,410,156
Term loan payable (net of debt issuance costs of $2,017,058 and $2,196,756, respectively)	171,982,942	171,803,244
Notes payable (net of debt issuance costs of $4,647,746 and $4,629,649, respectively)	173,244,811	172,883,176
SBA debentures payable (net of debt issuance costs of $3,353,800 and $3,525,029, respectively)	146,646,200	146,474,971
Management and incentive fees payable (See note 6)	5,346,682	4,558,619
Interest and fees payable	4,031,982	1,714,023
Accounts payable and accrued expenses	2,206,792	2,662,950
Deferred tax liability	2,003,724	2,003,724
Administrator expenses payable (See note 6)	916,066	990,236
Deferred revenue	310,065	369,805
Due to affiliate	204,597	90,559
Total liabilities	$ 521,683,108	$ 513,961,463
Commitments (See note 8)		
NET ASSETS		
Common stock, par value $0.001 per share, 100,000,000 common shares authorized, 54,474,211 and 54,474,211 common shares issued and outstanding, respectively	$ 54,474	$ 54,474
Capital in excess of par value	705,326,059	705,326,059
Accumulated undistributed net investment income	8,962,242	10,811,762
Accumulated net realized gain/(loss) from investments	(105,298,697)	(99,000,266)
Net unrealized appreciation/(depreciation) on investments, net of deferred taxes	(97,783,691)	(100,272,887)
Total net assets	511,260,387	516,919,142
Total liabilities and net assets	$ 1,032,943,495	$ 1,030,880,605
NET ASSET VALUE PER SHARE	$ 9.39	$ 9.49

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Operations

	For the three months ended December 31	
	2016	2015
INVESTMENT INCOME:	(unaudited)	(unaudited)
Interest from investments		
Non-controlled/non-affiliated investments:		
Cash	$ 18,520,378	$ 28,126,021
Payment-in-kind	2,962,050	1,222,112
Affiliated investments:		
Cash	166,750	166,750
Payment-in-kind	—	—
Controlled investments:		
Cash	343,158	855,626
Payment-in-kind	1,971,560	995,956
Total interest income	23,963,896	31,366,465
Dividend income, net of provisional taxes ($0 and $0, respectively)	644,953	—
Interest from cash and cash equivalents	23,412	2,235
Fee income (See note 9)	1,423,804	3,058,627
Total investment income	26,056,065	34,427,327
EXPENSES:		
Base management fees (See note 6)	4,514,615	5,346,758
Incentive fees (See note 6)	895,675	3,916,469
Interest and financing expenses	7,773,971	6,970,085
Administrator expenses (See note 6)	916,066	916,377
General and administrative	697,005	709,992
Professional fees	651,111	632,521
Directors fees	169,784	133,841
Insurance	99,455	135,409
Expenses before management and incentive fee waivers	15,717,682	18,761,452
Management fee waiver (See note 6)	(19,945)	—
Incentive fee waiver (See note 6)	(43,663)	—
Total expenses, net of management and incentive fee waivers	15,654,074	18,761,452
Net investment income before excise taxes	10,401,991	15,665,875
Excise tax expense	(267,183)	—
NET INVESTMENT INCOME	10,134,808	15,665,875
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:		
Net realized gain/(loss) from investments	(6,298,431)	5,378,048
Net unrealized appreciation/(depreciation) on investments	2,489,196	(60,023,619)
Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments	—	(224,616)
Net gain/(loss) on investments	(3,809,235)	(54,870,187)
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 6,325,573	$ (39,204,312)
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	$ 0.12	$ (0.70)
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	$ 0.19	$ 0.28
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	54,474,211	56,300,067
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.22	$ 0.30

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets

	For the three months ended December 31	
	2016	**2015**
OPERATIONS:	(unaudited)	(unaudited)
Net investment income	$ 10,134,808	$ 15,665,875
Net realized gain/(loss) from investments	(6,298,431)	5,378,048
Net unrealized appreciation/(depreciation) on investments	2,489,196	(60,023,619)
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	—	(224,616)
Net increase/(decrease) in net assets from operations	6,325,573	(39,204,312)
SHAREHOLDER DISTRIBUTIONS:		
Distributions from net investment income	(11,984,328)	(16,901,142)
Net decrease in net assets from shareholder distributions	(11,984,328)	(16,901,142)
COMMON SHARE TRANSACTIONS:		
Repurchase of common stock under stock repurchase program (0 and 143,349 shares, respectively)	—	(1,099,932)
Net increase/(decrease) in net assets from common share transactions	—	(1,099,932)
Total increase/(decrease) in net assets	(5,658,755)	(57,205,386)
Net assets at beginning of period	516,919,142	619,920,384
Net assets at end of period including accumulated undistributed net investment income of $8,962,242 and $19,116,562, respectively	$ 511,260,387	$ 562,714,998
Net asset value per common share	$ 9.39	$ 10.01
Common shares outstanding at end of period	54,474,211	56,193,803

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Cash Flows

	For the three months ended December 31	
	2016	**2015**
Cash flows from operating activities	(unaudited)	(unaudited)
NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	$ 6,325,573	$ (39,204,312)
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	(4,823,083)	(3,817,899)
Net amortization of premium/(discount) on investments	(350,100)	(229,653)
Amortization of debt issuance costs	997,329	788,924
Net realized (gain)/loss from investments	6,298,431	(5,378,048)
Net deferred income taxes	—	224,616
Net unrealized (appreciation)/depreciation on investments	(2,489,196)	60,023,619
Proceeds from sale and settlements of investments	40,117,661	97,056,910
Purchases, originations and participations	(42,182,104)	(46,686,682)
(Increase)/decrease in operating assets:		
Interest receivable	(2,024,597)	823,758
Fees receivable	764,524	(586,474)
Other assets	143,067	119,967
Receivable for dispositions and investments sold	133,631	(564,347)
Increase/(decrease) in operating liabilities:		
Management and incentive fees payable, net	788,063	(699,307)
Accounts payable and accrued expenses	(456,158)	(1,027,843)
Interest and fees payable	2,317,959	1,277,906
Administrator expenses payable	(74,170)	(83,165)
Deferred revenue	(59,740)	28,381
Due to affiliate	114,038	109,066
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	5,541,128	62,175,417
Cash flows from financing activities		
Repurchase of common stock under stock repurchase program	—	(1,099,932)
Offering costs paid	(1,381)	(118,576)
Borrowings on debt	18,379,732	83,762,825
Paydowns on debt	(14,000,000)	(116,500,000)
Debt issuance costs paid	(285,408)	(2,919,544)
Payments of cash dividends	(11,984,328)	(16,901,142)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(7,891,385)	(53,776,369)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,350,257)	8,399,048
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	104,485,263	15,714,256
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 102,135,006	$ 24,113,304
Supplemental Information:		
Interest paid during the period	$ 4,439,248	$ 4,883,873
Supplemental non-cash information:		
Payment-in-kind interest income	$ 4,933,610	$ 2,218,068
Net amortization of premium/(discount) on investments	$ 350,100	$ 229,653
Amortization of debt issuance costs	$ (997,329)	$ (788,924)
Non-cash purchase of investments	$ 58,615,663	$ —
Non-cash sale of investments	$ 58,615,663	$ —

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

December 31, 2016
(unaudited)

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	7/22/2020	8,029,730	8,029,730	7,849,623	1.5%
		Preferred Equity Series A		1,600,000	1,600,000	—	0.0%
		Preferred Equity Series AA		740,000	740,000	—	0.0%
		16% of Common Equity of Newco		—	—	—	0.0%
				10,369,730	10,369,730	7,849,623	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[18]	7/14/2020	27,000,000	27,000,000	27,000,000	5.3%
				27,000,000	27,000,000	27,000,000	
Advanced Diagnostic Holdings, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 8.75% Cash, 0.875% LIBOR Floor)	12/11/2020	15,262,608	15,262,608	15,567,860	3.1%
				15,262,608	15,262,608	15,567,860	
Albertville Quality Foods, Inc.[12]	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap)[18]	10/31/2018	15,863,017	15,863,017	15,863,017	3.1%
				15,863,017	15,863,017	15,863,017	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[19]	6/30/2019	14,572,220	14,572,220	14,717,942	2.9%
				14,572,220	14,572,220	14,717,942	
Backcountry.com, LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[19]	6/30/2020	2,542,969	2,542,969	2,568,398	0.5%
				2,542,969	2,542,969	2,568,398	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Shares[33]		—	416,250	—	0.0%
				—	416,250	—	
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	7,854,911	7,854,911	7,634,204	1.5%
		Senior Secured First Lien Delayed Draw (LIBOR + 9.00%, 1.00% LIBOR Floor)[18]	4/24/2020	—	—	—	0.0%
		Revolver (LIBOR + 9.00%, 1.00% LIBOR Floor)[18][27]	4/24/2020	267,857	267,857	267,857	0.1%
				8,122,768	8,122,768	7,902,061	
Brantley Transportation LLC[7][12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	10,369,176	9,037,576	5,515,054	1.1%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00%, 1.00% LIBOR Floor)[19]	8/2/2017	712,500	712,500	712,500	0.1%
		7.50 Common Units represent 8.04% of the outstanding equity interest of Brantley Trucking, LLC		—	—	—	0.0%
				11,081,676	9,750,076	6,227,554	

Company[(1)]	Industry	Type of Investment	Maturity	Par Amount[(2)]	Cost[(3)]	Fair Value	% of Net Assets[(4)]
ConvergeOne Holdings Corporation	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[(19)]	6/17/2021	12,500,000	12,410,971	12,500,000	2.4%
				12,500,000	12,410,971	12,500,000	
CP OPCO, LLC[(7)]	Services: Consumer	Senior Secured First Lien Term Loan A (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[(19)(31)]	3/31/2019	2,859,385	2,859,385	2,859,385	0.6%
		Senior Secured First Lien Term Loan B (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[(19)(31)]	3/31/2019	1,191,410	1,191,410	1,191,410	0.2%
		Senior Secured First Lien Term Loan C (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[(10)(19)(32)]	3/31/2019	8,426,519	4,060,381	4,213,260	0.8%
		Senior Secured First Lien Term Loan D (LIBOR + 9.50% PIK, 1.25% LIBOR Floor)[(10)(19)]	3/31/2019	5,297,476	—	—	0.0%
		Revolving Credit Facility (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[(19)]	3/31/2019	725,552	725,552	725,552	0.1%
		Revolving Credit Facility (ABR + 3.50% Cash, 3.75% ABR Floor)[(30)]	3/31/2019	1,195,298	1,195,298	1,195,298	0.2%
		Common Units[(29)]		—	—	—	0.0%
				19,695,640	10,032,026	10,184,905	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[(18)]	9/30/2019	13,540,000	13,540,000	13,309,278	2.6%
		350 units of outstanding equity in Wingman Holdings, Inc.		—	700,000	277,790	0.1%
				13,540,000	14,240,000	13,587,068	
DHISCO Electronic Distribution, Inc.	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 6.50%, 1.50% LIBOR Floor)[(19)]	11/10/2019	3,809,524	3,809,524	3,809,524	0.8%
		Senior Secured First Lien Term Loan B (LIBOR + 9.00% PIK, 1.50% LIBOR Floor)[(19)]	11/10/2019	13,391,667	13,391,667	13,391,667	2.6%
		Senior Secured First Lien Term Loan C (LIBOR + 10.25% PIK, 1.50% LIBOR Floor)[(19)]	11/10/2019	11,484,524	11,484,524	11,484,524	2.3%
		Senior Secured First Lien Term Loan D (LIBOR + 11.25% PIK, 1.50% LIBOR Floor)[(10)(19)]	11/10/2019	10,688,533	4,705,427	4,730,424	0.9%
		Equity - 1,230,769 Units[(22)]		—	1,230,769	—	0.0%
				39,374,248	34,621,911	33,416,139	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)	10/1/2018	6,346,036	6,271,605	6,362,472	1.2%
		5,000 common units represent 5% of the outstanding equity interest of Dream Finders Holdings, LLC		—	180,000	2,545,777	0.5%
				6,346,036	6,451,605	8,908,249	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (13.50% PIK + LIBOR)[(18)]	3/6/2018	16,458,105	16,458,105	14,009,304	2.7%
				16,458,105	16,458,105	14,009,304	
Essex Crane Rental Corp.[(12)]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[(10)(19)]	5/13/2019	23,991,347	20,460,116	112,519	0.0%
				23,991,347	20,460,116	112,519	
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	11,937,500	11,937,500	12,088,629	2.4%
				11,937,500	11,937,500	12,088,629	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Footprint Acquisition, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash)[18]	2/27/2020	5,250,102	5,250,102	5,322,711	1.0%
		Preferred Equity (8.75% PIK)		5,749,795	5,749,795	5,749,508	1.1%
		150.0 units of Common Stock[23]		—	—	1,171,650	0.2%
				10,999,897	10,999,897	12,243,869	
Freedom Powersports, LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.75% Cash, 1.50% LIBOR Floor)[19]	9/26/2019	13,520,000	13,520,000	13,574,756	2.7%
				13,520,000	13,520,000	13,574,756	
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	53,822,555	53,822,555	52,783,780	10.3%
				53,822,555	53,822,555	52,783,780	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	21,047,400	4.1%
				20,000,000	20,000,000	21,047,400	
Impact Sales, LLC[7][37]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 7.00%, 1.00% LIBOR Floor)[19]	12/30/2021	2,625,000	2,625,000	2,625,000	0.5%
				2,625,000	2,625,000	2,625,000	
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.25% Cash)	3/6/2019	21,000,000	21,000,000	20,110,650	3.9%
				21,000,000	21,000,000	20,110,650	
Jordan Reses Supply Company, LLC	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00%, 1.00% LIBOR Floor)[19]	4/24/2020	20,000,000	20,000,000	20,200,000	4.0%
				20,000,000	20,000,000	20,200,000	
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK)[19]	2/19/2019	16,134,768	15,645,247	15,117,471	3.0%
		Warrants to purchase 0.94% of the outstanding equity	2/19/2024	—	955,680	45,000	0.0%
				16,134,768	16,600,927	15,162,471	
LSF9 Atlantis Holdings, LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[19]	1/15/2021	9,625,000	9,540,316	9,739,634	1.9%
				9,625,000	9,540,316	9,739,634	
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]	1/31/2017	15,848,602	15,848,602	15,848,602	3.1%
		Senior Secured Second Lien Term Loan (12.00% Cash)	5/4/2017	15,000,000	15,000,000	15,000,000	2.9%
				30,848,602	30,848,602	30,848,602	
Miratech Intermediate Holdings, Inc.[12]	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	5/9/2019	12,595,105	12,595,105	12,442,326	2.5%
				12,595,105	12,595,105	12,442,326	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/10/2019	11,609,652	11,609,652	11,725,748	2.3%
				11,609,652	11,609,652	11,725,748	

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	35,631,635	7.0%
				35,278,846	35,278,846	35,631,635	
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	25,000,000	4.9%
				25,000,000	25,000,000	25,000,000	
NorthStar Group Services, Inc.	Construction & Building	Unsecured Debt (2.5% Cash, 15.5% PIK)	10/24/2019	27,164,328	27,164,328	27,168,946	5.3%
				27,164,328	27,164,328	27,168,946	
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	20,756,842	20,756,843	20,518,139	4.0%
				20,756,842	20,756,843	20,518,139	
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,941,676	21,941,676	21,675,962	4.2%
				21,941,676	21,941,676	21,675,962	
Path Medical, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)(19)	10/11/2021	9,339,972	8,856,817	8,963,758	1.8%
		Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)(19)	10/11/2021	2,808,500	2,808,500	2,695,374	0.5%
		Warrants to purchase 1.56% of the outstanding common shares(34)	1/9/2027	—	499,751	499,751	0.1%
				12,148,472	12,165,068	12,158,883	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash)	7/8/2020	1,976,045	1,976,045	1,896,884	0.4%
		Equity - 479,283 Common Shares(25)		—	129,406	233,890	0.1%
		Warrants to purchase 2.8% of the outstanding common shares(26)	7/8/2020	—	52,757	154,666	0.0%
				1,976,045	2,158,208	2,285,440	
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (10.00% Cash, 3.00% PIK)(10)	11/1/2017	7,738,835	7,596,890	2,839,920	0.6%
		Warrants to purchase 0.63% of the outstanding common units	11/1/2017	—	151,855	—	0.0%
				7,738,835	7,748,745	2,839,920	
Prince Mineral Holding Corp.(8)	Wholesale	Senior Secured First Lien Note (11.50%)	12/15/2019	6,800,000	6,758,315	6,664,000	1.3%
				6,800,000	6,758,315	6,664,000	
Reddy Ice Corporation	Beverage & 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	14,620,000	2.9%
				17,000,000	17,000,000	14,620,000	
Response Team Holdings, LLC	Construction & Building	Preferred Equity (12.00% PIK)(10)		6,448,253	5,796,888	1,612,063	0.3%
		Warrants to purchase 7.2% of the outstanding common units	3/28/2019	—	429,012	—	0.0%
				6,448,253	6,225,900	1,612,063	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Sendero Drilling Company, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash)	3/18/2019	3,630,593	3,219,462	3,666,899	0.7%
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	—	793,523	5,399,817	1.1%
				3,630,593	4,012,985	9,066,716	
Seotowncenter, Inc.[12]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[19]	9/11/2019	24,480,250	24,480,250	24,245,729	4.7%
		3,249.697 shares of Common Stock[14]		—	500,000	245,067	0.0%
				24,480,250	24,980,250	24,490,796	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[19]	7/31/2020	7,967,498	7,967,498	7,808,705	1.5%
				7,967,498	7,967,498	7,808,705	
SMART Financial Operations, LLC[7]	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[19]	11/22/2021	2,775,000	2,775,000	2,775,000	0.5%
		700,000 Class A Preferred Units[35]		—	700,000	700,000	0.1%
				2,775,000	3,475,000	3,475,000	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 0.75% LIBOR Floor)[18]	8/19/2019	4,900,000	4,900,000	4,900,000	1.0%
		263,814.43 Class A Units[15]		—	263,814	142,066	0.0%
				4,900,000	5,163,814	5,042,066	
T Residential Holdings, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	18,250,000	18,250,000	18,302,195	3.6%
				18,250,000	18,250,000	18,302,195	
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	15,117,206	15,117,206	14,969,964	2.9%
				15,117,206	15,117,206	14,969,964	
Trans-Fast Remittance LLC[7][36]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[18]	12/2/2021	3,567,857	3,567,857	3,567,857	0.7%
				3,567,857	3,567,857	3,567,857	
Transtelco, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor)[18]	11/19/2017	18,624,000	18,624,000	18,789,009	3.7%
				18,624,000	18,624,000	18,789,009	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[18]	5/13/2022	24,000,000	21,421,376	12,795,840	2.5%
				24,000,000	21,421,376	12,795,840	
Watermill-QMC Midco, Inc.	Automotive	1.3% Partnership Interest in Watermill-QMC Midco Inc.[6]		—	488,332	633,367	0.1%
				—	488,332	633,367	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
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	16,137,554	16,137,554	16,191,615	3.2%
				16,137,554	16,137,554	16,191,615	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 793,141,698**	**$ 775,077,727**	**$ 730,315,622**	
Controlled Investments:[5]							
AAR Intermediate Holdings, LLC[7]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00%, 1.00% LIBOR Floor)[19]	9/30/2021	8,984,232	8,984,232	8,984,232	1.8%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[19]	9/30/2021	18,451,002	15,015,132	14,889,405	2.9%
		Revolving Credit Facility (LIBOR + 5.00%, 1.00% LIBOR Floor)[24]	9/30/2021	431,243	431,243	431,243	0.1%
		21.56 Class A Units represents 21.56% of the Outstanding Equity		—	—	—	0.0%
				27,866,477	24,430,607	24,304,880	
Capstone Nutrition[12]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][19]	4/28/2019	23,571,244	20,803,397	15,120,010	3.0%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][19]	4/28/2019	10,199,257	9,153,997	6,542,416	1.3%
		4,664.6 Class B Shares and 9,424.4 Class C Shares[28]		—	12	—	0.0%
		2,932.3 Units of Common Stock[13]		—	400,003	—	0.0%
				33,770,501	30,357,409	21,662,426	
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)[10][18]	9/13/2018	15,873,619	14,269,868	5,816,412	1.1%
		Senior Secured First Lien Term Loan (LIBOR + 5.00% Cash, 1.50% LIBOR Floor)[18]	9/13/2018	2,150,000	2,150,000	2,150,000	0.4%
		Warrants to Purchase 13.3% of the outstanding membership units	9/13/2018	—	—	—	0.0%
		4,324,951.76 shares of Common Stock[20]		—	—	—	0.0%
				18,023,619	16,419,868	7,966,412	
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	39,375,000	39,418,215	7.7%
				—	39,375,000	39,418,215	
NVTN LLC[38]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor)[18]	11/9/2020	2,755,990	2,755,990	2,755,990	0.5%
		Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor)[18]	11/9/2020	9,941,281	9,941,281	9,941,281	1.9%
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor)[18]	11/9/2020	5,950,478	5,950,478	5,950,478	1.2%
		787.40 Class A Units represents 78.74% of the Outstanding Equity	11/9/2020	9,550,922	9,550,922	9,550,922	1.9%
				28,198,671	28,198,671	28,198,671	
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK)[19]	5/5/2019	22,888,526	22,606,509	22,888,526	4.5%
		Unsecured Debt (8.00% PIK)[10]	7/24/2025	25,099,472	22,727,575	12,475,692	2.4%
		Warrants to purchase outstanding equity[21]	5/5/2019	—	872,698	—	0.0%
				47,987,998	46,206,782	35,364,218	

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% PIK)	2/21/2020	19,195,974	19,195,974	19,195,974	3.8%
		Preferred Equity Class C (8.00% PIK)[10]		18,802,789	15,958,032	1,186,268	0.2%
		Preferred Equity Class C-1 (8.00% PIK)[10]		3,439,976	2,844,844	—	0.0%
		Preferred Equity Class A-2 (8.00% PIK)[10]		5,521,071	4,667,226	—	0.0%
		65,809.73 Class B Common Units[16]		—	1,098,096	—	0.0%
				46,959,810	43,764,172	20,382,242	
Subtotal Controlled Investments				**$ 202,807,076**	**$ 228,752,509**	**$ 177,297,064**	
Affiliated Investments:							
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.3%
		Preferred Equity - 33,300 Units[17]		—	3,330,000	3,330,000	0.7%
				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, 2016				**$ 1,002,618,774**	**$ 1,013,830,236**	**$ 917,612,686**	179.5%

(1) All of our investments are domiciled in the United States. Certain investments also have international operations.
(2) Par amount includes accumulated PIK interest and is net of repayments.
(3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for federal income tax purposes totaled $20.6 million, $104.9 million and $84.3 million, respectively. The tax cost basis of investments is $1,001.9 million as of December 31, 2016.
(4) Percentage is based on net assets of $511,260,387 as of December 31, 2016.
(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, 2016 (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 $6.7 million and 1.3% of net assets as of December 31, 2016 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, 2016.
(11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of December 31, 2016, 5.4% of the Company's portfolio investments were non-qualifying assets.
(12) A portion of this investment was sold via a participation agreement (See note 3).
(13) 2,932.3 Units represents 3.06% ownership of INI Parent, 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, 2016 was 0.61%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at December 31, 2016, the prevailing rate in effect at December 31, 2016 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, 2016 was 0.94%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at December 31, 2016, the prevailing rate in effect at December 31, 2016 was the base rate plus the LIBOR Floor.
(20) 4,324,951.76 Units of Common Stock represents 62.7% of the outstanding equity in Lydell Jewelry Holding Company, LLC.
(21) 5,055.56 Units of Common Stock, represents 50.56% of the outstanding equity in Omnivere Holding Company, LLC.
(22) 1,230,769 Units represents 2.94% 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, 2016, there was $1,365,603 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, 2016, there was $625,000.01 of unused commitment.
(28) 4,664.6 Class B and 9,424.4 Class C Shares represents 4.86% and 9.83% ownership in INI Parent, Inc., respectively.
(29) 232 Common Units represents 23.2% of the outstanding shares in CP Midco, LLC.

(30) The interest rate on these loans is subject to a base rate plus the Alternate Base Rate ("ABR"). As the interest rate is subject to a minimum ABR Floor which was greater than the ABR rate at December 31, 2016, the prevailing rate in effect at December 31, 2016 was the base rate plus the ABR Floor.
(31) This investment may accrue PIK interest at the election of the Borrower (LIBOR + 6.50%, 1.00% LIBOR Floor) and is determined at the end of the rate setting period.
(32) This investment may accrue PIK interest at the election of the Borrower (LIBOR + 9.50%, 1.00% LIBOR Floor) and is determined at the end of the rate setting period.
(33) 417 shares of Common Stock represents 0.3267% ownership of Be Green Holding Company.
(34) 27,398.6252 Units represents 1.56% ownership in Path Medical Center Holdings, Inc.
(35) 700,000 Class A Preferred Units represents 1.20% ownership of SMART Financial Holdings, LLC.
(36) The investment earns 0.50% commitment fee on all unused commitment. At December 31, 2016, there was $2,932,142.86 of unused commitment.
(37) The investment earns 1.00% commitment fee on all unused commitment. At December 31, 2016, there was $875,000.00 of unused commitment.
(38) Investment changed its name from DLR Restaurants LLC during FY 2017.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2016

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Non-Controlled/Non-Affiliated Investments:							
Access Media Holdings, LLC[7]	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	7/22/2020	7,929,093	7,929,092	7,832,358	1.5%
		Preferred Equity Series A		1,600,000	1,600,000	—	0.0%
		Preferred Equity Series AA		616,000	616,000	—	0.0%
		16% of Common Equity of Newco		—	—	—	0.0%
				10,145,093	10,145,092	7,832,358	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor)[18]	7/14/2020	27,000,000	27,000,000	27,000,000	5.2%
				27,000,000	27,000,000	27,000,000	
Advanced Diagnostic Holdings, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 8.75% Cash, 0.875% LIBOR Floor)[19]	12/11/2020	15,262,608	15,262,608	15,701,560	3.0%
				15,262,608	15,262,608	15,701,560	
Albertville Quality Foods, Inc.[12]	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap)[18]	10/31/2018	15,972,097	15,972,097	16,131,818	3.1%
				15,972,097	15,972,097	16,131,818	
Autosplice, Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor)[19]	6/30/2019	14,441,783	14,441,784	14,489,296	2.8%
				14,441,783	14,441,784	14,489,296	
Backcountry.com, LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[19]	6/30/2020	2,551,042	2,551,042	2,576,552	0.5%
				2,551,042	2,551,042	2,576,552	
Be Green Packaging, LLC	Containers, Packaging & Glass	Equity - 417 Common Shares[33]		—	416,250	—	0.0%
				—	416,250	—	
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	7,906,250	7,906,250	7,721,117	1.5%
		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	446,429	446,429	441,911	0.1%
				8,352,679	8,352,679	8,163,028	
Brantley Transportation LLC[7][12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00% PIK)[10]	8/2/2017	10,060,902	9,051,055	5,351,092	1.0%
		Senior Secured First Lien Delayed Draw (LIBOR + 5.00%, 1.00% LIBOR Floor)	8/2/2017	637,500	637,500	637,500	0.1%
		7.50 Common Units represent 8.04% of the outstanding equity interest of Brantley Trucking, LLC	8/2/2017	—	—	—	0.0%
				10,698,402	9,688,555	5,988,592	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
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	12,406,960	12,458,500	2.4%
				12,500,000	12,406,960	12,458,500	
CP OPCO LLC[7]	Services: Consumer	Senior Secured First Lien Term Loan A (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[19][31]	3/31/2019	2,805,273	2,805,273	2,805,273	0.6%
		Senior Secured First Lien Term Loan B (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[19][31]	3/31/2019	1,168,864	1,168,864	1,168,864	0.2%
		Senior Secured First Lien Term Loan C (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[10][19][32]	3/31/2019	8,204,394	4,063,090	4,102,197	0.8%
		Senior Secured First Lien Term Loan D (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[10][19][32]	3/31/2019	5,107,884	—	—	0.0%
		Revolving Credit Facility (LIBOR + 4.50% Cash, 1.00% LIBOR Floor)[19]	3/31/2019	725,552	725,552	725,552	0.1%
		Revolving Credit Facility (ABR + 3.50% Cash, 3.50% ABR Floor)[30]	3/31/2019	638,486	638,485	638,486	0.1%
		Common Units[29]	3/31/2019	—	—	—	0.0%
				18,650,453	9,401,264	9,440,372	
Crow Precision Components, LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	9/30/2019	13,540,000	13,540,000	13,540,000	2.6%
		350 units of outstanding equity in Wingman Holdings, Inc.		—	700,000	414,305	0.1%
				13,540,000	14,240,000	13,954,305	
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	29,545,615	5.7%
		Senior Secured First Lien Term Loan B (10.50% PIK)	2/10/2018	6,982,024	6,982,024	6,587,260	1.3%
		Revolving Credit Facility (LIBOR + 9.00%, 1.50% LIBOR Floor)[24]	5/10/2017	—	—	—	0.0%
		Equity - 1,230,769 Units[22]		—	1,230,769	70,624	0.0%
				38,220,119	39,450,888	36,203,499	
DLR Restaurants LLC[12]	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (13.00% Cash, 2.50% PIK)	4/18/2018	24,117,310	24,117,310	23,958,859	4.6%
		Unsecured Debt (12.00% Cash, 4.00% PIK)	4/18/2018	287,531	287,531	279,604	0.1%
				24,404,841	24,404,841	24,238,463	
Dream Finders Homes, LLC	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)	10/1/2018	7,093,318	7,009,174	7,071,897	1.4%
		5,000 common units represent 5% of the outstanding equity interest of Dream Finders Holdings, LLC	10/1/2018	—	180,000	1,619,379	0.3%
				7,093,318	7,189,174	8,691,276	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor, 1.50% PIK)[18]	3/6/2018	16,046,050	16,046,050	13,307,952	2.6%
				16,046,050	16,046,050	13,307,952	
Essex Crane Rental Corp.[12]	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][19]	5/13/2019	23,190,922	20,460,116	1,159,546	0.2%
				23,190,922	20,460,116	1,159,546	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
FKI Security Group LLC[12]	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[19]	3/30/2020	14,531,250	14,531,250	14,605,650	2.8%
				14,531,250	14,531,250	14,605,650	
Footprint Acquisition LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash)[18]	2/27/2020	5,250,102	5,250,102	5,340,509	1.0%
		Preferred Equity (8.75% PIK)		5,749,795	5,749,795	5,749,508	1.1%
		150.0 units of Common Stock[23]		—	—	1,171,650	0.2%
				10,999,897	10,999,897	12,261,667	
Freedom Powersports LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 10.75% Cash, 1.50% LIBOR Floor)[19]	9/26/2019	13,890,000	13,890,000	14,167,800	2.7%
				13,890,000	13,890,000	14,167,800	
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	53,776,985	53,776,985	51,930,283	10.1%
				53,776,985	53,776,985	51,930,283	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	21,047,400	4.1%
				20,000,000	20,000,000	21,047,400	
JD Norman Industries, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.25% Cash)[18]	3/6/2019	21,300,000	21,300,000	20,219,025	3.9%
				21,300,000	21,300,000	20,219,025	
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	20,400,000	4.0%
				20,000,000	20,000,000	20,400,000	
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK)[19]	2/19/2019	16,053,472	15,515,186	15,077,260	2.9%
		Warrants to purchase 0.98% of the outstanding equity	2/19/2024	—	955,680	120,000	0.0%
				16,053,472	16,470,866	15,197,260	
LSF9 Atlantis Holdings, LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)	1/15/2021	9,750,000	9,661,163	9,988,485	1.9%
				9,750,000	9,661,163	9,988,485	
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]	12/4/2016	17,033,522	17,033,522	17,033,522	3.3%
		Senior Secured Second Lien Term Loan (12.00% Cash)	5/4/2017	15,000,000	15,000,000	14,999,250	2.9%
				32,033,522	32,033,522	32,032,772	
Miratech Intermediate Holdings, Inc.[12]	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[18]	5/9/2019	12,695,105	12,695,105	12,478,272	2.5%
				12,695,105	12,695,105	12,478,272	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor)[18]	3/10/2019	12,593,281	12,593,281	12,719,213	2.5%
				12,593,281	12,593,281	12,719,213	

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	35,631,635	6.9%
				35,278,846	35,278,846	35,631,635	
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	24,696,000	4.8%
				25,000,000	25,000,000	24,696,000	
NorthStar Group Services, Inc.	Construction & Building	Unsecured Debt (2.5% Cash, 15.5% PIK)	10/24/2019	26,107,691	26,107,691	26,042,683	5.0%
				26,107,691	26,107,691	26,042,683	
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	20,661,469	20,661,469	20,245,760	3.9%
				20,661,469	20,661,469	20,245,760	
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,867,506	21,867,506	21,457,709	4.2%
				21,867,506	21,867,506	21,457,709	
Point.360	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash)	7/8/2020	1,953,269	1,953,269	1,849,160	0.4%
		Equity - 479,283 Common Shares[25]		—	129,406	359,462	0.1%
		Warrants to purchase 2.8% of the outstanding common shares[26]	7/8/2020	—	52,757	243,317	0.1%
				1,953,269	2,135,432	2,451,939	
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (10.00% Cash, 3.00% PIK)[10]	11/1/2017	7,679,806	7,596,895	2,818,258	0.6%
		Warrants to purchase 0.63% of the outstanding common units	11/1/2017	—	151,855	—	0.0%
				7,679,806	7,748,750	2,818,258	
Prince Mineral Holding Corp.[8]	Wholesale	Senior Secured First Lien Note (11.50%)	12/15/2019	6,800,000	6,755,409	6,375,000	1.2%
				6,800,000	6,755,409	6,375,000	
Reddy Ice Corporation	Beverage & 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	14,092,830	2.7%
				17,000,000	17,000,000	14,092,830	
Response Team Holdings, LLC	Construction & Building	Preferred Equity (12.00% PIK)[10]		6,256,390	5,796,950	3,262,707	0.6%
		Warrants to purchase 7.2% of the outstanding common units	3/28/2019	—	429,012	—	0.0%
				6,256,390	6,225,962	3,262,707	
Safeworks, LLC[12]	Capital Equipment	Unsecured Debt (12.00% Cash)	1/31/2020	15,000,000	15,000,000	15,150,000	2.9%
				15,000,000	15,000,000	15,150,000	
Sendero Drilling Company, LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash)[18]	3/18/2019	3,996,312	3,545,039	4,076,238	0.8%
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	—	793,523	5,399,817	1.1%
				3,996,312	4,338,562	9,476,055	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Seotowncenter, Inc.[12]	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor)[19]	9/11/2019	24,699,566	24,699,566	24,212,737	4.7%
		3,249.697 shares of Common Stock[14]		—	500,000	139,602	0.0%
				24,699,566	25,199,566	24,352,339	
Ship Supply Acquisition Corporation	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor)[19]	7/31/2020	8,073,731	8,073,731	8,151,400	1.6%
				8,073,731	8,073,731	8,151,400	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor)[18]	8/19/2019	5,090,909	5,090,909	5,090,909	1.0%
		263,814.43 Class A Units[15]		—	263,815	125,830	0.0%
				5,090,909	5,354,724	5,216,739	
T Residential Holdings, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	18,500,000	18,500,000	18,542,920	3.6%
				18,500,000	18,500,000	18,542,920	
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	15,040,795	15,040,796	14,841,956	2.9%
				15,040,795	15,040,796	14,841,956	
Tenere Acquisition Corp.[7][9]	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	12/15/2017	11,051,371	11,051,371	11,181,885	2.2%
				11,051,371	11,051,371	11,181,885	
Transtelco, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor)[18]	11/19/2017	18,672,000	18,672,000	18,837,434	3.7%
				18,672,000	18,672,000	18,837,434	
Velocity Pooling Vehicle, LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor)[18]	5/13/2022	24,000,000	21,333,743	12,795,840	2.5%
				24,000,000	21,333,743	12,795,840	
Watermill-QMC Midco, Inc.	Automotive	1.3% Partnership Interest in Watermill-QMC Midco Inc.[6]		—	488,332	641,888	0.1%
				—	488,332	641,888	
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	16,598,494	16,598,494	16,654,099	3.2%
				16,598,494	16,598,494	16,654,099	
Subtotal Non-Controlled/Non-Affiliated Investments				**$ 825,021,074**	**$ 813,813,853**	**$ 767,302,020**	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Controlled Investments:[5]							
AAR Intermediate Holdings, LLC[7][12]	Energy: Oil & Gas	Senior Secured First Lien Term Loan A (LIBOR + 5.00%, 1.00% LIBOR Floor)[19]	9/30/2021	8,984,232	8,984,232	8,984,232	1.7%
		Senior Secured First Lien Term Loan B (LIBOR + 8.00% PIK, 1.00% LIBOR Floor)[19]	9/30/2021	18,451,002	14,890,698	14,889,405	2.9%
		Revolving Credit Facility (LIBOR + 5.00%, 1.00% LIBOR Floor)	9/30/2021	—	—	—	0.0%
		21.56 Class A Units represents 21.56% of the Outstanding Equity		—	—	—	0.0%
				27,435,234	23,874,930	23,873,637	
Capstone Nutrition[12]	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][19]	4/28/2019	22,784,841	20,803,397	14,615,564	2.8%
		Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor)[10][19]	4/28/2019	9,858,981	9,153,997	6,324,142	1.2%
		4,664.6 Class B Shares and 9,424.4 Class C Shares[28]		—	12	—	0.0%
		2,932.3 Units of Common Stock[13]		—	400,003	—	0.0%
				32,643,822	30,357,409	20,939,706	
Lydell Jewelry Design Studio, LLC[7][12]	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 7.50% PIK, 1.50% LIBOR Floor)[10][18]	9/13/2018	15,576,447	14,269,868	5,707,522	1.1%
		Senior Secured First Lien Term Loan (LIBOR + 5.00% Cash, 1.50% LIBOR Floor)[18]	9/13/2018	1,500,000	1,500,000	1,500,000	0.3%
		Warrants to Purchase 13.3% of the outstanding membership units	9/13/2018	—	—	—	0.0%
		4,324,951.76 shares of Common Stock[20]		—	—	—	0.0%
				17,076,447	15,769,868	7,207,522	
MCC Senior Loan Strategy JV I LLC[11]	Multisector Holdings	Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC		—	32,112,500	31,252,416	6.0%
				—	32,112,500	31,252,416	
OmniVere, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK)[19]	5/5/2019	22,360,258	22,053,015	22,360,258	4.3%
		Unsecured Debt (8.00% PIK)[10]	7/24/2025	22,808,291	20,754,889	11,336,861	2.2%
		Warrants to purchase outstanding equity[21]	5/5/2019	—	872,698	—	0.0%
				45,168,549	43,680,602	33,697,119	
United Road Towing, Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.00% PIK)	2/21/2020	18,725,607	18,725,607	18,725,607	3.6%
		Preferred Equity Class C (8.00% PIK)[10]		18,802,789	16,337,178	1,186,268	0.2%
		Preferred Equity Class C-1 (8.00% PIK)[10]		2,990,965	2,456,143	—	0.0%
		Preferred Equity Class A-2 (8.00% PIK)[10]		5,409,618	4,664,855	—	0.0%
		65,809.73 Class B Common Units[16]		—	1,098,096	—	0.0%
				45,928,979	43,281,879	19,911,875	
Subtotal Controlled Investments				**$ 168,253,031**	**$ 189,077,188**	**$ 136,882,275**	

Company[1]	Industry	Type of Investment	Maturity	Par Amount[2]	Cost[3]	Fair Value	% of Net Assets[4]
Affiliated Investments:							
US Multifamily, LLC[11]	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.3%
		Preferred Equity - 33,300 Units[17]		—	3,330,000	3,330,000	0.7%
				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, 2016				**$ 999,944,105**	**$ 1,012,891,041**	**$ 914,184,295**	176.9%

(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 $20.6 million, $107.0 million and $86.4 million, respectively. The tax cost basis of investments is $999.0 million as of September 30, 2016.
(4) Percentage is based on net assets of $516,919,142 as of September 30, 2016.
(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, 2016 (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 $6.4 million and 1.2% of net assets as of September 30, 2016 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 September 30, 2016.
(11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part.
(12) A portion of this investment was sold via a participation agreement (See note 3).
(13) 2,932.3 Units represents 3.06% ownership of INI Parent, 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 September 30, 2016 was 0.52%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at September 30, 2016, the prevailing rate in effect at September 30, 2016 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 September 30, 2016 was 0.84%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at September 30, 2016, the prevailing rate in effect at September 30, 2016 was the base rate plus the LIBOR Floor.
(20) 4,324,951.76 Units of Common Stock represents 62.7% of the outstanding equity in Lydell Jewelry Holding Company, LLC.
(21) 5,055.56 Units of Common Stock, represents 50.56% of the outstanding equity in Omnivere Holding Company, LLC.
(22) 1,230,769 Units represents 3.12% 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 September 30, 2016, there was $1,904,761.91 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 September 30, 2016, there was $446,428.57 of unused commitment.
(28) 4,664.6 Class B and 9,424.4 Class C Shares represents 4.86% and 9.83% ownership in INI Parent, Inc., respectively.
(29) 232 Common Units represents 23.2% of the outstanding shares in CP Midco, LLC.
(30) The interest rate on these loans is subject to a base rate plus ABR. As the interest rate is subject to a minimum ABR Floor which was greater than the ABR rate at September 30, 2016, the prevailing rate in effect at September 30, 2016 was the base rate plus the ABR Floor.
(31) This investment may accrue PIK interest at the election of the Borrower (LIBOR + 6.50%, 1.00% LIBOR Floor) and is determined at the end of the rate setting period.
(32) This investment may accrue PIK interest at the election of the Borrower (LIBOR + 9.50%, 1.00% LIBOR Floor) and is determined at the end of the rate setting period.
(33) 417 shares of Common Stock represents 0.3267% ownership of Be Green Holding Company.

See accompanying notes to consolidated financial statements.

Note 1. Organization

Medley Capital Corporation (the “Company”, “we” and “us”) is a non-diversified closed end management investment company incorporated in Delaware that has elected to be 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 term loans and senior secured second lien term loans. In many of our investments, we will receive warrants or other equity participation features which we believe will have the potential to 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 (“FASB”) Accounting Standards Codification 946 (“ASC 946”). The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the 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, which are of a normal recurring nature, that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

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

As of December 31, 2016, $102.1 million is invested in an interest-bearing money market account.

Use of Estimates in the Preparation of Financial Statements

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

Deferred Offering Costs

Deferred offering costs consist of fees and expenses incurred in connection with the public offering and sale of the Company's common stock, including legal, accounting, printing fees and other related expenses, as well as costs incurred in connection with the filing of a shelf registration statement.

Debt Issuance Costs

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

Indemnification

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

Revenue Recognition

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

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, 2016 and 2015 was approximately $1.4 million and $3.0 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 fee income when the services are rendered.

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three months ended December 31, 2016 and 2015, the Company earned approximately $4.9 million, and $2.2 million million in PIK, 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. During the three months ended December 31, 2016, we recognized $6.4 million of realized loss related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. There were no realized gains or losses related to such non-cash restructuring transactions for the three months ended December 31, 2015. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management's designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved against when deemed uncollectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At December 31, 2016, certain investments in ten portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $60.2 million, or 6.6% of the fair value of our portfolio. At September 30, 2016, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $55.9 million, or 6.1% of the fair value of our portfolio.

Investment Classification

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

Valuation of Investments

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

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

Investments in investment funds are valued at fair value. Fair values are generally determined utilizing the net asset value ("NAV") supplied by, or on behalf of, management of each investment fund, which is net of management and incentive fees or allocations charged by the investment fund and is in accordance with the "practical expedient", as defined by FASB Accounting Standards Update ("ASU") 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share* . NAVs received by, or on behalf of, management of each investment fund are based on the fair value of the investment funds' underlying investments in accordance with policies established by management of each investment fund, as described in each of their financial statements and offering memorandum.

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

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

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

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ 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 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. To achieve this core principle, an entity should apply the following steps: (1) identify the contracts with a customer, (2) identify the performance obligations in the contracts, (3) determine the transaction prices, (4) allocate the transaction prices to the performance obligations in the contracts, and (5) recognize revenue when, or as, the entity satisfies a performance obligation. The guidance also requires advanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarified the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarified the implementation guidance regarding performance obligations and licensing arrangements. The new standard will become effective for the Company on October 1, 2018, with early application permitted to the effective date of October 1, 2017. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In August 2014, the FASB released Accounting Standards Update 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) ("ASU 2014-15"). ASU 2014-15 requires the Company to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within the one year period subsequent to the date that the financial statements are issued or within the one year period subsequent the date that the financial statements are available to be issued. ASU 2014-15 went into effect for the annual period ending after December 15, 2016 and annual and interim periods thereafter. The Company concluded that there are no such indicators that would affect its ability to continue as a going concern for the aforementioned period.

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. For the calendar year ended December 31, 2016, the Company did not distribute at least 98% of its ordinary income and 98.2% of its capital gains. Accordingly, with respect to the calendar year ended December 31, 2016, a provision was recorded for federal excise taxes of $0.3 million. There was 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, 2016 and September 30, 2016, the Company recorded a deferred tax liability of $2.0 million, and $2.0 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, 2016, there was no change in provision for deferred taxes on the unrealized appreciation on investments. For the three months ended December 31, 2015, the change in provision for deferred taxes on the unrealized appreciation on investments was $0.2 million.

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

The Company accounts for income taxes in conformity with ASC Topic 740 - Income Taxes ("ASC 740"). ASC 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations. There were no material uncertain income tax positions at December 31, 2016. 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, 2016 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	$ 607,039	59.9%	$ 562,490	61.3%
Senior Secured Second Lien Term Loans	230,666	22.8	214,871	23.4
Senior Secured First Lien Notes	26,758	2.6	27,711	3.0
Unsecured Debt	49,892	4.9	39,645	4.3
MCC Senior Loan Strategy JV I LLC	39,375	3.9	39,418	4.3
Equity/Warrants	60,100	5.9	33,478	3.7
Total	$ 1,013,830	100.0%	$ 917,613	100.0%

The composition of our investments as of September 30, 2016 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	$ 612,762	60.5%	$ 565,329	61.8%
Senior Secured Second Lien Term Loans	229,898	22.7	213,537	23.4
Senior Secured First Lien Notes	26,755	2.6	27,423	3.0
Unsecured Debt	62,150	6.1	52,809	5.8
MCC Senior Loan Strategy JV I LLC	32,113	3.2	31,252	3.4
Equity/Warrants	49,213	4.9	23,834	2.6
Total	$ 1,012,891	100.0%	$ 914,184	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, 2016 and September 30, 2016, the total fair value of warrants was $6.1 million and $5.8 million, respectively, and were included in investments at fair value on the Consolidated Statement of Assets and Liabilities. During the three months ended December 31, 2016 and 2015, the Company acquired 1 and 0 warrant positions, respectively.

Total unrealized depreciation related to warrants for the three months ended December 31, 2016, and 2015 was $0.2 million and $3.4 million, respectively and was recorded on the Consolidated Statements of Operations in those accounts. The warrants are received in connection with individual investments and are not subject to master netting arrangements.

The following table shows the portfolio composition by industry grouping at fair value at December 31, 2016 (dollars in thousands):

	Fair Value	Percentage
Services: Business	$ 128,052	14.0%
Banking, Finance, Insurance & Real Estate	98,350	10.7
Construction & Building	90,586	9.9
Healthcare & Pharmaceuticals	69,589	7.6
Hotel, Gaming & Leisure	69,517	7.6
Automotive	59,557	6.5
Energy: Oil & Gas	53,608	5.8
Aerospace & Defense	50,826	5.5
Telecommunications	43,015	4.7
Containers, Packaging & Glass	42,163	4.6
Multisector Holdings	39,418	4.3
Beverage & Food	30,483	3.3
Consumer goods: Durable	25,000	2.7
Chemicals, Plastics & Rubber	21,676	2.4
Metals & Mining	20,518	2.2
Retail	15,783	1.7
High Tech Industries	14,718	1.6
Capital Equipment	12,089	1.3
Services: Consumer	10,185	1.1
Consumer goods: Non-durable	7,966	0.9
Media: Broadcasting & Subscription	7,850	0.9
Wholesale	6,664	0.7
Total	$ 917,613	100.0%

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2016 (dollars in thousands):

	Fair Value		Percentage
Services: Business	$	123,703	13.5%
Banking, Finance, Insurance & Real Estate		96,207	10.5
Construction & Building		91,087	10.0
Hotel, Gaming & Leisure		68,605	7.5
Automotive		60,303	6.6
Healthcare & Pharmaceuticals		57,041	6.2
Energy: Oil & Gas		52,646	5.8
Aerospace & Defense		51,656	5.6
Telecommunications		44,015	4.8
Containers, Packaging & Glass		42,197	4.6
Chemicals, Plastics & Rubber		32,640	3.6
Multisector Holdings		31,252	3.4
Beverages & Food		30,225	3.3
Capital Equipment		29,756	3.3
Consumer goods: Durable		24,696	2.7
Metals & Mining		20,246	2.2
High Tech Industries		14,489	1.6
Retail		12,565	1.4
Services: Consumer		9,440	1.0
Media: Broadcasting & Subscription		7,832	0.9
Consumer goods: Non-durable		7,208	0.8
Wholesale		6,375	0.7
Total	$	914,184	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, 2016 (dollars in thousands):

	Fair Value		Percentage
Southwest	$	231,819	25.3%
Midwest		198,934	21.7
Southeast		184,440	20.1
Northeast		141,826	15.4
West		125,712	13.7
Mid-Atlantic		34,882	3.8
Total	$	917,613	100.0%

The following table shows the portfolio composition by geographic location at fair value at September 30, 2016 (dollars in thousands):

	Fair Value		Percentage
Midwest	$	217,229	23.8%
Southwest		195,672	21.4
Southeast		180,159	19.7
West		136,279	14.9
Northeast		134,781	14.7
Mid-Atlantic		50,064	5.5
Total	$	914,184	100.0%

Transactions With Affiliated Companies

During the three months ended December 31, 2016 and 2015, 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, 2016	Purchases (Sales) of/Advances to Affiliates	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Fair Value at December 31, 2016	Interest Income	Dividend Income[3]
Controlled Investments								
AAR Intermediate Holdings, LLC	$ 23,873,637	$ 431,243	$ —	$ —	$ —	$ 24,304,880	$ 694,856	$ —
Capstone Nutrition	20,939,706	—	—	722,720	—	21,662,426	—	—
Lydell Jewelry Design Studio, LLC	7,207,522	650,000	—	108,890	—	7,966,412	29,611	—
NVTN LLC	—	—	28,198,671	—	—	28,198,671	281,014	—
MCC Senior Loan Strategy JV I LLC[1]	31,252,416	7,262,500	—	903,299	—	39,418,215	—	568,750
OmniVere LLC	33,697,119	2,526,181	—	(859,082)	—	35,364,218	828,405	—
United Road Towing, Inc.	19,911,875	482,292	—	(11,925)	—	20,382,242	480,832	—
Total Controlled Investments	$ 136,882,275	$ 11,352,216	$ 28,198,671	$ 863,902	$ —	$ 177,297,064	$ 2,314,718	$ 568,750
Affiliated Investments								
US Multifamily, LLC	$ 10,000,000	$ —	$ —	$ —	$ —	$ 10,000,000	$ 166,750	$ —
Total Affiliated Investments	$ 10,000,000	$ —	$ —	$ —	$ —	$ 10,000,000	$ 166,750	$ —

Name of Investment	Fair Value at September 30, 2015	Purchases (Sales) of/Advances to Affiliates	Transfers In/(Out) of Affiliates	Unrealized Gain/(Loss)[2]	Realized Gain/(Loss)[2]	Fair Value at December 31, 2015	Interest Income[2]	Dividend Income[2]
Controlled Investments								
Capstone Nutrition	$ —	$ 4,329,897	$ 20,840,795	$ (7,239,419)	$ —	$ 18,453,257	$ 783,359	$ —
MCC Senior Loan Strategy JV I LLC[1]	14,215,834	8,750,000	—	23,106	—	22,988,940	—	—
OmniVere LLC	24,865,578	833,333	—	(1,971,448)	—	24,382,212	655,456	—
United Road Towing, Inc.	35,116,790	—	—	(8,779,789)	—	26,740,909	412,766	—
Total Controlled Investments	$ 74,198,202	$ 13,913,230	$ 20,840,795	$ (17,967,550)	$ —	$ 92,565,318	$ 1,851,581	$ —
Affiliated Investments								
US Multifamily, LLC	$ 10,000,000	$ —	$ —	$ —	$ —	$ 10,000,000	$ 166,750	$ —
Total Affiliated Investments	$ 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.

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

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

Purchases/(sales) of or advances/(distributions) to affiliates represent the proceeds from sales and settlements of investments, purchases, originations and participations, investment increases due to payment-in-kind interest as well as net amortization of premium/(discount) on investments and are included in the purchases and sales presented on the Consolidated Statements of Cash Flows for the three months ended December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016, there were 10 participation agreements outstanding with an aggregate fair value of $151.6 million. At September 30, 2016 there were 14 participation agreements outstanding with an aggregate fair value of $254.5 million. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale. In each case, the Company's loan participation agreements satisfy the following conditions:

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

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

During the three months ended December 31, 2016 and 2015, the Company collected interest and principal payments on behalf of the participant in the aggregate amount of $6.0 million and $2.1 million, respectively. Under the terms of the participation agreements, the Company will collect and remit periodic payments to the participant equal to the participant's proportionate share of any principal and interest payments received by the Company from the underlying investee companies.

MCC Senior Loan Strategy JV I LLC

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

As of December 31, 2016, MCC JV had total capital commitments of $100.0 million with the Company providing $87.5 million and GALIC providing $12.5 million. Approximately $45.0 million was funded as of December 31, 2016 relating to these commitments, of which $39.4 million 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, 2018 and the final maturity date is August 4, 2022. As of December 31, 2016, there was approximately $79.6 million outstanding under the JV Facility.

At December 31, 2016 and September 30, 2016, MCC JV had total investments at fair value of $116.6 million and $93.4 million, respectively. As of December 31, 2016 and September 30, 2016, MCC JV's portfolio was comprised of senior secured first lien term loans to 36 and 30 borrowers, respectively. As of December 31, 2016 and September 30, 2016, certain investments in one portfolio company held by MCC JV 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, 2016 and September 30, 2016:

	December 31, 2016	September 30, 2016
Senior Secured Loans(1)	$ 118,684,965	$ 95,872,612
Weighted average current interest rate on Senior Secured Loans(2)	6.69%	6.70%
Number of borrowers in MCC JV	36	30
Largest loan to a single borrower(1)	$ 6,000,000	$ 5,216,234
Total of five largest loans to borrowers(1)	$ 26,667,772	$ 22,637,363

(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.

MCC JV Loan Portfolio as of December 31, 2016
(unaudited)

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value(2)	% of Net Assets
4 Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	6/7/2022	2,475,000	2,475,000	2,475,000	5.5%
				2,475,000	2,475,000	2,475,000	
AccentCare, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)(1)	9/3/2021	2,730,000	2,708,607	2,730,000	6.1%
				2,730,000	2,708,607	2,730,000	
Amplify Snack Brands, Inc.	Beverage, Food & Tobacco	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)(1)	9/2/2023	3,990,000	3,951,929	3,873,612	8.6%
				3,990,000	3,951,929	3,873,612	
APCO Holdings, Inc.	Automotive	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	1/31/2022	3,626,098	3,533,772	3,641,001	8.1%
				3,626,098	3,533,772	3,641,001	
API Technologies Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)(1)	4/22/2022	2,985,000	2,931,879	2,957,717	6.6%
				2,985,000	2,931,879	2,957,717	
Blount International, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)(1)	4/12/2023	2,992,500	2,942,257	2,972,450	6.6%
				2,992,500	2,942,257	2,972,450	
Cardenas Markets LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) (1)	11/29/2023	5,500,000	5,445,689	5,445,000	12.1%
				5,500,000	5,445,689	5,445,000	
CD&R TZ Purchaser, Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	7/21/2023	3,491,250	3,441,893	3,386,513	7.5%
				3,491,250	3,441,893	3,386,513	
CP OpCo, LLC Term Loan A	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) (1)	3/31/2019	504,597	504,597	504,597	1.1%
				504,597	504,597	504,597	
CP OpCo, LLC Term Loan B	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) (1)	3/31/2019	210,249	210,249	210,249	0.5%
				210,249	210,249	210,249	
CP OpCo, LLC Term Loan C(3)	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	3/31/2019	1,487,033	717,016	743,516	1.7%
				1,487,033	717,016	743,516	
CP OpCo, LLC Term Loan D(3)	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK, 1.00% LIBOR Floor)(1)	3/31/2019	934,849	—	—	0.0%
				934,849	—	—	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
CP OpCo, LLC Revolving Credit Facility	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) [1]	3/31/2019	128,038	128,038	128,038	0.3%
				128,038	128,038	128,038	
CP OpCo, LLC Revolving Credit Facility	Services: Consumer	Senior Secured First Lien Term Loan (ABR + 3.50% Cash, 3.50% ABR Floor) [1]	3/31/2019	210,935	210,935	210,935	0.5%
				210,935	210,935	210,935	
CP Opco, LLC	Services: Consumer	Common Stock		41	—	—	0.0%
				41	—	—	
CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[1]	12/19/2020	2,440,896	2,436,291	2,440,896	5.4%
				2,440,896	2,436,291	2,440,896	
Elite Comfort Solutions, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)[1]	1/15/2021	6,000,000	6,000,000	6,060,000	13.5%
				6,000,000	6,000,000	6,060,000	
Explorer Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	5/2/2023	2,985,000	2,974,896	3,005,298	6.7%
				2,985,000	2,974,896	3,005,298	
GK Holdings, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) [1]	1/20/2021	2,992,366	2,977,798	3,052,214	6.8%
				2,992,366	2,977,798	3,052,214	
GTCR Valor Companies, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[1]	6/16/2023	3,980,000	3,831,682	3,930,250	8.7%
				3,980,000	3,831,682	3,930,250	
Harbortouch Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 4.75% Cash, 1.00% LIBOR Floor)[1]	5/31/2022	4,500,000	4,456,602	4,455,000	9.9%
				4,500,000	4,456,602	4,455,000	
High Ridge Brands Co.	Consumer Goods - Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)[1]	6/30/2022	1,865,625	1,838,969	1,837,641	4.1%
				1,865,625	1,838,969	1,837,641	
HNC Holdings, Inc.	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) [1]	10/5/2023	263,000	261,724	265,630	0.6%
				263,000	261,724	265,630	
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) [1]	3/30/2022	4,964,677	4,908,790	5,014,323	11.1%
				4,964,677	4,908,790	5,014,323	
Keurig Green Mountain, Inc.	Beverage, Food & Tobacco	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 0.75% LIBOR Floor)[1]	3/3/2023	2,291,883	2,264,465	2,291,883	5.1%
				2,291,883	2,264,465	2,291,883	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
Keystone Peer Review Organization Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (ABR + 4.00%, 3.75% ABR Floor)[1]	12/28/2022	4,000,000	4,000,000	3,960,000	8.8%
				4,000,000	4,000,000	3,960,000	
Kraton Polymers LLC	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	1/6/2022	3,000,000	2,896,967	3,030,000	6.7%
				3,000,000	2,896,967	3,030,000	
MB Aerospace ACP Holdings II Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[1]	12/15/2022	5,203,095	5,162,278	5,203,095	11.5%
				5,203,095	5,162,278	5,203,095	
MWI Holdings, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)[1]	6/29/2020	1,990,000	1,972,438	1,985,025	4.3%
				1,990,000	1,972,438	1,985,025	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) [1]	6/4/2020	2,954,764	2,954,764	2,954,764	6.6%
				2,954,764	2,954,764	2,954,764	
O2 Partners, LLC	Consumer Goods - Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	10/7/2022	4,488,750	4,445,426	4,443,863	9.9%
				4,488,750	4,445,426	4,443,863	
Pomeroy Group LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) [1]	11/30/2021	2,784,175	2,707,210	2,700,650	6.0%
				2,784,175	2,707,210	2,700,650	
PT Network, LLC	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) [1]	11/30/2021	5,000,000	4,950,876	5,000,000	11.1%
				5,000,000	4,950,876	5,000,000	
Quorum Health Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) [1]	4/29/2022	2,467,100	2,423,077	2,411,590	5.4%
				2,467,100	2,423,077	2,411,590	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) [1]	10/30/2022	2,958,792	2,909,192	2,951,395	6.6%
				2,958,792	2,909,192	2,951,395	
Sundial Group Holdings LLC	Consumer Goods - Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) [1]	10/19/2021	2,887,500	2,841,194	2,887,500	6.4%
				2,887,500	2,841,194	2,887,500	
Survey Sampling International, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	12/16/2020	2,977,265	2,952,089	2,996,349	6.7%
				2,977,265	2,952,089	2,996,349	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
TaxACT, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[1]	1/3/2023	3,731,481	3,643,226	3,731,481	8.3%
				3,731,481	3,643,226	3,731,481	
TrialCard Incorporated	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor)[1]	10/26/2021	3,500,000	3,466,284	3,500,000	7.8%
				3,500,000	3,466,284	3,500,000	
VCVH Holding Corp.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor)[1]	6/1/2023	2,985,000	2,957,169	2,955,150	6.6%
				2,985,000	2,957,169	2,955,150	
Victory Capital Operating, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 7.50%, 1.00% LIBOR Floor)[1]	10/29/2021	1,621,005	1,598,431	1,637,215	3.6%
				1,621,005	1,598,431	1,637,215	
Western Digital Corporation	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 0.75% LIBOR Floor)[1]	4/29/2023	2,587,000	2,536,945	2,612,870	5.8%
				2,587,000	2,536,945	2,612,870	
Total Investments, December 31 2016				$ 118,684,965	$ 115,570,641	$ 116,592,711	258.8%

(1) Represents the weighted average annual current interest rate as of December 31, 2016. 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.
(3) This investment was on non-accrual status as of December 31, 2016.

MCC JV Loan Portfolio as of September 30, 2016

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value(2)	% of Net Assets
4Over International, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	6/7/2022	2,487,500	2,487,500	2,487,500	7.0%
				2,487,500	2,487,500	2,487,500	
AccentCare, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor)(1)	9/3/2021	2,747,500	2,724,808	2,728,295	7.6%
				2,747,500	2,724,808	2,728,295	
Amplify Snack Brands, Inc.	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)(1)	9/2/2023	4,000,000	3,960,392	3,960,000	11.1%
				4,000,000	3,960,392	3,960,000	
APCO Holdings, Inc	Automotive	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	1/31/2022	3,703,125	3,604,166	3,660,168	10.2%
				3,703,125	3,604,166	3,660,168	
API Technologies Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)(1)	4/22/2022	2,992,500	2,936,717	2,932,650	8.2%
				2,992,500	2,936,717	2,932,650	
Blount International, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor)(1)	4/12/2023	3,000,000	2,947,612	2,910,000	8.1%
				3,000,000	2,947,612	2,910,000	
CD&R TZ Purchaser, Inc.	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	7/21/2023	3,500,000	3,448,618	3,395,002	9.5%
				3,500,000	3,448,618	3,395,002	
CP OpCo, LLC Term Loan A	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) (1)	3/31/2019	495,048	495,048	495,048	1.4%
				495,048	495,048	495,048	
CP OpCo, LLC Term Loan B	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) (1)	3/31/2019	206,270	206,270	206,270	0.6%
				206,270	206,270	206,270	
CP OpCo, LLC Term Loan C(3)	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	3/31/2019	1,447,834	717,016	717,016	2.0%
				1,447,834	717,016	717,016	
CP OpCo, LLC Term Loan D(3)	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	3/31/2019	901,391	—	—	0.0%
				901,391	—	—	
CP OpCo, LLC Revolving Credit Facility	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) (1)	3/31/2019	128,038	128,038	128,038	0.4%
				128,038	128,038	128,038	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value(2)	% of Net Assets
CP OpCo, LLC Revolving Credit Facility	Services: Consumer	Senior Secured First Lien Term Loan (ABR + 3.50% Cash, 3.50% ABR Floor) (1)	3/31/2019	112,674	112,674	112,674	0.3%
				112,674	112,674	112,674	
CP Opco, LLC (Classic Party Rentals) Common Units	Services: Consumer	Common Stock		41	—	—	0.0%
				41	—	—	
CRGT Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)(1)	12/19/2020	2,646,703	2,641,393	2,646,703	7.4%
				2,646,703	2,641,393	2,646,703	
Elite Comfort Solutions, Inc	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor)(1)	1/15/2021	4,196,875	4,196,875	4,238,844	11.9%
				4,196,875	4,196,875	4,238,844	
Explorer Holdings, Inc.	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) (1)	5/2/2023	2,992,500	2,981,967	2,962,575	8.3%
				2,992,500	2,981,967	2,962,575	
GTCR Valor Companies, Inc.	Media: Diversified & Production	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)(1)	6/16/2023	3,990,000	3,835,508	3,795,687	10.6%
				3,990,000	3,835,508	3,795,687	
HarborTouch Payments, LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)(1)	5/31/2022	3,478,125	3,445,054	3,443,344	9.6%
				3,478,125	3,445,054	3,443,344	
High Ridge Brands Co.	Consumer Goods - Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor)(1)	6/30/2022	1,870,313	1,842,364	1,842,257	5.2%
				1,870,313	1,842,364	1,842,257	
Imagine! Print Solutions, LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) (1)	3/30/2022	4,977,182	4,918,462	5,020,982	14.1%
				4,977,182	4,918,462	5,020,982	
Keurig Green Mountain, Inc.	Beverage & Food	Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 0.75% LIBOR Floor)(1)	3/3/2023	4,013,275	3,963,303	4,013,275	11.2%
				4,013,275	3,963,303	4,013,275	
Kraton Polymers LLC	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) (1)	1/6/2022	3,000,000	2,891,792	3,030,000	8.5%
				3,000,000	2,891,792	3,030,000	
MB Aerospace ACP Holdings II Corp.	Aerospace and Defense	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)(1)	12/15/2022	5,216,234	5,173,584	5,160,681	14.4%
				5,216,234	5,173,584	5,160,681	
MWI Holdings, Inc.	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor)(1)	6/29/2020	1,995,000	1,976,126	1,990,012	5.5%
				1,995,000	1,976,126	1,990,012	

Company	Industry	Type of Investment	Maturity	Par Amount	Cost	Fair Value[2]	% of Net Assets
NetSmart Inc.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) [1]	4/19/2023	2,493,750	2,469,871	2,503,227	7.0%
				2,493,750	2,469,871	2,503,227	
New Media Holdings II LLC	Media: Advertising, Printing & Publishing	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) [1]	6/4/2020	2,962,302	2,962,302	2,948,972	8.3%
				2,962,302	2,962,302	2,948,972	
Pomeroy Group LLC	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) [1]	11/30/2021	3,491,206	3,389,703	3,386,470	9.5%
				3,491,206	3,389,703	3,386,470	
Quorum Health Corporation	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) [1]	4/29/2022	2,487,500	2,441,013	2,409,765	6.7%
				2,487,500	2,441,013	2,409,765	
SCS Holdings I Inc.	Wholesale	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	10/30/2022	2,966,292	2,914,417	2,904,564	8.1%
				2,966,292	2,914,417	2,904,564	
Sundial Group Holdings LLC	Consumer Goods - Non-Durable	Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) [1]	10/19/2021	2,925,000	2,875,629	2,879,721	8.1%
				2,925,000	2,875,629	2,879,721	
Survey Sampling International, LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	12/16/2020	2,984,843	2,957,468	2,954,994	8.3%
				2,984,843	2,957,468	2,954,994	
TaxAct, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor)[1]	1/3/2023	4,233,796	4,129,461	4,302,807	12.0%
				4,233,796	4,129,461	4,302,807	
VCVH Holding Corp.	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) [1]	6/1/2023	2,992,500	2,963,504	2,971,852	8.3%
				2,992,500	2,963,504	2,971,852	
Victory Capital Operating, LLC.	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 7.50%, 1.00% LIBOR Floor) [1]	10/29/2021	1,643,836	1,619,749	1,615,069	4.5%
				1,643,836	1,619,749	1,615,069	
Western Digital Corporation	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 3.75%, 0.75% LIBOR Floor) [1]	4/29/2023	2,593,500	2,541,321	2,617,879	7.3%
				2,593,500	2,541,321	2,617,879	
Total Investments, September 30, 2016				**$ 95,872,654**	**$ 92,899,725**	**$ 93,372,341**	261.4%

(1) Represents the weighted average annual current interest rate as of September 30, 2016. 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.
(3) This investment was on non-accrual status as of September 30, 2016

Below is certain summarized financial Information for MCC JV as of December 31, 2016 and September 30, 2016, and for the three months ended December 31, 2016 and 2015:

	As of December 31, 2016		As of September 30, 2016	
Selected Consolidated Statement of Assets and Liabilities Information:				
Investments in loans at fair value (amortized cost of $115,570,641 and $92,899,725, respectively)	$	116,592,711	$	93,372,341
Cash		7,131,730		9,720,324
Other assets		428,215		268,136
Total assets	$	124,152,656	$	103,360,801
Line of credit (net of debt issuance costs of $957,632 and $1,000,841, respectively)	$	78,622,368	$	67,079,159
Other liabilities		239,801		340,088
Interest payable		241,097		224,507
Total liabilities		79,103,266		67,643,754
Members' capital		45,049,390		35,717,047
Total liabilities and members' capital	$	124,152,656	$	103,360,801

	For the three months ended December 31			
	2016		2015	
Selected Consolidated Statement of Operations Information:				
Total revenues	$	2,002,357		355,113
Total expenses		(975,360)		(291,814)
Net unrealized depreciation		549,454		(36,806)
Net realized gains		105,892		1,867
Net income/(loss)	$	1,682,343	$	28,360

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, 2016 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 562,490	$ 562,490
Senior Secured Second Lien Term Loans	—	—	214,871	214,871
Senior Secured First Lien Notes	—	6,664	21,047	27,711
Unsecured Debt	—	—	39,645	39,645
Equity/Warrants	234	200	33,044	33,478
Total	$ 234	$ 6,864	$ 871,097	$ 878,195
MCC Senior Loan Strategy JV I LLC(1)				$ 39,418
Total Investments, at fair value				$ 917,613

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2016 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	$ —	$ —	$ 565,329	$ 565,329
Senior Secured Second Lien Term Loans	—	—	213,537	213,537
Senior Secured First Lien Notes	—	6,375	21,048	27,423
Unsecured Debt	—	—	52,809	52,809
Equity/Warrants	359	363	23,112	23,834
Total	$ 359	$ 6,738	$ 875,835	$ 882,932
MCC Senior Loan Strategy JV I LLC(1)				$ 31,252
Total Investments, at fair value				$ 914,184

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

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the three months ended December 31, 2016 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien Notes	Unsecured Debt	Equities/Warrants	Total
Balance as of September 30, 2016	$ 565,329	$ 213,537	$ 21,048	$ 52,809	$ 23,112	$ 875,835
Purchases and other adjustments to cost	4,119	768	—	1,058	12	5,957
Originations	75,349	—	—	1,973	10,875	88,197
Sales	—	—	—	—	—	—
Settlements	(79,227)	—	—	(15,000)	—	(94,227)
Net realized gains/(losses) from investments	(6,089)	—	—	(289)	—	(6,378)
Net transfers in and/or out of Level 3	—	—	—	—	—	—
Net unrealized gains/(losses)	3,009	566	(1)	(906)	(955)	1,713
Balance as of December 31, 2016	$ 562,490	$ 214,871	$ 21,047	$ 39,645	$ 33,044	$ 871,097

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 Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien 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
Originations	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

Net change in unrealized loss included in earnings related to investments still held as of December 31, 2016 and 2015, was approximately $23.0 million and $75.8 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, 2016 none of our investments transferred in or out of Level 3. During the three months ended December 31, 2015, one of our senior secured first lien 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.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of December 31, 2016 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 367,923	Income Approach (DCF)	Market Yield	7.59% - 15.38% (11.21%)
Senior Secured First Lien Term Loans	34,490	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.40x - 1.00x (0.82x)/5.00x - 7.00x (6.41x)/17.50% - 18.00% (17.65%)
Senior Secured First Lien Term Loans	21,662	Market Approach (Guideline Comparable)/Income Approach (DCF)	Run-Rate Revenue Multiple(1), Run-Rate EBITDA Multiple(1), Discount Rate	0.50x - 1.00x (0.75x)/5.50x - 6.50x (6.00x)/18.50% - 21.50% (20.00%)
Senior Secured First Lien Term Loans	41,383	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), Discount Rate	0.63x - 3.00x (2.54x)/15.00% - 20.00% (15.96%)
Senior Secured First Lien Term Loans	7,850	Market Approach (Guideline Comparable)	Revenue Generating Unit	$393.75 - $525.00 ($459.38)
Senior Secured First Lien Term Loans	6,228	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM Revenue Multiple(1), Discount Rate	1.00x - 1.50x (1.25x) /14.00%-18.00% (16.00%)

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	18,648	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)	LTM Revenue Multiple(1), NTM Revenue Multiple(1), LTM EBITDA Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.50x-0.75x(0.63x) /0.50x-0.75x(0.63x) / 6.50x-8.50x (7.50x)/ 6.50x-8.50x (7.50x)/19.00%-21.00% (20.00%)
Senior Secured First Lien Term Loans	22,889	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple(1), NTM Revenue Multiple(1), NTM EBITDA, Discount Rate	0.75x-1.25x (1.00x)/0.75x-1.25x (1.00x)/6.50x-7.00x (6.75x)/ 17.50%-22.50% (20.00%)
Senior Secured First Lien Term Loans	14,009	Market Approach (Guideline Comparable)	2016 and NTM Revenue Multiple(1)	0.50x - 0.75x (0.63x)/0.50x - 0.75x (0.63x)
Senior Secured First Lien Term Loans	113	Enterprise Valuation Analysis	Expected Proceeds	$0.2M - $0.2M ($0.2M)
Senior Secured First Lien Term Loans	27,297	Recent Arms Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured Notes	21,047	Income Approach (DCF)	Market Yield	8.06% - 8.06% (8.06%)
Senior Secured Second Lien Term Loans	180,039	Income Approach (DCF)	Market Yield	8.98% - 17.44% (11.74%)
Senior Secured Second Lien Term Loans	2,840	Market Approach (Guideline Comparable)	2016 EBITDA Multiple(1)	5.00x - 6.00x (5.50x)
Senior Secured Second Lien Term Loan	19,196	Market Approach (Guideline Comparable)	LTM Revenue Multiple(1), NTM Revenue Multiple(1), LTM EBITDA Multiple(1)	0.60x-0.80x(0.70x) /0.60x-0.80x(0.70x) / 6.25x - 6.75x (6.50x)
Senior Secured Second Lien Term Loan	12,796	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM Revenue Multiple(1), NTM Revenue Multiple(1), LTM EBITDA Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.40x-0.60x(0.50x) /0.40x-0.60x(0.50x) / 8.25x-9.25x (8.75x)/ 7.50x-8.50x (8.00x)/17.50%-21.50% (19.50%)
Unsecured Debt	12,476	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple(1), NTM Revenue Multiple(1), NTM EBITDA, Discount Rate	0.75x-1.25x (1.00x)/0.75x-1.25x (1.00x)/6.50x-7.00x (6.75x)/ 17.50%-22.50% (20.00%)
Unsecured Debt	27,169	Income Approach (DCF)	Market Yield	18.00% - 20.00% (18.00%)
Unsecured Debt	—	Recent Arms Length Transaction	Recent Arms Length Transaction	N/A
Equity	5,750	Income Approach (DCF)	Market Yield	8.70%-8.70% (8.70%)
Equity	—	Market Approach (Guideline Comparable)	Revenue Generating Unit	$393.75 - $525.00 ($459.38)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM Revenue Multiple(1), Discount Rate	1.00x - 1.50x (1.25x) /14.00%-18.00% (16.00%)

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Equity	9,551	Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)	LTM Revenue Multiple[1], NTM Revenue Multiple[1], LTM EBITDA Multiple[1], NTM EBITDA Multiple[1], Discount Rate	0.50x-0.75x(0.63x) /0.50x-0.75x(0.63x) / 6.50x-8.50x (7.50x)/ 6.50x-8.50x (7.50x)/19.00%-21.00% (20.00%)
Equity	1,186	Market Approach (Guideline Comparable)	LTM Revenue Multiple[1], NTM Revenue Multiple[1], LTM EBITDA Multiple[1]	0.60x-0.80x(0.70x) /0.60x-0.80x(0.70x) / 6.25x - 6.75x (6.50x)
Equity	—	Market Approach (Guideline Comparable)	LTM Revenue Multiple[1], NTM Revenue Multiple[1]	0.75x - 1.00x (0.75x) /0.75x - 1.00x (0.75x)
Equity	1,612	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM EBITDA, Run-Rate Multiple[1], Discount Rate	7.00x - 8.00x (7.50x)/7.00x - 8.00x (7.50x) / 16.00%-18.00% (17.00%)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple[1], Discount Rate	0.63x - 3.00x (2.54x)/15.00% - 20.00% (15.96%)
Equity	5,400	Market Approach (Guideline Comparable)	LTM EBITDA and EV/PP&E Multiple[1]	5.50x - 6.50x (6.00x) / 0.75x - 1.00x (0.88x)
Equity	4,738	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple[1]	5.50x - 7.00x (6.47x) / 5.75x - 6.75x (6.38x)
Equity	278	Market Approach (Guideline Comparable)/Precendent Transaction	LTM Revenue Multiple[1], NTM Revenue Multiple[1], LTM EBITDA Multiple[1], NTM EBITDA Multiple[1], Precedent Transaction	0.75x-1.25x(1.00x) / 0.75x-1.25x(1.00x) / 7.00x-8.00x (7.50x)/ 5.50x-6.50x (6.00x)/$34.8M-$34.8M ($34.8M)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple[1], NTM EBITDA Multiple[1], Discount Rate	0.40x - 1.00x (0.82x)/5.00x - 7.00x (6.41x)/17.50% - 18.00% (17.65%)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	Run-Rate Revenue Multiple[1], Run-Rate EBITDA Multiple[1], Discount Rate	0.50x - 1.00x (0.75x)/5.50x - 6.50x (6.00x)/18.50% - 21.50% (20.00%)
Equity	—	Market Approach (Guideline Comparable)	2016 EBITDA Multiple[1]	5.00x - 6.00x (5.50x)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple[1], NTM Revenue Multiple[1], NTM EBITDA, Discount Rate	0.75x-1.25x (1.00x)/0.75x-1.25x (1.00x)/6.50x-7.00x (6.75x)/ 17.50%-22.50% (20.00%)
Equity	4,530	Recent Arms Length Transaction	Recent Arms Length Transaction	N/A
Total	$ 871,097			

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2016 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	$ 446,549	Income Approach (DCF)	Market Yield	7.55% - 16.00% (11.54%)
Senior Secured First Lien Term Loans	54,254	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.40x - 1.00x (0.80x)/5.00x - 7.00x (6.46x)/17.00% - 20.00% (18.33%)
Senior Secured First Lien Term Loans	7,832	Market Approach (Guideline Comparable)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1), RGU	1.00x - 1.50x (1.50x)/5.00x - 6.00x (6.00x)/$393.75 - $525.00 ($525.00)
Senior Secured First Lien Term Loans	7,207	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), Discount Rate	0.25x - 1.00x (0.63x) 19.00% - 21.00% (20.00%)
Senior Secured First Lien Term Loans	5,989	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM Revenue Multiple(1), Discount Rate	0.75x - 1.25x (1.00x) /14.00%-18.00% (16.00%)
Senior Secured First Lien Term Loans	22,360	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple(1), NTM Revenue Multiple(1), NTM EBITDA, Discount Rate	0.75x-1.25x (1.25x)/0.75x-1.25x (1.25x)/6.50x-7.00x (7.00x)/ 17.50%-22.50% (20.00%)
Senior Secured First Lien Term Loans	13,308	Market Approach (Guideline Comparable)	2016 Revenue Multiple(1)	0.50x - 0.75x (0.63x)
Senior Secured First Lien Term Loans	1,160	Enterprise Valuation Analysis	Recovery Proceeds	$0.0M - $1.2M ($1.2M)
Senior Secured First Lien Term Loans	6,670	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Senior Secured First Lien Notes	21,048	Income Approach (DCF)	Market Yield	8.02% - 8.02% (8.02%)
Senior Secured Second Lien Term Loans	179,197	Income Approach (DCF)	Market Yield	8.97% - 17.86% (11.54%)
Senior Secured Second Lien Term Loans	2,818	Market Approach (Guideline Comparable)	2016 EBITDA Multiple(1)	5.00x - 6.00x (5.50x)
Senior Secured Second Lien Term Loan	18,726	Market Approach (Guideline Comparable)	LTM Revenue Multiple(1), NTM Revenue Multiple(1), LTM EBITDA Multiple(1)	0.50x-0.75x(0.63x) /0.50x-0.75x(0.63x) / 6.25x - 6.75x (6.50x)
Senior Secured Second Lien Term Loan	12,796	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1)	8.50x-9.50x (9.00x)/ 8.00x-9.00x (8.50x)
Unsecured Debt	11,337	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple(1), NTM Revenue Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.75x-1.25x (1.25x)/0.75x-1.25x (1.25x)/6.50x-7.00x (7.00x)/ 17.50%-22.50% (20.00%)
Unsecured Debt	26,322	Income Approach (DCF)	Market Yield	18.00%-18.50% (18.49%)
Unsecured Debt	15,150	Income Approach (DCF)	Market Yield	10.58%-10.58% (10.58%)

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Equity	5,749	Income Approach (DCF)	Market Yield	8.75%-8.75% (8.75%)
Equity	3,330	Recent Arms-Length Transaction	Recent Arms Length Transaction	N/A
Equity	—	Market Approach (Guideline Comparable)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1), RGU	1.00x - 1.50x (1.50x)/5.00x - 6.00x (6.00x)/$393.75 - $525.00 ($525.00)
Warrants	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), Discount Rate	0.25x - 1.00x (0.63x) 19.00% - 21.00% (20.00%)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM Revenue Multiple(1), Discount Rate	0.75x - 1.25x (1.00x)/14.00% - 18.00% (16.00%)
Equity	1,186	Market Approach (Guideline Comparable)	LTM Revenue Multiple(1), NTM Revenue Multiple(1), LTM EBITDA Multiple(1)	0.50x-0.75x(0.63x) /0.50x-0.75x(0.63x) / 6.25x - 6.75x (6.50x)
Equity	—	Market Approach (Guideline Comparable)	LTM Revenue Multiple(1), NTM Revenue Multiple(1)	0.75x - 1.00x (0.75x) /0.75x - 1.00x (0.75x)
Equity	3,263	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM EBITDA, Run-Rate Multiple(1), Discount Rate	7.00x - 8.00x (7.50x)/7.00x - 8.00x (7.50x) / 16.00%-18.00% (17.00%)
Equity	71	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM EBITDA Multiple(1), Discount Rate	6.00x - 7.00x (7.00x)/ 14.00%-16.00% (15.00%)
Equity	642	Market Approach (Guideline Comparable)/Precedent Transaction	NTM EBITDA Multiple(1), Precedent Transaction	4.25x - 5.25x (4.75x) / $185.3M-$185.3M ($185.3M)
Warrants	5,400	Market Approach (Guideline Comparable)	LTM EBITDA and EV/PP&E Multiple(1)	5.50x - 6.50x (6.00x) / 0.75x - 1.00x (0.88x)
Equity	1,759	Market Approach (Guideline Comparable)	LTM and 2016 EBITDA Multiple(1)	6.50x - 7.00x (6.54x) / 6.00x - 6.50x (6.04x)
Equity	1,712	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple(1)	5.75x - 7.50x (7.03x) / 5.75x - 6.75x (6.49x)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	NTM Revenue Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.40x - 1.00x (0.80x)/5.00x - 7.00x (6.46x)/17.00% - 20.00% (18.33%)
Warrants	—	Market Approach (Guideline Comparable)	2016 EBITDA Multiple(1)	5.00x - 6.00x (5.50x)
Equity	—	Market Approach (Guideline Comparable)/Income Approach (DCF)	2016 Revenue Multiple(1), NTM Revenue Multiple(1), NTM EBITDA Multiple(1), Discount Rate	0.75x-1.25x (1.25x)/0.75x-1.25x (1.25x)/6.50x-7.00x (7.00x)/ 17.50%-22.50% (20.00%)
Total	**$ 875,835**			

(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, 2016 and September 30, 2016 was as follows (dollars in thousands):

	As of							
	December 31, 2016				September 30, 2016			
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Fair Value
Revolving Credit Facility	$ 343,500	$ 18,000	$ 18,000	$ 18,000	$ 343,500	$ 14,000	$ 14,000	$ 14,000
Term Loan Facility	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
2019 Notes	40,000	40,000	40,000	40,608	40,000	40,000	40,000	40,704
2021 Notes	74,013	74,013	74,013	75,760	74,013	74,013	74,013	76,677
2023 Notes	63,880	63,880	63,880	63,905	63,500	63,500	63,500	63,856
SBA Debentures	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total	$ 845,393	$ 519,893	$ 519,893	$ 522,273	$ 845,013	$ 515,513	$ 515,513	$ 519,237

Credit Facility

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

The pricing in the case of the term loan credit facility (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 (the "Revolving Facility," and together with the Term Loan Facility the "Facilities") will remain the same at LIBOR (with no minimum) plus 2.75%. Both the Term Loan Facility and Revolving 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 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, 2016, total commitments under the Facilities are $517.5 million, comprised of $343.5 million committed to the Revolving Facility and $174.0 million funded under the Term Loan Facility.

At December 31, 2016, 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. As of December 31, 2016 and September 30, 2016, the Facilities would be deemed to be Level 3, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Facilities are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Facilities. As of December 31, 2016 and September 30, 2016, debt issuance costs related to the Facilities were as follows (dollars in thousands):

	December 31, 2016		September 30, 2016	
	Revolving Facility	Term Facility	Revolving Facility	Term Facility
Total Debt Issuance Costs	$ 8,199	$ 4,290	$ 8,199	$ 4,290
Amortized Debt Issuance Costs	4,988	2,273	4,609	2,093
Unamortized Debt Issuance Costs	$ 3,211	$ 2,017	$ 3,590	$ 2,197

The following table shows the components of interest expense, commitment fees related to the Revolving Facility, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Facilities for the three months ended December 31, 2016 and 2015 (dollars in thousands):

	For the three months ended December 31	
	2016	2015
Revolving Facility interest	$ 21	$ 1,202
Revolving Facility commitment fee	872	287
Term Facility interest	1,600	1,445
Amortization of debt issuance costs	559	488
Agency and other fees	19	21
Total	$ 3,071	$ 3,443
Weighted average stated interest rate	3.7%	3.2%
Weighted average outstanding balance	$ 176,087	$ 332,070

As of December 31, 2016 and September 30, 2016, there was $18.0 million and $14.0 million, respectively, outstanding under the Revolving Facility. As of December 31, 2016 and September 30, 2016, there was $174.0 million outstanding under the Term Loan Facility.

Unsecured Notes

2019 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 30 of each year, beginning June 30, 2012. The 2019 Notes are listed on the NYSE and trade thereon under the trading symbol “MCQ”.

2021 Notes

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

On January 14, 2016, the Company closed an additional $3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes.

2023 Notes

On March 18, 2013, the Company issued $60.0 million in aggregate principal amount of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes," and together with the 2019 Notes and 2021 Notes, the “Unsecured 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 NYSE 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 12, 2016, the Company entered into an “At-The-Market” (“ATM”) debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to $40.0 million in aggregate principal amount of the 2023 Notes. During the period from December 12, 2016 to December 31, 2016, the Company sold 15,159 of the 2023 Notes at an average price of $25.05 per note, and raised $0.4 million in net proceeds, under the ATM debt distribution agreement.

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, 2016 and September 30, 2016, the Notes would be deemed to be Level 1, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Notes. As of December 31, 2016 and September 30, 2016, debt issuance costs related to the Notes were as follows (dollars in thousands):

	December 31, 2016				December 31, 2015			
	2019 Notes	2021 Notes	2023 Notes	Total	2019 Notes	2021 Notes	2023 Notes	Total
Total Debt Issuance Costs	$ 1,475	$ 3,226	$ 2,414	$ 7,115	$ 1,475	$ 3,226	$ 2,129	$ 6,830
Amortized Debt Issuance Costs	1,004	657	807	2,468	951	498	751	2,200
Unamortized Debt Issuance Costs	$ 471	$ 2,569	$ 1,607	$ 4,647	$ 524	$ 2,728	$ 1,378	$ 4,630

For the three months ended December 31, 2016 and 2015, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Notes were as follows (dollars in thousands):

	For the three months ended December 31	
	2016	2015
2019 Unsecured Notes interest	$ 713	$ 713
2021 Unsecured Notes interest	1,203	166
2023 Unsecured Notes interest	973	972
Amortization of debt issuance costs	267	129
Total	$ 3,156	$ 1,980
Weighted average stated interest rate	6.5%	6.4%
Weighted average outstanding balance	$ 177,534	$ 114,268

As of December 31, 2016, $40.0 million, $74.0 million and $63.9 million in aggregate principal amount of the 2019 Notes, the 2021 Notes, and the 2023 Notes were outstanding, respectively. As of September 30, 2016, $40.0 million, $74.0 million and $63.5 million in aggregate principal amount of the 2019 Notes, the 2021 Notes, and the 2023 Notes were outstanding, respectively.

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

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

As of December 31, 2016 and September 30, 2016, 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, 2016 and September 30, 2016 were as follows (dollars in thousands):

	December 31, 2016		September 30, 2016	
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, 2016, 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, 2016 and September 30, 2016 the SBA Debentures would be deemed to be Level 3, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the SBA Debentures are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the SBA Debentures. As of December 31, 2016 and September 30, 2016, debt issuance costs related to the SBA Debentures were as follows (dollars in thousands):

	December 31, 2016	September 30, 2016
Total Debt Issuance Costs	$ 5,138	$ 5,138
Amortized Debt Issuance Costs	1,784	1,613
Unamortized Debt Issuance Costs	$ 3,354	$ 3,525

For the three months ended December 31, 2016 and 2015, the components of interest, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the SBA Debentures were as follows (dollars in thousands):

	For the three months ended December 31	
	2016	2015
SBA Debentures interest	$ 1,376	$ 1,376
Amortization of debt issuance costs	171	171
Total	$ 1,547	$ 1,547
Weighted average stated interest rate	3.6%	3.6%
Weighted average outstanding balance	$ 150,000	$ 150,000

Note 6. Agreements

Investment Management Agreement

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

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

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- executes, closes, monitors and administers the investments we make, including the exercise of any voting or consent rights.

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

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

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

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

Base Management Fee

For providing investment advisory and management services to us, MCC Advisors receives a base management fee. The base management fee is calculated at an annual rate of 1.75% (0.4375% per quarter) of up to $1.0 billion of the Company's gross assets and 1.50% (0.375% per quarter) of any amounts over $1.0 billion of the Company's gross assets, and is payable quarterly in arrears. The base management fee will be calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters and will be appropriately pro-rated for any partial quarter.

Incentive Fee

The incentive fee has two components, as follows:

Incentive Fee Based on Income

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

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

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

Quarterly Incentive Fee Based on Income

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

- No incentive fee on net investment income is payable to MCC Advisors for any calendar quarter for which there is no Excess Income Amount.
- 100% of the Ordinary Income, if any, that exceeds the hurdle amount, but is less than or equal to an amount, which we refer to as the "Catch-up Amount," determined as the sum of 1.8182% multiplied by the Company's net assets at the beginning of each applicable calendar quarter, as adjusted as noted above, comprising the relevant Trailing Twelve Quarters is included in the calculation of the incentive fee on net investment income; and
- 17.5% of the Ordinary Income that exceeds the Catch-up Amount is included in the calculation of the incentive fee on net investment income.

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

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

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

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

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

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

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

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

For the three months ended December 31, 2016 and 2015 the Company incurred base management fees to MCC Advisors of $4.5 million and $5.4 million, respectively. For the three months ended December 31, 2016 and 2015, we incurred $0.9 million and $3.9 million of incentive fees related to pre-incentive fee net investment income, respectively.

For the three months ended December 31, 2016, base management and incentive fees, net of fees waived under the Fee Waiver Agreement were $4.5 million and $0.9 million, respectively.

As of December 31, 2016 and September 30, 2016, $5.3 million and $4.6 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, 2016 and 2015, we incurred $0.9 million and $0.9 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.

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. The Company obtained an exemptive order from the SEC on November 25, 2013 (the “Exemptive Order”), which 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, 2016 and September 30, 2016, we had commitments under loan and financing agreements to fund up to $12.3 million to 8 portfolio companies and $9.2 million to 8 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and a revolver and an analysis of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2016 and September 30, 2016 is shown in the table below (dollars in thousands):

	As of	
	December 31, 2016	**September 30, 2016**
SMART Financial Operations, LLC - Delayed Draw Term Loan	$ 4,725	$ —
Trans-Fast Remittance LLC - Revolver	1,875	—
AAR Intermediate Holdings, LLC - Revolver	1,366	1,797
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	—
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Impact Sales, LLC - Delayed Draw Term Loan	875	—
Brantley Transportation LLC - Delayed Draw Term Loan	788	863
Black Angus Steakhouses, LLC - Revolver	625	446
Access Media Holdings, LLC - Series AA Preferred Equity	60	184
CP OPCO LLC - Revolver	53	609
Tenere Acquisition Corp. - Delayed Draw Term Loan	—	2,000
DHISCO Electronic Distribution, Inc. - Revolver	—	1,905
Lydell Jewelry Design Studio, LLC - Delayed Draw Term Loan	—	500
Total	$ 12,317	$ 9,197

Legal Proceedings

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

Note 9. Fee Income

Fee income consists of origination/closing fee, amendment fee, prepayment penalty, administrative agent fee, and other miscellaneous fees. The following tables summarize the Company's fee income for the three months ended December 31, 2016 and 2015 (dollars in thousands):

	For the three months ended December 31	
	2016	**2015**
Origination fee	$ 727	$ 1,008
Other fees	218	276
Administrative agent fee	205	190
Prepayment fee	169	482
Amendment fee	105	1,103
Fee income	$ 1,424	$ 3,059

Note 10. Directors Fees

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

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

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, 2016 and 2015, we accrued $0.2 million and $0.1 million for directors’ fees expense, respectively.

Note 11. Earnings Per Share

In accordance with the provisions of ASC Topic 260 - Earnings per Share, basic earnings per share is computed by dividing earnings available to common 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, 2016 and 2015 (dollars in thousands except share and per share amounts):

	For the three months ended December 31			
		2016		2015
Basic and diluted:				
Net increase/(decrease) in net assets from operations	$	6,326	$	(39,204)
Weighted average common shares outstanding		54,474,211		56,300,067
Earnings per common share-basic and diluted	$	0.12	$	(0.70)

Note 12. Financial Highlights

The following is a schedule of financial highlights for the three months ended December 31, 2016 and 2015:

	For the three months ended December 31			
		2016		2015
Per share data:				
Net asset value per share at beginning of period	$	9.49	$	11.00
Net investment income[1]		0.19		0.28
Net realized gains/(losses) on investments		(0.12)		0.10
Net unrealized appreciation/(depreciation) on investments		0.05		(1.07)
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments		—		(0.01)
Net increase/(decrease) in net assets		0.12		(0.70)
Distributions from net investment income		(0.22)		(0.30)
Distributions from net realized gains		—		—
Distributions from tax return of capital		—		—
Repurchase of common stock under stock repurchase program		—		0.01
Other[2]		—		—
Net asset value at end of period	$	9.39	$	10.01
Net assets at end of period	$	511,260,387	$	562,714,998
Shares outstanding at end of period		54,474,211		56,193,803
Per share market value at end of period	$	7.51	$	7.52
Total return based on market value[3]		1.28%		4.87 %
Total return based on net asset value[4]		1.81%		(5.59)%
Portfolio turnover rate[5]		17.94%		15.26 %

The following is a schedule of ratios and supplemental data for the three months ended December 31, 2016 and 2015:

	For the three months ended December 31			
	2016		2015	
Ratios:				
Ratio of net investment income to average net assets after waivers(5)(6)(11)		8.29%		11.72%
Ratio of total expenses to average net assets after waivers(5)(6)(11)		11.40%		9.98%
Ratio of incentive fees to average net assets after waivers(6)(11)		0.16%		0.62%
Supplemental Data:				
Ratio of net operating expenses and credit facility related expenses to average net assets(5)(6)(11)		11.24%		9.36%
Percentage of non-recurring fee income(7)		4.68%		8.33%
Average debt outstanding(8)	$	503,620,657	$	596,337,821
Average debt outstanding per common share	$	9.25	$	10.59
Asset coverage ratio per unit(9)		2,382		2,286
Average market value per unit:				
Facilities(10)		N/A		N/A
SBA debentures(10)		N/A		N/A
Notes due 2019	$	25.40	$	25.18
Notes due 2021	$	25.53		24.56
Notes due 2023	$	24.86	$	24.69

(1) Net investment income excluding management and incentive fee waivers based on total weighted average common stock outstanding equals $0.18 per share for the three months ended December 31, 2016 and net investment income based on total weighted average common stock outstanding equals $0.28 per share for the three months ended December 31, 2015.

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

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

(5) Ratios are annualized during interim periods.

(6) For the three months ended December 31, 2016, excluding management and incentive fee waivers, the ratio of net investment income, operating expenses and credit facility related expenses, incentive fees and total expenses to average net assets is 8.27%, 11.26%, 0.17%, and 11.43%, respectively. For the three months ended December 31, 2015, there was no management or incentive fee waiver.

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

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

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

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

(11) The ratios of net investment income, total expenses, incentive fees after waivers, and net operating expenses and credit facility related expenses, to average net assets for the three months ended December 31, 2015, previously reported as 9.85%, 11.80%, 2.46%, and 9.33%, respectively, were revised to conform to the current period presentation. Incentive fees are based on the current performance of the fund during the period and are not annualized, as projections of future performance are uncertain.

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, 2016 and 2015:

Date Declared	Record Date	Payment Date	Amount Per Share
During the three months ended December 31, 2016			
11/3/2016	11/23/2016	12/23/2016	$ 0.22
			$ 0.22

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

Note 14. Stock Repurchase Program

The following table summarizes our share repurchases under our stock repurchase program for the three months ended December 31, 2016 and 2015 (dollars in thousands):

	For the three months ended December 31	
	2016	**2015**
Dollar amount repurchased	N/A(1)	$ 1,100
Shares Repurchased	N/A(1)	143,349
Average price per share	N/A(1)	$ 7.68
Weighted average discount to Net Asset Value	N/A(1)	30.2%

(1) The Company did not repurchase any shares for the three months ended December 31, 2016.

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 $30.0 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. As of December 31, 2016, the Company has repurchased an aggregate of 4,259,073 shares of common stock at an average price of $8.16 per share with a total cost of approximately $34.1 million. The maximum dollar value of shares that may yet be purchased under the plan is $15.9 million. 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 $0.23 as a result of the share repurchases.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the year ended December 31, 2016, except as disclosed below.

On January 23, 2017, the Company issued a redemption notice relating to its 2019 Notes. The Company will redeem all of the issued and outstanding 2019 Notes ($40,000,000 in aggregate principal amount) in full on February 22, 2017.

On January 31, 2017, the Company's Board of Directors declared a quarterly dividend of $0.22 per share payable on March 24, 2017, to stockholders of record at the close of business on February 22, 2017.

On February 9, 2017, the Company issued a notice to reduce the Revolving Facility commitment to $200.0 million from $343.5 million. This reduction will be effective on February 14th.

As of February 9, 2017, the Company sold an additional 1,558,713 of the 2023 Notes at an average price of 25.01 per note, and raised $38.2 million in net proceeds, under the ATM debt distribution agreement.

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

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

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

Forward-Looking Statements

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

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of MCC Advisors;
- 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 annual 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, 2016 and September 30, 2016, our portfolio had a fair market value of approximately $917.6 million and $914.2 million, respectively. The following table summarizes our portfolio and investment activity during the three months ended December 31, 2016 and 2015 (dollars in thousands):

	For the three months ended December 31	
	2016	2015
Investments made in new portfolio companies	$ 26,476	$ 15,554
Investments made in existing portfolio companies	14,874	28,011
Aggregate amount in exits and repayments	(40,118)	(94,574)
Net investment activity	$ 1,232	$ (51,009)
Portfolio Companies, at beginning of period	58	72
Number of new portfolio companies	4	1
Number of exited portfolio companies	(2)	(5)
Portfolio companies, at end of period	60	68
Number of investments in existing portfolio companies	10	12

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, 2016 and September 30, 2016 (dollars in thousands):

	As of December 31, 2016		As of September 30, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Average portfolio company investment	$ 16,897	$ 15,294	$ 17,464	$ 15,762
Largest portfolio company investment	53,823	52,784	53,777	51,930

The composition of our investments as of December 31, 2016 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	$ 607,039	59.9%	$ 562,490	61.3%
Senior Secured Second Lien Term Loans	230,666	22.8	214,871	23.4
Senior Secured First Lien Notes	26,758	2.6	27,711	3.0
Unsecured Debt	49,892	4.9	39,645	4.3
MCC Senior Loan Strategy JV I LLC	39,375	3.9	39,418	4.3
Equity/Warrants	60,100	5.9	33,478	3.7
Total	$ 1,013,830	100.0%	$ 917,613	100.0%

The composition of our investments as of September 30, 2016 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	$ 612,762	60.5%	$ 565,329	61.8%
Senior Secured Second Lien Term Loans	229,898	22.7	213,537	23.4
Senior Secured First Lien Notes	26,755	2.6	27,423	3.0
Unsecured Debt	62,150	6.1	52,809	5.8
MCC Senior Loan Strategy JV I LLC	32,113	3.2	31,252	3.4
Equity/Warrants	49,213	4.9	23,834	2.6
Total	$ 1,012,891	100.0%	$ 914,184	100.0%

As of December 31, 2016, our income-bearing investment portfolio, which represented nearly 86.4% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 11.7%, and 84.3% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR, and 15.7% 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, 2016 and September 30, 2016 (dollars in thousands):

	December 31, 2016		September 30, 2016	
Investment Performance Rating	**Fair Value**	**Percentage**	**Fair Value**	**Percentage**
1	$ 112,787	12.3%	$ 112,770	12.3%
2	553,408	60.3	554,384	60.6
3	174,885	19.1	170,496	18.7
4	64,002	6.9	65,349	7.2
5	12,531	1.4	11,185	1.2
Total	$ 917,613	100.0%	$ 914,184	100.0%

Results of Operations

Operating results for the three months ended December 31, 2016 and 2015 are as follows (dollars in thousands):

	For the three months ended December 31	
	2016	**2015**
Total investment income	$ 26,056	$ 34,427
Total expenses, net	15,654	18,761
Net investment income before excise taxes	10,402	15,666
Excise tax expense	(267)	—
Net investment income	10,135	15,666
Net realized gains/(losses)	(6,298)	5,378
Net unrealized gains/(losses) on investments	2,489	(60,024)
Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments	—	(224)
Net increase in net assets resulting from operations	$ 6,326	$ (39,204)

Investment Income

For the three months ended December 31, 2016, investment income totaled $26.1 million of which $24.7 million was attributable to portfolio interest and dividend income, and $1.4 million to fee 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.

Operating Expenses

Operating expenses for the three months ended December 31, 2016 and 2015 are as follows (dollars in thousands):

	For the three months ended December 31	
	2016	**2015**
Base management fees	$ 4,515	$ 5,347
Incentive fees	896	3,916
Interest and financing expenses	7,774	6,970
Administrator expenses	916	916
General and administrative	697	710
Professional fees	651	633
Directors fees	170	134
Insurance	99	135
Expenses before management and incentive fee waivers	15,718	18,761
Management fee waiver	(20)	—
Incentive fee waiver	(44)	—
Expenses, net of management and incentive fee waivers	$ 15,654	$ 18,761

For the three months ended December 31, 2016, total operating expenses before manager expense waiver and reimbursement decreased by $3.0 million, or 16.2%, compared to the year ended December 31, 2015.

Interest and financing expenses were higher in the three months ended December 31, 2016 than the three months ended December 31, 2015 due to an increase in LIBOR rates, which increased the interest paid on our five year senior secured term loan credit facility (the "Term Loan Facility"), issuing $74.0 million in aggregate principal amount of 6.50% unsecured notes that mature on January 30, 2021 (the “2021 Notes”) as well as issuing an additional $0.4 million of 6.125% unsecured notes that mature on March 30, 2023 (the “2023 Notes”) through an “At-The-Market” (“ATM”) debt distribution agreement with FBR Capital Markets & Co.

Excluding interest and financing expenses, expenses decreased for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 due to a decrease in base management fees, incentive fees, administrative service fees, insurance fees, and general and administrative expenses, offset by an increase in professional fees and director’s fees. 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. In addition, both the management and incentive fees decreased due to the fee waiver agreement described in the Investment Management Agreement section. 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, 2016 and 2015, we recognized $6.3 million of realized loss and $5.4 million of realized gain on our portfolio investments, respectively.

During the three months ended December 31, 2016, we recognized $6.4 million of realized loss related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. There were no realized gains or losses related to such non-cash restructuring transactions for the three months ended December 31, 2015.

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, 2016 and 2015, we had $2.5 million of unrealized appreciation and $60.0 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, 2016, the Company did not recognize a provision for deferred taxes on the unrealized appreciation for consolidated subsidiaries. For the three months ended December 31, 2015, the Company recognized a provision for deferred taxes on the unrealized appreciation on investments of $0.2 million for consolidated subsidiaries, respectively.

Changes in Net Assets from Operations

For the three months ended December 31, 2016, we recorded a net increase in net assets resulting from operations of $6.3 million compared to a net decrease in net assets resulting from operations of $39.2 million for the three months ended December 31, 2015 as a result of the factors discussed above. Based on 54,474,211 and 56,300,067 weighted average common shares outstanding for the three months ended December 31, 2016 and 2015, respectively, our per share net increase in net assets resulting from operations was $0.12 for the three months ended December 31, 2016 compared to a per share net decrease in net assets from operations of $0.70 for the three months ended December 31, 2015.

Financial Condition, Liquidity and Capital Resources

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

Our liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, advances from the revolving credit facility (the "Revolving Facility" and together with the Term Loan Facility the "Facilities") 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 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 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 ("NYSE") and trade thereon under the trading symbol "MCQ". As of September 30, 2016, $40.0 million in aggregate principal amount of the 2019 Notes were outstanding.

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 NYSE 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 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 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 the 2021 Notes (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 NYSE and trade thereon under the trading symbol ‘‘MCX’’.

On January 14, 2016, the Company closed an additional $3.25 million in aggregate principal amount of the 2021 Notes, pursuant to the partial exercise of the underwriters’ option to purchase additional notes.

On December 12, 2016, the Company entered into an ATM debt distribution agreement with FBR Capital Markets & Co., through which the Company could offer for sale, from time to time, up to $40.0 million in aggregate principal amount of the 2023 Notes. During the period from December 12, 2016 to December 31, 2016, the Company sold 15,159 of the 2023 Notes at an average price of $25.05 per note, and raised $0.4 million in net proceeds, under the ATM debt distribution agreement.

As of December 31, 2016, 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, 2016, we had $102.1 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-guaranteed debentures ("SBA Debentures"), subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA Debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA Debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA Debentures is fixed on a semi-annual basis at a market-driven spread over U.S. Treasury Notes with 10-year maturities. The SBA, as a creditor, will have a superior claim to the SBIC LP’s assets over our stockholders in the event we liquidate the SBIC LP or the SBA exercises its remedies under the SBA Debentures issued by the SBIC LP upon an event of default.

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of $150.0 million when it has at least $75.0 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing.

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 $150.0 million more than it would otherwise be able to absent the receipt of this exemptive relief.

As of December 31, 2016, 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, 2016 and September 30, 2016, we had commitments under loan and financing agreements to fund up to $12.3 million to 8 portfolio companies and $9.2 million to 8 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and a revolver and an analysis of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of December 31, 2016 and September 30, 2016 is shown in the table below (dollars in thousands):

	As of	
	December 31, 2016	September 30, 2016
SMART Financial Operations, LLC - Delayed Draw Term Loan	$ 4,725	$ —
Trans-Fast Remittance LLC - Revolver	1,875	—
AAR Intermediate Holdings, LLC - Revolver	1,366	1,797
Trans-Fast Remittance LLC - Delayed Draw Term Loan	1,057	—
Black Angus Steakhouses, LLC - Delayed Draw Term Loan	893	893
Impact Sales, LLC - Delayed Draw Term Loan	875	—
Brantley Transportation LLC - Delayed Draw Term Loan	788	863
Black Angus Steakhouses, LLC - Revolver	625	446
Access Media Holdings, LLC - Series AA Preferred Equity	60	184
CP OPCO LLC - Revolver	53	609
Tenere Acquisition Corp. - Delayed Draw Term Loan	—	2,000
DHISCO Electronic Distribution, Inc. - Revolver	—	1,905
Lydell Jewelry Design Studio, LLC - Delayed Draw Term Loan	—	500
Total	$ 12,317	$ 9,197

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, 2016 (dollars in thousands):

	Payment Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Revolving Facility	$ 18,000	$ —	$ —	$ 18,000	$ —
Term Loan Facility	174,000	—	—	174,000	—
7.125% Notes	40,000	—	40,000	—	—
6.50% Notes	74,013	—	—	74,013	—
6.125% Notes	63,880	—	—	—	63,880
SBA Debenture	150,000	—	—	—	150,000
Total contractual obligations	$ 519,893	$ —	$ 40,000	$ 266,013	$ 213,880

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, 2016, MCC JV has drawn approximately $79.6 million on the JV Facility. As of December 31, 2016, MCC JV had total investments at fair value of $116.6 million. As of December 31, 2016, MCC JV's portfolio was comprised of senior secured first lien term loans to 36 different borrowers. As of December 31, 2016, certain investments in one portfolio company 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. For the calendar year ended December 31, 2016, the Company did not distribute at least 98% of its ordinary income and 98.2% of its capital gains. Accordingly, with respect to the calendar year ended December 31, 2016, a provision was recorded for federal excise taxes of $0.3 million. There was no provision for federal excise tax for 2015 accrued at December 31, 2015.

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, 2016:

Date Declared	Record Date	Payment Date	Amount Per Share
11/3/2016	11/23/2016	12/23/2016	$ 0.22

Stock Repurchase Program

The following table summarizes our share repurchases under our stock repurchase program for the three months ended December 31, 2016 and 2015 (dollars in thousands):

	For the three months ended December 31	
	2016	2015
Dollar amount repurchased	N/A(1)	$ 1,100
Shares Repurchased	N/A(1)	143,349
Average price per share	N/A(1)	$ 7.68
Weighted average discount to Net Asset Value	N/A(1)	30.2%

(1) The Company did not repurchase any shares for the three months ended December 31, 2016.

On February 5, 2015, our board of directors approved a share repurchase program pursuant to which we could purchase up to an aggregate amount of $30.0 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. As of December 31, 2016, the Company has repurchased an aggregate of 4,259,073 shares of common stock at an average price of $8.16 per share with a total cost of approximately $34.1 million. The maximum dollar value of shares that may yet be purchased under the plan is $15.9 million. 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 $0.23 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.

Investment Management Agreement

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

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- executes, closes, monitors and administers the investments we make, including the exercise of any voting or consent rights.

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

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

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

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

Base Management Fee

For providing investment advisory and management services to us, MCC Advisors receives a base management fee. The base management fee is calculated at an annual rate of 1.75% (0.4375% per quarter) of up to $1.0 billion of the Company's gross assets and 1.50% (0.375% per quarter) of any amounts over $1.0 billion of the Company's gross assets, and is payable quarterly in arrears. The base management fee will be calculated based on the average value of the Company's gross assets at the end of the two most recently completed calendar quarters and will be appropriately pro-rated for any partial quarter.

Incentive Fee

The incentive fee has two components, as follows:

Incentive Fee Based on Income

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

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

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

Quarterly Incentive Fee Based on Income

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

- No incentive fee on net investment income is payable to MCC Advisors for any calendar quarter for which there is no Excess Income Amount.
- 100% of the Ordinary Income, if any, that exceeds the hurdle amount, but is less than or equal to an amount, which we refer to as the "Catch-up Amount," determined as the sum of 1.8182% multiplied by the Company's net assets at the beginning of each applicable calendar quarter, as adjusted as noted above, comprising the relevant Trailing Twelve Quarters is included in the calculation of the incentive fee on net investment income; and
- 17.5% of the Ordinary Income that exceeds the Catch-up Amount is included in the calculation of the incentive fee on net investment income.

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

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

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

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

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

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

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

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

We value investments for which market quotations are readily available at their market quotations, which are generally obtained from an independent pricing service or multiple broker-dealers or market makers. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our board of directors under our valuation policy and process. We may seek pricing information with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. 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, 2016, certain investments in ten portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $60.2 million, or 6.6% of the fair value of our portfolio. At September 30, 2016, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately $55.9 million, or 6.1% of the fair value of our portfolio.

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 January 23, 2017, the Company issued a redemption notice relating to its 2019 Notes. The Company will redeem all of the issued and outstanding 2019 Notes ($40,000,000 in aggregate principal amount) in full on February 22, 2017.

On January 31, 2017, the Company's Board of Directors declared a quarterly dividend of $0.22 per share payable on March 24, 2017, to stockholders of record at the close of business on February 22, 2017.

On February 9, 2017, the Company issued a notice to reduce the Revolving Facility commitment to $200.0 million from $343.5 million. This reduction will be effective on February 14th.

As of February 9, 2017, the Company sold an additional 1,558,713 of the 2023 Notes at an average price of 25.01 per note, and raised $38.2 million in net proceeds, under the ATM debt distribution agreement.

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, 2016, we did not engage in hedging activities.

As of December 31, 2016, 84.3% 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, 2016 was as follows (dollars in thousands):

	December 31, 2016	
	Fair Value	% of Floating Rate Portfolio
Under 1%	$ 141,297	22.0%
1% to under 2%	475,968	69.9
2% to under 3%	35,632	5.5
3%	15,848	2.6
Total	$ 668,745	100.0%

Based on our Consolidated Statement of Assets and Liabilities as of December 31, 2016, 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	$ 4,600	$ 1,900	$ 2,700
200	10,600	3,800	6,800
300	18,400	5,800	12,600
400	26,100	7,700	18,400
500	31,700	9,600	22,100

As of September 30, 2016, 78.7% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate floor as of September 30, 2016 was as follows (dollars in thousands):

	September 30, 2016	
	Fair Value	% of Floating Rate Portfolio
Under 1%	$ 141,508	22.1%
1% to under 2%	445,742	69.6
2% to under 3%	35,632	5.6
3%	17,033	2.7
Total	$ 639,915	100.0%

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2016, 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	$ 3,900	$ 1,900	$ 2,000
200	9,700	3,800	5,900
300	17,200	5,600	11,600
400	24,600	7,500	17,100
500	30,100	9,400	20,700

(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, 2016. 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, 2016, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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.

MCC Advisors LLC was named as a defendant in a lawsuit on May 29, 2015, by Moshe Barkat and Modern VideoFilm Holdings, LLC (“MVF Holdings”) against MCC, MOF II, MCC Advisors LLC, Deloitte Transactions and Business Analytics LLP A/K/A Deloitte ERG (“Deloitte”), Scott Avila (“Avila”), Charles Sweet, and Modern VideoFilm, Inc. (“MVF”). The lawsuit is pending in the California Superior Court, Los Angeles County, Central District, as Case No. BC 583437. The lawsuit was filed after MCC, as agent for the lender group, exercised remedies following a series of defaults by MVF and MVF Holdings on a secured loan with an outstanding balance at the time in excess of $65 million. The lawsuit sought damages in excess of $100 million. Deloitte and Avila have settled the claims against them in exchange for payment of $1.5 million. Following a separate lawsuit by Mr. Barkat against MVF's D&O insurance carrier, the carrier, Charles Sweet and MVF have settled the claims against them. On June 6, 2016, the court granted the defendants' demurrers on several counts and dismissed Mr. Barkat's claims except with respect to his claim for intentional interference with contract. MCC and the other defendants continue to dispute the remaining allegations and are vigorously defending the lawsuit while pursuing affirmative counterclaims against Mr. Barkat and MVF Holdings. On August 29, 2016, MVF Holdings filed another lawsuit in the California Superior Court, Los Angeles County, Central District, as Case No. BC 631888 (the “Derivative Action”), naming Medley as a defendant, among others. In the Derivative Action, MVF Holdings reasserts substantially the same claims that were previously asserted in each of their three prior complaints. MVF Holdings claims for breach of fiduciary duty and related causes of action have already been dismissed by the California Superior Court on several occasions, most recently, on June 6, 2016, when the Court dismissed those claims with prejudice. Medley and the other defendants believe the outstanding claims for alleged interference with Mr. Barkat's employment contract, and the other causes of action asserted in the Derivative Action are without merit and all defendants intend to continue to assert a vigorous defense.

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, 2016, filed with the SEC on December 8, 2016, 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, 2016 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

On February 5, 2015, the Company’s board of directors approved a share repurchase plan to repurchase equity interests up to an aggregate amount of $30 million 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. The Company did not repurchase any shares for the three months ended December 31, 2016.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	Certificate of Incorporation (Incorporated by reference to Exhibit 99.A.3 to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
3.2	Form of Bylaws (Incorporated by reference to Exhibit 99.B.3 to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit 99.D to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
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	Letter from MCC Advisors LLC re: Waiver of Base Management Fee and Incentive Fee on Net Investment Income, dated February 8, 2016 (Incorporated by reference to Exhibit 99.K.5 to Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-208746), filed on March 25, 2016).
10.3	Form of Custody Agreement (Incorporated by reference to Exhibit 99.J to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
10.4	Form of Administration Agreement (Incorporated by reference to Exhibit 99.K to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010).
10.5	Form of Sub-Administration Agreement (Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
10.6	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).
10.7	Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010).
10.8	Senior Secured Revolving Credit Agreement among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
10.9	Guarantee, Pledge and Security Agreement among the Company, the Subsidiary Guarantors party thereto, ING Capital LLC, as Administrative Agent, each Financial Agent and Designated Indebtedness Holder party thereto and ING Capital LLC, as Collateral Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
10.10	Amendment No. 1, dated as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
10.11	Amendment No. 2, dated as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).
10.12	Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 and December 7, 2012, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).
10.13	Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
10.14	Amendment No. 1, dated as of December 7, 2012, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).
10.15	Amendment No. 2, dated as of January 23, 2013, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the

Senior Secured Term Loan Credit Agreement, dated as of January 23, 2013 (Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013).

10.16	Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 and January 23, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).
10.17	Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012 and March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).
10.18	Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013 and March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).
10.19	Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).
10.20	Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).
10.21	Amendment No. 6, dated as of February 2, 2015, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q filed on February 9, 2015).
10.22	Amendment No. 6 to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q filed on February 9, 2015).
10.23	Amendment No. 1 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivore LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016).
10.24	Amendment No. 1 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivore LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016).
10.25	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).
10.26	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).
10.27	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).

10.28 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).

10.29 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).

10.30 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).

10.31 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 Power of attorney (included on the signature page hereto)

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.*

* Filed herewith.

SIGNATURES

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

Dated: February 9, 2017	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
Medley SBIC GP, LLC	Delaware
MCC Investment Holdings LLC	Delaware
MCC Investment Holdings AAR LLC	Delaware
MCC Investment Holdings AmveStar LLC	Delaware
MCC Investment Holdings Omnivere LLC	Delaware
MCC Investment Holdings 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) of the Securities Exchange Act of 1934

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, 2017

/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) of the Securities Exchange Act of 1934

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, 2017

/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, 2016, 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, 2017

By /s/ Brook Taube
Brook Taube
Chief Executive Officer

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