

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 March 31, 2019

or

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

For the transition period from _____ to _____

Commission file number: 1-35040

MEDLEY CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

27-4576073

(I.R.S. Employer
Identification No.)

280 Park Avenue, 6th Floor East, New York, NY 10017

(Address of Principal Executive Offices)

10017

(Zip Code)

(212) 759-0777

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | MCC | The New York Stock Exchange |
| Common Stock, par value \$0.001 per share | MCC | The Tel Aviv Stock Exchange |
| 6.500% Notes due 2021 | MCX | The New York Stock Exchange |
| 6.125% Notes due 2023 | MCV | The New York Stock Exchange |
| 5.550% Notes due 2024 | MCC.B1 | The Tel Aviv Stock Exchange |

The Registrant had 54,474,211 shares of common stock, \$0.001 par value, outstanding as of May 10, 2019.

MEDLEY CAPITAL CORPORATION

TABLE OF CONTENTS

| | | |
|-------------------|--|-----------------------------|
| Part I. | Financial Information | |
| Item 1. | Financial Statements | |
| | <u>Consolidated Statements of Assets and Liabilities as of March 31, 2019 (unaudited) and September 30, 2018</u> | <u>F-1</u> |
| | <u>Consolidated Statements of Operations for the three and six months ended March 31, 2019 and 2018 (unaudited)</u> | <u>F-2</u> |
| | <u>Consolidated Statements of Changes in Net Assets for the six months ended March 31, 2019 and 2018 (unaudited)</u> | <u>F-3</u> |
| | <u>Consolidated Statements of Cash Flows for the six months ended March 31, 2019 and 2018 (unaudited)</u> | <u>F-5</u> |
| | <u>Consolidated Schedules of Investments as of March 31, 2019 (unaudited) and September 30, 2018</u> | <u>F-6</u> |
| | <u>Notes to Consolidated Financial Statements (unaudited)</u> | <u>F-21</u> |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>1</u> |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>19</u> |
| Item 4. | <u>Controls and Procedures</u> | <u>20</u> |
| Part II. | Other Information | |
| Item 1. | <u>Legal Proceedings</u> | <u>21</u> |
| Item 1A. | <u>Risk Factors</u> | <u>23</u> |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>23</u> |
| Item 3. | <u>Defaults Upon Senior Securities</u> | <u>23</u> |
| Item 4. | <u>Mine Safety Disclosures</u> | <u>23</u> |
| Item 5. | <u>Other Information</u> | <u>23</u> |
| Item 6. | <u>Exhibits</u> | <u>23</u> |
| SIGNATURES | | <u>27</u> |

Medley Capital Corporation
Consolidated Statements of Assets and Liabilities

| | March 31, 2019 | September 30, 2018 |
|---|-----------------------|-----------------------|
| | (unaudited) | |
| ASSETS | | |
| Investments at fair value | | |
| Non-controlled/non-affiliated investments (amortized cost of \$366,734,912 and \$428,717,777, respectively) | \$ 351,330,429 | \$ 393,149,374 |
| Affiliated investments (amortized cost of \$125,595,735 and \$102,546,973, respectively) | 118,216,013 | 100,640,804 |
| Controlled investments (amortized cost of \$187,816,169 and \$233,421,693, respectively) | 142,953,703 | 161,639,736 |
| Total investments at fair value | 612,500,145 | 655,429,914 |
| Cash and cash equivalents | 73,407,222 | 75,665,981 |
| Interest receivable | 5,779,241 | 6,377,076 |
| Other assets | 3,135,225 | 3,420,442 |
| Receivable for dispositions and investments sold | 512,103 | 160,257 |
| Fees receivable | 199,449 | 187,276 |
| Deferred offering costs | — | 354,754 |
| Total assets | \$ 695,533,385 | \$ 741,595,700 |
| LIABILITIES | | |
| Notes payable (net of debt issuance costs of \$6,870,330 and \$8,238,300, respectively) | \$ 265,156,464 | \$ 276,909,028 |
| SBA debentures payable (net of debt issuance costs of \$1,881,346 and \$2,095,329, respectively) | 133,118,654 | 132,904,671 |
| Accounts payable and accrued expenses | 11,788,258 | 2,935,833 |
| Management and incentive fees payable (see Note 6) | 3,084,382 | 3,347,674 |
| Interest and fees payable | 3,008,064 | 3,280,018 |
| Administrator expenses payable (see Note 6) | 667,649 | 808,546 |
| Due to affiliate | 276,197 | 39,051 |
| Deferred revenue | 112,741 | 192,152 |
| Total liabilities | \$ 417,212,409 | \$ 420,416,973 |
| Guarantees and Commitments (see Note 8) | | |
| NET ASSETS | | |
| Common stock, par value \$0.001 per share, 100,000,000 common shares authorized, 54,474,211 and 54,474,211 common shares issued and outstanding, respectively | \$ 54,474 | \$ 54,474 |
| Capital in excess of par value | 698,586,770 | 698,586,770 |
| Total distributable earnings/(loss) | (420,320,268) | (377,462,517) |
| Total net assets | 278,320,976 | 321,178,727 |
| Total liabilities and net assets | \$ 695,533,385 | \$ 741,595,700 |
| NET ASSET VALUE PER SHARE | \$ 5.11 | \$ 5.90 |

See accompanying notes to consolidated financial statements.

Medley Capital Corporation
Consolidated Statements of Operations

| | <u>For the three months ended March 31</u> | | <u>For the six months ended March 31</u> | |
|---|--|-----------------|--|-----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| INVESTMENT INCOME | | | | |
| Interest from investments | | | | |
| Non-controlled/non-affiliated investments: | | | | |
| Cash | \$ 7,509,634 | \$ 10,966,668 | \$ 15,587,237 | \$ 24,057,020 |
| Payment-in-kind | 605,640 | 872,495 | 1,178,183 | 2,513,628 |
| Affiliated investments: | | | | |
| Cash | 459,966 | 490,765 | 1,211,717 | 1,068,074 |
| Payment-in-kind | 644,575 | 769,572 | 1,616,365 | 1,619,067 |
| Controlled investments: | | | | |
| Cash | 85,626 | 426,537 | 163,458 | 856,299 |
| Payment-in-kind | 760,525 | 815,135 | 1,788,857 | 1,533,653 |
| Total interest income | 10,065,966 | 14,341,172 | 21,545,817 | 31,647,741 |
| Dividend income (net of provisional taxes of \$0 and \$0, respectively) | 1,991,527 | 2,172,610 | 4,091,527 | 3,616,360 |
| Interest from cash and cash equivalents | 211,215 | 25,794 | 372,529 | 57,563 |
| Fee income (see Note 9) | 318,160 | 495,508 | 778,837 | 2,344,268 |
| Total investment income | 12,586,868 | 17,035,084 | 26,788,710 | 37,665,932 |
| EXPENSES | | | | |
| Base management fees (see Note 6) | 3,084,382 | 3,775,882 | 6,269,526 | 7,843,723 |
| Incentive fees (see Note 6) | — | — | — | — |
| Interest and financing expenses | 5,898,689 | 7,470,017 | 11,907,805 | 14,229,216 |
| Professional fees | 10,156,703 | 555,865 | 11,357,280 | 1,141,532 |
| General and administrative | 2,880,717 | 671,784 | 3,484,866 | 1,429,039 |
| Administrator expenses (see Note 6) | 667,649 | 956,589 | 1,699,776 | 1,823,920 |
| Directors fees | 376,625 | 251,315 | 668,850 | 398,495 |
| Insurance | 116,791 | 130,074 | 236,177 | 263,288 |
| Expenses before management and incentive fee waivers | 23,181,556 | 13,811,526 | 35,624,280 | 27,129,213 |
| Management fee waiver (see Note 6) | — | (380,000) | — | (380,000) |
| Incentive fee waiver (see Note 6) | — | — | — | — |
| Total expenses net of management and incentive fee waivers | 23,181,556 | 13,431,526 | 35,624,280 | 26,749,213 |
| Net investment income before excise taxes | (10,594,688) | 3,603,558 | (8,835,570) | 10,916,719 |
| Excise tax expense | — | (23,922) | — | (157,922) |
| NET INVESTMENT INCOME | (10,594,688) | 3,579,636 | (8,835,570) | 10,758,797 |
| REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS | | | | |
| Net realized gain/(loss) from investments | | | | |
| Non-controlled/non-affiliated investments | (10,615,469) | (23,330,652) | (15,799,379) | (23,352,128) |
| Affiliated investments | — | — | — | — |
| Controlled investments | — | — | (51,538,556) | — |
| Net realized gain/(loss) from investments | (10,615,469) | (23,330,652) | (67,337,935) | (23,352,128) |
| Net unrealized appreciation/(depreciation) on investments | | | | |
| Non-controlled/non-affiliated investments | 19,351,739 | 6,322,632 | 20,163,920 | (28,147,825) |
| Affiliated investments | (3,078,960) | (4,928,871) | (5,473,553) | (645,603) |
| Controlled investments | (19,671,818) | (9,454,224) | 26,919,491 | (18,458,717) |
| Net unrealized appreciation/(depreciation) on investments | (3,399,039) | (8,060,463) | 41,609,858 | (47,252,145) |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | 190,494 | — | 280,503 |
| Net loss on extinguishment of debt (see Note 5) | — | (1,157,636) | (122,971) | (1,157,636) |
| Net realized and unrealized gain/(loss) on investments | (14,014,508) | (32,358,257) | (25,851,048) | (71,481,406) |
| NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | \$ (24,609,196) | \$ (28,778,621) | \$ (34,686,618) | \$ (60,722,609) |
| WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE | | | | |
| WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE | \$ (0.45) | \$ (0.53) | \$ (0.64) | \$ (1.11) |
| WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE | \$ (0.19) | \$ 0.07 | \$ (0.16) | \$ 0.20 |
| WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11) | 54,474,211 | 54,474,211 | 54,474,211 | 54,474,211 |
| DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.05 | \$ 0.16 | \$ 0.15 | \$ 0.32 |

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets

| | Common Stock | | | Total Distributable Earnings/(Loss) | Total Net Assets |
|--|--------------|------------|-----------------------------------|---|------------------|
| | Shares | Par Amount | Capital in Excess of Par Value | | |
| Balance at December 31, 2017 | 54,474,211 | \$ 54,474 | \$ 705,046,098 | \$ (285,331,117) | \$ 419,769,455 |
| OPERATIONS | | | | | |
| Net investment income | — | — | — | 3,579,636 | 3,579,636 |
| Net realized gain/(loss) from investments | — | — | — | (23,330,652) | (23,330,652) |
| Net unrealized appreciation/(depreciation) on investments | — | — | — | (8,060,463) | (8,060,463) |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | — | — | 190,494 | 190,494 |
| Net loss on extinguishment of debt | — | — | — | (1,157,636) | (1,157,636) |
| SHAREHOLDER DISTRIBUTIONS | | | | | |
| Distributions from earnings | — | — | — | (8,715,874) | (8,715,874) |
| COMMON SHARE TRANSACTIONS | | | | | |
| Offering costs | — | — | — | — | — |
| Total increase/(decrease) in net assets | — | — | — | (37,494,495) | (37,494,495) |
| Balance at March 31, 2018 | 54,474,211 | \$ 54,474 | \$ 705,046,098 | \$ (322,825,612) | \$ 382,274,960 |
| Balance at December 31, 2018 | 54,474,211 | \$ 54,474 | \$ 698,586,770 | \$ (392,987,360) | \$ 305,653,884 |
| OPERATIONS | | | | | |
| Net investment income | — | — | — | (10,594,688) | (10,594,688) |
| Net realized gain/(loss) from investments | — | — | — | (10,615,469) | (10,615,469) |
| Net unrealized appreciation/(depreciation) on investments | — | — | — | (3,399,039) | (3,399,039) |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | — | — | — | — |
| Net loss on extinguishment of debt | — | — | — | — | — |
| SHAREHOLDER DISTRIBUTIONS | | | | | |
| Distributions from earnings | — | — | — | (2,723,712) | (2,723,712) |
| COMMON SHARE TRANSACTIONS | | | | | |
| Offering costs | — | — | — | — | — |
| Total increase/(decrease) in net assets | — | — | — | (27,332,908) | (27,332,908) |
| Balance at March 31, 2019 | 54,474,211 | \$ 54,474 | \$ 698,586,770 | \$ (420,320,268) | \$ 278,320,976 |

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Statements of Changes in Net Assets
(continued)

| | Common Stock | | | Total Distributable Earnings/(Loss) | Total Net Assets |
|--|--------------|------------|-----------------------------------|---|------------------|
| | Shares | Par Amount | Capital in Excess of Par Value | | |
| Balance at September 30, 2017 | 54,474,211 | \$ 54,474 | \$ 705,046,098 | \$ (244,671,255) | \$ 460,429,317 |
| OPERATIONS | | | | | |
| Net investment income | — | — | — | 10,758,797 | 10,758,797 |
| Net realized gain/(loss) from investments | — | — | — | (23,352,128) | (23,352,128) |
| Net unrealized appreciation/(depreciation) on investments | — | — | — | (47,252,145) | (47,252,145) |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | — | — | 280,503 | 280,503 |
| Net loss on extinguishment of debt | — | — | — | (1,157,636) | (1,157,636) |
| SHAREHOLDER DISTRIBUTIONS | | | | | |
| Distributions from earnings | — | — | — | (17,431,748) | (17,431,748) |
| COMMON SHARE TRANSACTIONS | | | | | |
| Offering costs | — | — | — | — | — |
| Total increase/(decrease) in net assets | — | — | — | (78,154,357) | (78,154,357) |
| Balance at March 31, 2018 | 54,474,211 | \$ 54,474 | \$ 705,046,098 | \$ (322,825,612) | \$ 382,274,960 |
| Balance at September 30, 2018 | 54,474,211 | \$ 54,474 | \$ 698,586,770 | \$ (377,462,517) | \$ 321,178,727 |
| OPERATIONS | | | | | |
| Net investment income | — | — | — | (8,835,570) | (8,835,570) |
| Net realized gain/(loss) from investments | — | — | — | (67,337,935) | (67,337,935) |
| Net unrealized appreciation/(depreciation) on investments | — | — | — | 41,609,858 | 41,609,858 |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | — | — | — | — |
| Net loss on extinguishment of debt | — | — | — | (122,971) | (122,971) |
| SHAREHOLDER DISTRIBUTIONS | | | | | |
| Distributions from earnings | — | — | — | (8,171,133) | (8,171,133) |
| COMMON SHARE TRANSACTIONS | | | | | |
| Offering costs | — | — | — | — | — |
| Total increase/(decrease) in net assets | — | — | — | (42,857,751) | (42,857,751) |
| Balance at March 31, 2019 | 54,474,211 | \$ 54,474 | \$ 698,586,770 | \$ (420,320,268) | \$ 278,320,976 |

See accompanying notes to consolidated financial statements.

Medley Capital Corporation
Consolidated Statements of Cash Flows

| | For the six months ended March 31 | |
|---|--|----------------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities | | |
| NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS | \$ (34,686,618) | \$ (60,722,609) |
| 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 | (5,171,194) | (4,493,565) |
| Net amortization of premium/(discount) on investments | (224,124) | (481,129) |
| Amortization of debt issuance costs | 1,352,147 | 1,874,923 |
| Net realized (gain)/loss from investments | 67,337,935 | 23,352,128 |
| Net deferred income taxes | — | (280,502) |
| Net unrealized (appreciation)/depreciation on investments | (41,609,858) | 47,252,145 |
| Proceeds from sale and settlements of investments | 75,033,854 | 127,510,828 |
| Purchases, originations and participations | (52,436,844) | (102,964,383) |
| Net loss on extinguishment of debt | 122,971 | 1,157,636 |
| (Increase)/decrease in operating assets: | | |
| Interest receivable | 597,835 | (55,716) |
| Other assets | 285,217 | 121,914 |
| Receivable for dispositions and investments sold | (351,846) | 52,721 |
| Fees receivable | (12,173) | 74,029 |
| Increase/(decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 8,852,425 | (58,629) |
| Management and incentive fees payable, net | (263,292) | (916,122) |
| Interest and fees payable | (271,954) | (1,035,245) |
| Administrator expenses payable | (140,897) | 105,795 |
| Due to affiliate | 237,146 | 45,526 |
| Deferred revenue | (79,411) | (8,970) |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | <u>18,571,319</u> | <u>30,530,775</u> |
| Cash flows from financing activities | | |
| Borrowings on debt | — | 139,275,690 |
| Paydowns on debt | (12,999,337) | (189,000,000) |
| Debt issuance costs paid | (14,361) | (6,472,459) |
| Payments of cash dividends | (8,171,133) | (17,431,748) |
| Offering costs paid | 354,753 | (44,594) |
| NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES | <u>(20,830,078)</u> | <u>(73,673,111)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (2,258,759) | (43,142,336) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 75,665,981 | 108,571,958 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 73,407,222</u> | <u>\$ 65,429,622</u> |
| Supplemental Information: | | |
| Interest paid during the period | \$ 10,827,613 | \$ 13,352,037 |
| Supplemental non-cash information: | | |
| Payment-in-kind interest income | \$ 4,583,405 | \$ 5,666,348 |
| Net amortization of premium/(discount) on investments | \$ 224,124 | \$ 481,129 |
| Amortization of debt issuance costs | \$ (1,352,147) | \$ (1,874,923) |
| Non-cash purchase of investments | \$ 47,483 | \$ 1,392,699 |
| Non-cash sale of investments | \$ — | \$ 1,392,699 |

See accompanying notes to consolidated financial statements.

Medley Capital Corporation
Consolidated Schedule of Investments

March 31, 2019
(unaudited)

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|-------------------------------|--|------------|---------------------------|---------------------|---------------|--------------------------------|
| Non-Controlled/Non-Affiliated Investments: | | | | | | | |
| 3SI Security Systems, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/16/2023 | \$ 17,237,500 | \$ 17,237,500 | \$ 17,237,500 | 6.2% |
| | | | | 17,237,500 | 17,237,500 | 17,237,500 | |
| Accupac, Inc. ⁽⁷⁾ | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁹⁾ | 9/14/2023 | 9,548,873 | 9,548,873 | 9,427,260 | 3.4% |
| | | | | 9,548,873 | 9,548,873 | 9,427,260 | |
| Alpine SG, LLC ⁽⁷⁾ | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 13,398,750 | 13,398,750 | 13,398,750 | 4.8% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 6,617,630 | 6,617,630 | 6,617,630 | 2.4% |
| | | Revolving Credit Facility (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 11/16/2022 | — | — | — | 0.0% |
| | | | | 20,016,380 | 20,016,380 | 20,016,380 | |
| American Dental Partners, Inc. | Healthcare & Pharmaceuticals | Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/25/2023 | 4,387,500 | 4,387,500 | 4,294,924 | 1.5% |
| | | | | 4,387,500 | 4,387,500 | 4,294,924 | |
| Autosplice, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/17/2020 | 13,706,464 | 13,706,464 | 13,706,464 | 4.9% |
| | | | | 13,706,464 | 13,706,464 | 13,706,464 | |
| Barry's Bootcamp Holdings, LLC ⁽⁷⁾ | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/14/2022 | 7,628,570 | 7,628,570 | 7,554,700 | 2.7% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/14/2022 | — | — | — | 0.0% |
| | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 7/14/2022 | 3,740,000 | 3,740,000 | 3,703,040 | 1.3% |
| | | | | 11,368,570 | 11,368,570 | 11,257,740 | |
| Be Green Packaging, LLC | Containers, Packaging & Glass | Equity - 417 Common Units | | — | 416,250 | — | 0.0% |
| | | | | — | 416,250 | — | |
| Black Angus Steakhouses, LLC ⁽⁷⁾ | Hotel, Gaming & Leisure | Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/24/2020 | 7,392,857 | 7,392,857 | 7,367,171 | 2.6% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/24/2020 | — | — | — | 0.0% |
| | | Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 4/24/2020 | 580,357 | 580,357 | 580,357 | 0.2% |
| | | | | 7,973,214 | 7,973,214 | 7,947,528 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|-------------------------------|--|------------|---------------------------|---------------------|-------------------|--------------------------------|
| Brook & Whittle Holding Corp. | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/17/2024 | 1,313,645 | 1,313,645 | 1,313,645 | 0.5% |
| | | Senior Secured First Lien Incremental Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/17/2024 | 4,634,401 | 4,634,401 | 4,634,401 | 1.7% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/17/2024 | 308,952 | 308,952 | 308,952 | 0.1% |
| | | | | <u>6,256,998</u> | <u>6,256,998</u> | <u>6,256,998</u> | |
| Central States Dermatology Services, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 4/20/2022 | 1,070,887 | 1,070,887 | 1,070,887 | 0.4% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 4/20/2022 | 406,298 | 406,298 | 406,298 | 0.1% |
| | | | | <u>1,477,185</u> | <u>1,477,185</u> | <u>1,477,185</u> | |
| CPI International, Inc. | Aerospace & Defense | Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 7/28/2025 | 3,010,025 | 2,997,331 | 2,919,724 | 1.0% |
| | | | | <u>3,010,025</u> | <u>2,997,331</u> | <u>2,919,724</u> | |
| Crow Precision Components, LLC | Aerospace & Defense | Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/30/2019 | 12,590,000 | 12,590,000 | 12,590,000 | 4.5% |
| | | Equity - 350 Common Units | | — | 700,000 | 658,858 | 0.2% |
| | | | | <u>12,590,000</u> | <u>13,290,000</u> | <u>13,248,858</u> | |
| CT Technologies Intermediate Holdings, Inc. ⁽¹²⁾ | Healthcare & Pharmaceuticals | Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 12/1/2022 | 7,500,000 | 7,500,000 | 6,126,000 | 2.2% |
| | | | | 7,500,000 | 7,500,000 | 6,126,000 | |
| | | | | <u>7,500,000</u> | <u>7,500,000</u> | <u>6,126,000</u> | |
| DataOnline Corp. ⁽⁷⁾ | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/31/2025 | 15,920,000 | 15,920,000 | 15,920,000 | 5.7% |
| | | Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 7/31/2024 | — | — | — | 0.0% |
| | | | | <u>15,920,000</u> | <u>15,920,000</u> | <u>15,920,000</u> | |
| Dream Finders Homes, LLC | Construction & Building | Senior Secured First Lien Term Loan B (10.00% Cash) | 10/1/2019 | 2,105,944 | 2,105,944 | 2,105,944 | 0.8% |
| | | Preferred Equity (8.00% PIK) | | 4,022,521 | 4,022,521 | 4,022,521 | 1.4% |
| | | | | <u>6,128,465</u> | <u>6,128,465</u> | <u>6,128,465</u> | |
| FKI Security Group, LLC ⁽¹²⁾ | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 3/30/2020 | 11,093,750 | 11,093,750 | 10,885,188 | 3.9% |
| | | | | <u>11,093,750</u> | <u>11,093,750</u> | <u>10,885,188</u> | |
| Footprint Acquisition, LLC | Services: Business | Preferred Equity (8.75% PIK) | | 6,975,702 | 6,975,702 | 6,975,702 | 2.5% |
| | | Equity - 150 Common Units | | — | — | 3,347,966 | 1.2% |
| | | | | <u>6,975,702</u> | <u>6,975,702</u> | <u>10,323,668</u> | |
| Freedom Powersports, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor) ⁽¹⁴⁾ | 9/26/2019 | 10,190,000 | 10,190,000 | 10,190,000 | 3.7% |
| | | | | 10,190,000 | 10,190,000 | 10,190,000 | |
| | | | | <u>10,190,000</u> | <u>10,190,000</u> | <u>10,190,000</u> | |
| Friedrich Holdings, Inc. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 2/7/2023 | 9,848,862 | 9,848,862 | 9,848,862 | 3.5% |
| | | | | <u>9,848,862</u> | <u>9,848,862</u> | <u>9,848,862</u> | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ | | |
|---|---|---|------------|--|---------------------|---------------------------------------|--------------------------------|------------|------|
| Global Accessories Group, LLC ⁽¹²⁾ | Consumer goods: Non-durable | Equity - 3.8% Membership Interest | | — | 151,337 | 151,339 | 0.1% | | |
| | | | | — | 151,337 | 151,339 | | | |
| Heligear Acquisition Co. | Aerospace & Defense | Senior Secured First Lien Note (10.25% Cash) ⁽⁸⁾ | 10/15/2019 | 20,000,000 | 20,000,000 | 19,268,000 | 6.9% | | |
| | | | | 20,000,000 | 20,000,000 | 19,268,000 | | | |
| The Imagine Group, LLC | Media: Advertising, Printing & Publishing | Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 6/21/2023 | 3,000,000 | 2,965,433 | 2,708,700 | 1.0% | | |
| | | | | 3,000,000 | 2,965,433 | 2,708,700 | | | |
| Impact Group, LLC | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/27/2023 | 3,271,954 | 3,271,954 | 3,160,052 | 1.1% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/27/2023 | 9,479,987 | 9,479,987 | 9,155,771 | 3.3% |
| | | | | | | 12,751,941 | 12,751,941 | 12,315,823 | |
| InterFlex Acquisition Company, LLC | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/18/2022 | 13,687,500 | 13,687,500 | 12,822,450 | 4.6% | | |
| | | | | 13,687,500 | 13,687,500 | 12,822,450 | | | |
| L & S Plumbing Partnership, Ltd. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 2/15/2022 | 6,369,191 | 6,369,191 | 6,369,191 | 2.3% | | |
| | | | | 6,369,191 | 6,369,191 | 6,369,191 | | | |
| Lighting Science Group Corporation | Containers, Packaging & Glass | Warrants - 1.01% of Outstanding Equity ⁽¹⁸⁾ | 2/19/2024 | — | 955,680 | — | 0.0% | | |
| | | | | — | 955,680 | — | | | |
| Manna Pro Products, LLC ⁽⁷⁾ | Consumer goods: Non-durable | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 12/8/2023 | 5,426,096 | 5,426,096 | 5,182,464 | 1.9% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁹⁾ | 12/8/2023 | 670,363 | 670,363 | 621,020 | 0.2% |
| | | | | | | 6,096,459 | 6,096,459 | 5,803,484 | |
| Oxford Mining Company, LLC | Metals & Mining | Senior Secured First Lien Term Loan (LIBOR + 10.50% Cash, 0.75% LIBOR Floor, 3.00% PIK) ⁽¹⁰⁾⁽¹⁴⁾ | 12/31/2018 | 22,880,957 | 19,741,264 | 6,923,777 | 2.5% | | |
| | | | | 22,880,957 | 19,741,264 | 6,923,777 | | | |
| Point.360 | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) ⁽¹⁰⁾⁽¹⁶⁾ | 7/8/2020 | 2,103,712 | 2,103,712 | 1,051,856 | 0.4% | | |
| | | | | Equity - 479,283 Common Units | 7/8/2020 | — | 129,406 | — | 0.0% |
| | | | | | | Warrants - 2.8% of Outstanding Equity | — | 52,757 | — |
| | | | | 2,103,712 | 2,285,875 | 1,051,856 | | | |
| RateGain Technologies, Inc. | Hotel, Gaming & Leisure | Unsecured Debt ⁽²¹⁾ | 7/31/2020 | 761,905 | 761,905 | 761,905 | 0.3% | | |
| | | | | Unsecured Debt ⁽²¹⁾ | 7/31/2021 | 761,905 | 761,905 | 761,905 | 0.3% |
| | | | | | | 1,523,810 | 1,523,810 | 1,523,810 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|--|---|--|------------|---------------------------|---------------------|------------|--------------------------------|
| Redwood Services Group, LLC ⁽⁷⁾ | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/6/2023 | 5,992,219 | 5,992,219 | 5,992,219 | 2.2% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/6/2023 | 6,193,535 | 6,193,535 | 6,193,535 | 2.2% |
| | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 6/6/2023 | 875,000 | 875,000 | 875,000 | 0.3% |
| | | | | 13,060,754 | 13,060,754 | 13,060,754 | |
| RMS Holding Company, LLC ⁽⁷⁾ | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 15,192,735 | 15,192,735 | 15,192,735 | 5.5% |
| | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 11/16/2022 | 1,973,728 | 1,973,728 | 1,963,868 | 0.7% |
| | | | | 17,166,463 | 17,166,463 | 17,156,603 | |
| SavATree, LLC | Environmental Industries | Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/2/2022 | 2,015,482 | 2,015,482 | 2,015,482 | 0.7% |
| | | | | 2,015,482 | 2,015,482 | 2,015,482 | |
| Sendero Drilling Company, LLC | Energy: Oil & Gas | Unsecured Debt (8.00% Cash) | 8/31/2019 | 850,000 | 850,000 | 850,000 | 0.3% |
| | | | | 850,000 | 850,000 | 850,000 | |
| Seotowncenter, Inc. | Services: Business | Equity - 3,249.697 Common Units | | — | 500,000 | 1,169,891 | 0.4% |
| | | | | — | 500,000 | 1,169,891 | |
| SFP Holding, Inc. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/1/2022 | 9,690,290 | 9,690,290 | 9,690,290 | 3.5% |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/1/2022 | 3,761,318 | 3,761,318 | 3,761,318 | 1.4% |
| | | Equity - 1.42% Company Interest | | — | 736,905 | 736,905 | 0.3% |
| | | | | 13,451,608 | 14,188,513 | 14,188,513 | |
| Ship Supply Acquisition Corporation | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 7/31/2020 | 7,433,740 | 7,239,798 | 2,867,937 | 1.0% |
| | | | | 7,433,740 | 7,239,798 | 2,867,937 | |
| SMART Financial Operations, LLC | Retail | Equity - 700,000 Class A Preferred Units | | — | 700,000 | 539,000 | 0.2% |
| | | | | — | 700,000 | 539,000 | |
| Stancor, Inc. | Services: Business | Equity - 263,814.43 Class A Units | | — | 263,814 | 274,367 | 0.1% |
| | | | | — | 263,814 | 274,367 | |
| Starfish Holdco, LLC | High Tech Industries | Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/18/2025 | 2,000,000 | 1,974,224 | 1,997,600 | 0.7% |
| | | | | 2,000,000 | 1,974,224 | 1,997,600 | |
| Trans-Fast Remittance LLC ⁽⁷⁾ | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁷⁾ | 12/2/2021 | 3,567,857 | 3,567,857 | 3,542,882 | 1.3% |
| | | Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁷⁾ | 12/2/2021 | 1,875,000 | 1,875,000 | 1,864,875 | 0.7% |
| | | | | 5,442,857 | 5,442,857 | 5,407,757 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|------------------------------------|---|-----------|---------------------------|-----------------------|-----------------------|--------------------------------|
| Vail Holdco Corp | Wholesale | Equity - 11,396 Shares of Series A Preferred Stock (12.50% PIK) ⁽⁸⁾ | | 11,396,000 | 10,970,214 | 11,328,764 | 4.1% |
| | | Equity - 7,700 Shares of Junior Convertible Preferred Stock | | 7,700,000 | 7,700,000 | 12,413,940 | 4.5% |
| | | Warrants - 0.4875% of Outstanding Equity | | — | 425,787 | 899,358 | 0.3% |
| | | | | 19,096,000 | 19,096,001 | 24,642,062 | |
| Velocity Pooling Vehicle, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 11.00% PIK, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/28/2023 | 835,262 | 767,173 | 737,871 | 0.3% |
| | | Equity - 5,441 Class A Units | | — | 302,464 | 302,465 | 0.1% |
| | | Warrants - 0.65% of Outstanding Equity | 3/30/2028 | — | 361,667 | 361,669 | 0.1% |
| | | | | 835,262 | 1,431,304 | 1,402,005 | |
| Walker Edison Furniture Company LLC | Consumer goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/26/2024 | 13,721,203 | 13,721,203 | 13,721,203 | 4.9% |
| | | Equity - 1,500 Common Units | | — | 1,500,000 | 1,500,000 | 0.5% |
| | | | | 13,721,203 | 15,221,203 | 15,221,203 | |
| Watermill-QMC Midco, Inc. | Automotive | Equity - 1.3% Partnership Interest ⁽⁹⁾ | | — | 518,283 | 181,399 | 0.1% |
| | | | | — | 518,283 | 181,399 | |
| Xebec Global Holdings, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 2/12/2024 | 4,204,682 | 4,204,682 | 4,204,682 | 1.5% |
| | | | | 4,204,682 | 4,204,682 | 4,204,682 | |
| Subtotal Non-Controlled/Non-Affiliated Investments | | | | \$ 362,921,109 | \$ 366,734,912 | \$ 351,330,429 | |
| Affiliated Investments: | | | | | | | |
| 1888 Industrial Services, LLC ⁽⁷⁾ | Energy: Oil & Gas | Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/30/2021 | \$ 8,984,232 | \$ 8,984,232 | \$ 8,984,232 | 3.2% |
| | | Senior Secured First Lien Term Loan B (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 9/30/2021 | 22,330,717 | 20,060,891 | 13,125,995 | 4.7% |
| | | Revolving Credit Facility (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 9/30/2021 | 3,054,639 | 3,054,639 | 3,054,639 | 1.1% |
| | | Equity - 21,562.16 Class A Units | | — | — | — | 0.0% |
| | | | | 34,369,588 | 32,099,762 | 25,164,866 | |
| Access Media Holdings, LLC ⁽⁷⁾ | Media: Broadcasting & Subscription | Senior Secured First Lien Term Loan (10.00% PIK) ⁽¹⁰⁾ | 7/22/2020 | 9,538,339 | 8,446,385 | 5,365,316 | 1.9% |
| | | Preferred Equity Series A | | 1,600,000 | 1,600,000 | — | 0.0% |
| | | Preferred Equity Series AA | | 800,000 | 800,000 | — | 0.0% |
| | | Preferred Equity Series AAA | | 971,200 | 971,200 | (100,800) | 0.0% |
| | | Equity - 16 Common Units | | — | — | — | 0.0% |
| | | | | 12,909,539 | 11,817,585 | 5,264,516 | |
| Brantley Transportation LLC ⁽¹²⁾ | Energy: Oil & Gas | Senior Secured First Lien Term Loan (12.00% PIK) ⁽¹⁰⁾ | 8/2/2017 | 13,609,829 | 9,000,000 | 1,634,540 | 0.6% |
| | | Senior Secured First Lien Delayed Draw (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/2/2017 | 503,105 | 503,105 | 503,105 | 0.2% |
| | | Equity - 7.5 Common Units | | — | — | — | 0.0% |
| | | | | 14,112,934 | 9,503,105 | 2,137,645 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|--|---|--|------------|---------------------------|-----------------------|-----------------------|--------------------------------|
| Caddo Investors Holdings 1 LLC ⁽¹¹⁾ | Forest Products & Paper | Equity - 6.15% Membership Interest | | — | 2,520,842 | 2,714,947 | 1.0% |
| | | | | — | 2,520,842 | 2,714,947 | |
| Dynamic Energy Services International LLC ⁽⁷⁾ | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK) ⁽¹⁰⁾⁽¹⁶⁾ | 12/31/2021 | 10,450,000 | 7,824,975 | 1,188,165 | 0.4% |
| | | Revolving Credit Facility (12.00% Cash) | 6/30/2019 | 1,907,859 | 1,907,859 | 1,907,859 | 0.7% |
| | | Equity - 12,350,000 Class A Units | | — | — | — | 0.0% |
| | | | | 12,357,859 | 9,732,834 | 3,096,024 | |
| JFL-NGS Partners, LLC | Construction & Building | Preferred Equity - A-2 Preferred (3.00% PIK) | | 31,468,755 | 31,468,755 | 31,468,755 | 11.3% |
| | | Preferred Equity - A-1 Preferred (3.00% PIK) | | 4,072,311 | 4,072,311 | 4,072,311 | 1.5% |
| | | Equity - 57,300 Class B Units | | — | 57,300 | 18,193,323 | 6.5% |
| | | | | 35,541,066 | 35,598,366 | 53,734,389 | |
| JFL-WCS Partners, LLC | Environmental Industries | Preferred Equity - Class A Preferred (6.00% PIK) | | 1,236,269 | 1,236,269 | 1,236,270 | 0.4% |
| | | Equity - 129,588 Class B Units | | — | 129,588 | 2,755,041 | 1.0% |
| | | | | 1,236,269 | 1,365,857 | 3,991,311 | |
| Path Medical, LLC ⁽⁷⁾ | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/11/2021 | 8,968,817 | 8,678,632 | 8,496,161 | 3.1% |
| | | Senior Secured First Lien Term Loan A (LIBOR + 9.50% PIK, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/11/2021 | 3,090,075 | 3,090,075 | 2,927,228 | 1.1% |
| | | Senior Secured First Lien Term Loan C (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/11/2021 | 688,926 | 688,926 | 688,926 | 0.2% |
| | | Warrants - 7.68% of Outstanding Equity | 1/9/2027 | — | 499,751 | — | 0.0% |
| | | | | 12,747,818 | 12,957,384 | 12,112,315 | |
| US Multifamily, LLC ⁽¹¹⁾ | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (10.00% Cash) | 6/17/2021 | 6,670,000 | 6,670,000 | 6,670,000 | 2.4% |
| | | Equity - 33,300 Preferred Units | | — | 3,330,000 | 3,330,000 | 1.2% |
| | | | | 6,670,000 | 10,000,000 | 10,000,000 | |
| Subtotal Affiliated Investments | | | | \$ 129,945,073 | \$ 125,595,735 | \$ 118,216,013 | |
| Controlled Investments:⁽⁶⁾ | | | | | | | |
| Capstone Nutrition | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 9/25/2020 | \$ 32,566,850 | \$ 20,846,571 | \$ 9,740,745 | 3.5% |
| | | Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 9/25/2020 | 14,645,171 | 9,686,866 | 4,380,371 | 1.6% |
| | | Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/25/2020 | 3,727,040 | 3,727,040 | 3,727,040 | 1.3% |
| | | Equity - 4,664.6 Class B Units and 9,424.4 Class C Units | | — | 12 | — | 0.0% |
| | | Equity - 2,932.3 Common Units | | — | 400,003 | — | 0.0% |
| | | | | 50,939,061 | 34,660,492 | 17,848,156 | |
| MCC Senior Loan Strategy JV I LLC ⁽¹¹⁾ | Multisector Holdings | Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC | | — | 78,575,000 | 75,409,700 | 27.1% |
| | | | | — | 78,575,000 | 75,409,700 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|--|------------------------------|---|------------|---------------------------|-----------------------|-----------------------|--------------------------------|
| NVTN LLC | Hotel, Gaming & Leisure | Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 11/9/2020 | 4,255,990 | 4,255,990 | 4,255,990 | 1.5% |
| | | Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹³⁾ | 11/9/2020 | 12,662,077 | 12,305,096 | 9,392,728 | 3.4% |
| | | Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹³⁾ | 11/9/2020 | 8,128,466 | 7,570,054 | — | 0.0% |
| | | Equity - 787.4 Class A Units | | — | 9,550,922 | — | 0.0% |
| | | | | <u>25,046,533</u> | <u>33,682,062</u> | <u>13,648,718</u> | |
| TPG Plastics LLC | Chemicals, Plastics & Rubber | Senior Secured Second Lien Term Loan (Prime + 5.00% Cash) ⁽¹⁵⁾ | 12/31/2019 | 373,051 | 373,051 | 373,051 | 0.1% |
| | | Unsecured Debt (10.00% Cash) ⁽²⁰⁾ | | 287,810 | 287,810 | 287,810 | 0.1% |
| | | Equity - 35 Class B Units | | — | 3,317,149 | 1,644,752 | 0.6% |
| | | | | <u>660,861</u> | <u>3,978,010</u> | <u>2,305,613</u> | |
| URT Acquisition Holdings Corporation | Services: Business | Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor) ⁽¹⁴⁾ | 5/2/2022 | 17,430,836 | 17,430,836 | 17,430,836 | 6.3% |
| | | Preferred Equity (12.00% PIK) | | 6,552,890 | 6,552,890 | 6,552,890 | 2.4% |
| | | Equity - 397,466 Common Units | | — | 12,936,879 | 9,757,790 | 3.5% |
| | | | | <u>23,983,726</u> | <u>36,920,605</u> | <u>33,741,516</u> | |
| Subtotal Controlled Investments | | | | \$ 100,630,181 | \$ 187,816,169 | \$ 142,953,703 | |
| Total Investments, March 31, 2019 | | | | \$ 593,496,363 | \$ 680,146,816 | \$ 612,500,145 | 220.1% |

- (1) All of our investments are domiciled in the United States. Certain investments also have international operations.
- (2) Par amount includes accumulated payment-in-kind ("PIK") interest, as applicable, and is net of repayments.
- (3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for U.S. federal income tax purposes totaled \$33,845,106, \$96,580,044, and \$62,734,938, respectively. The tax cost basis of investments is \$675,235,083 as of March 31, 2019.
- (4) Percentage is based on net assets of \$278,320,976 as of March 31, 2019.
- (5) Control Investments are defined by the Investment Company Act of 1940, as amended (the "1940 Act"), as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (6) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (7) The investment has an unfunded commitment as of March 31, 2019 (see Note 8), and includes an analysis of the value of any unfunded commitments.
- (8) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities represent a fair value of \$30,596,764 and 11.0% of net assets as of March 31, 2019, and are considered restricted securities.
- (9) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
- (10) The investment was on non-accrual status as of March 31, 2019.
- (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 March 31, 2019, 14.4% of the Company's portfolio investments were non-qualifying assets.
- (12) A portion of this investment was sold via a participation agreement. The amount stated is the portion retained by Medley Capital Corporation (see Note 3).
- (13) The interest rate on these loans is subject to the greater of a London Interbank Offering Rate ("LIBOR") floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of March 31, 2019 was 2.50%.
- (14) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of March 31, 2019 was 2.60%.
- (15) These loans bear interest at an alternate base rate, or in the case of these particular investments the Prime Rate set by the Federal Reserve, plus a given spread. The Prime Rate in effect at March 31, 2019 was 5.50%.
- (16) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of March 31, 2019 was 2.60%.
- (17) This investment earns 0.50% commitment fee on all unused commitment as of March 31, 2019, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (18) This investment represents a Level 2 security in the ASC 820 table as of March 31, 2019 (see Note 4).
- (19) This investment earns 1.00% commitment fee on all unused commitment as of March 31, 2019, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (20) This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG Plastics, LLC obtaining all environmental and product testing authorizations, licenses and permits from all applicable governmental authorities, the remaining outstanding principal is expected to be repaid in full.
- (21) Security is non-income producing.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation
Consolidated Schedule of Investments

September 30, 2018

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ | | |
|---|---|---|------------|--|---------------------|---|-----------------------------------|------------|-----------|
| Non-Controlled/Non-Affiliated Investments: | | | | | | | | | |
| 3SI Security Systems, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/16/2023 | \$ 17,325,000 | \$ 17,325,000 | \$ 17,325,000 | 5.4 % | | |
| | | | | 17,325,000 | 17,325,000 | 17,325,000 | | | |
| Accupac, Inc. ⁽⁷⁾ | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 4.50% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁹⁾ | 9/14/2023 | 9,788,793 | 9,788,793 | 9,788,793 | 3.1 % | | |
| | | | | 9,788,793 | 9,788,793 | 9,788,793 | | | |
| Alpine SG, LLC ⁽⁷⁾ | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 13,398,750 | 13,398,750 | 13,398,750 | 4.2 % | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 6,617,630 | 6,617,630 | 6,617,630 | 2.1 % |
| | | | | | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 11/16/2022 | — | — |
| | | | | 20,016,380 | 20,016,380 | | | 20,016,380 | |
| American Dental Partners, Inc. | Healthcare & Pharmaceuticals | Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/25/2023 | 6,500,000 | 6,500,000 | 6,565,000 | 2.1 % | | |
| | | | | 6,500,000 | 6,500,000 | 6,565,000 | | | |
| Asurion, LLC | Banking, Finance, Insurance & Real Estate | Senior Secured Second Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/4/2025 | 7,000,000 | 7,091,560 | 7,140,000 | 2.2 % | | |
| | | | | 7,000,000 | 7,091,560 | 7,140,000 | | | |
| AutosplICE, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/17/2020 | 13,891,687 | 13,891,687 | 13,958,367 | 4.3 % | | |
| | | | | 13,891,687 | 13,891,687 | 13,958,367 | | | |
| Barry's Bootcamp Holdings, LLC ⁽⁷⁾ | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/14/2022 | 7,628,570 | 7,628,570 | 7,505,750 | 2.3 % | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/14/2022 | — | — | — | 0.0 % |
| | | | | | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 7/14/2022 | 2,200,000 | 2,200,000 |
| | | | | 9,828,570 | 9,828,570 | | | 9,705,750 | |
| Be Green Packaging, LLC | Containers, Packaging & Glass | Equity - 417 Common Units | | — | 416,250 | — | 0.0 % | | |
| | | | | — | 416,250 | — | | | |
| Black Angus Steakhouses, LLC ⁽⁷⁾ | Hotel, Gaming & Leisure | Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/24/2020 | 7,495,536 | 7,495,536 | 7,373,065 | 2.3 % | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/24/2020 | — | — | — | 0.0 % |
| | | | | | | Revolving Credit Facility (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 4/24/2020 | 267,857 | 267,857 |
| | | | | 7,763,393 | 7,763,393 | | | 7,640,922 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|-------------------------------|--|------------|---------------------------|---------------------|------------|--------------------------------|
| Brook & Whittle Holding Corp. ⁽⁷⁾ | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/17/2023 | 1,320,297 | 1,320,297 | 1,331,381 | 0.4 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁸⁾ | 10/17/2023 | — | — | — | 0.0 % |
| | | | | 1,320,297 | 1,320,297 | 1,331,381 | |
| Central States Dermatology Services, LLC ⁽⁷⁾ | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/20/2022 | 1,076,331 | 1,076,331 | 1,076,331 | 0.3 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁹⁾ | 4/20/2022 | 270,991 | 270,991 | 270,991 | 0.1 % |
| | | | | 1,347,322 | 1,347,322 | 1,347,322 | |
| CP OPCO, LLC | Services: Consumer | Senior Secured First Lien Term Loan B (Prime + 5.50% PIK) ⁽¹⁰⁾⁽¹⁵⁾ | 4/1/2019 | 1,375,911 | 1,210,237 | 234,042 | 0.1 % |
| | | Senior Secured First Lien Term Loan C (Prime + 8.50% PIK) ⁽¹⁰⁾⁽¹⁵⁾ | 4/1/2019 | 10,352,733 | 4,060,507 | — | 0.0 % |
| | | Preferred Facility (Prime + 7.00% PIK) ⁽¹⁰⁾⁽¹⁵⁾ | 4/1/2019 | 5,883,641 | — | — | 0.0 % |
| | | Equity - 232 Common Units | | — | — | — | 0.0 % |
| | | | | 17,612,285 | 5,270,744 | 234,042 | |
| CPI International, Inc. | Aerospace & Defense | Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 7/28/2025 | 4,010,025 | 3,992,123 | 4,034,486 | 1.3 % |
| | | | | 4,010,025 | 3,992,123 | 4,034,486 | |
| Crow Precision Components, LLC | Aerospace & Defense | Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/30/2019 | 12,890,000 | 12,890,000 | 12,890,000 | 4.0 % |
| | | Equity - 350 Common Units | | — | 700,000 | 521,203 | 0.2 % |
| | | | | 12,890,000 | 13,590,000 | 13,411,203 | |
| CT Technologies Intermediate Holdings, Inc. ⁽¹²⁾ | Healthcare & Pharmaceuticals | Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 12/1/2022 | 7,500,000 | 7,500,000 | 7,223,250 | 2.2 % |
| | | | | 7,500,000 | 7,500,000 | 7,223,250 | |
| DataOnline Corp. ⁽⁷⁾ | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/31/2025 | 16,000,000 | 16,000,000 | 16,000,000 | 5.0 % |
| | | Revolving Credit Facility (LIBOR + 5.75% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 7/31/2024 | — | — | — | 0.0 % |
| | | | | 16,000,000 | 16,000,000 | 16,000,000 | |
| Dream Finders Homes, LLC | Construction & Building | Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash) ⁽¹⁶⁾ | 10/1/2019 | 2,418,494 | 2,418,494 | 2,418,494 | 0.8 % |
| | | Preferred Equity (8.00% PIK) | | 3,866,737 | 3,866,737 | 3,866,737 | 1.2 % |
| | | | | 6,285,231 | 6,285,231 | 6,285,231 | |
| Dynamic Energy Services International LLC | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 13.50% PIK) ⁽¹⁰⁾⁽¹⁶⁾ | 5/6/2019 | 20,952,402 | 18,674,779 | 6,040,577 | 1.9 % |
| | | | | 20,952,402 | 18,674,779 | 6,040,577 | |
| Engineered Machinery Holdings, Inc. | Capital Equipment | Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 7/18/2025 | 1,671,064 | 1,656,132 | 1,662,708 | 0.5 % |
| | | | | 1,671,064 | 1,656,132 | 1,662,708 | |
| FKI Security Group, LLC ⁽¹²⁾ | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 3/30/2020 | 11,281,250 | 11,281,250 | 11,281,250 | 3.5 % |
| | | | | 11,281,250 | 11,281,250 | 11,281,250 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|---|--|------------|---------------------------|---------------------|------------|--------------------------------|
| Footprint Acquisition, LLC | Services: Business | Preferred Equity (8.75% PIK) | | 6,677,895 | 6,677,895 | 6,677,895 | 2.1 % |
| | | Equity - 150 Common Units | | — | — | 1,753,260 | 0.6 % |
| | | | | 6,677,895 | 6,677,895 | 8,431,155 | |
| Freedom Powersports, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.50% LIBOR Floor) ⁽¹⁴⁾ | 9/26/2019 | 10,930,000 | 10,930,000 | 10,930,000 | 3.4 % |
| | | | | 10,930,000 | 10,930,000 | 10,930,000 | |
| Friedrich Holdings, Inc. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 2/7/2023 | 9,950,349 | 9,950,349 | 9,950,349 | 3.1 % |
| | | | | 9,950,349 | 9,950,349 | 9,950,349 | |
| Global Accessories Group, LLC ⁽¹²⁾ | Consumer goods: Non-durable | Equity - 3.8% Membership Interest | | — | 151,337 | 151,339 | 0.0 % |
| | | | | — | 151,337 | 151,339 | |
| Heligear Acquisition Co. | Aerospace & Defense | Senior Secured First Lien Note (10.25% Cash) ⁽⁸⁾ | 10/15/2019 | 20,000,000 | 20,000,000 | 19,268,000 | 6.0 % |
| | | | | 20,000,000 | 20,000,000 | 19,268,000 | |
| The Imagine Group, LLC ⁽²⁴⁾ | Media: Advertising, Printing & Publishing | Senior Secured Second Lien Term Loan (LIBOR + 8.75% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 6/21/2023 | 3,000,000 | 2,962,275 | 2,750,100 | 0.9 % |
| | | | | 3,000,000 | 2,962,275 | 2,750,100 | |
| Impact Group, LLC ⁽⁷⁾⁽²⁵⁾ | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/27/2023 | 3,457,319 | 3,457,319 | 3,457,319 | 1.1 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁹⁾ | 6/27/2023 | 1,427,914 | 1,427,914 | 1,427,914 | 0.5 % |
| | | | | 4,885,233 | 4,885,233 | 4,885,233 | |
| InterFlex Acquisition Company, LLC | Containers, Packaging & Glass | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/18/2022 | 14,062,500 | 14,062,500 | 13,048,594 | 4.1 % |
| | | | | 14,062,500 | 14,062,500 | 13,048,594 | |
| Jackson Hewitt Tax Service Inc. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash) | 5/31/2023 | 7,000,000 | 7,000,000 | 7,000,000 | 2.2 % |
| | | | | 7,000,000 | 7,000,000 | 7,000,000 | |
| L & S Plumbing Partnership, Ltd. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 2/15/2022 | 19,529,449 | 19,529,449 | 19,765,755 | 6.2 % |
| | | | | 19,529,449 | 19,529,449 | 19,765,755 | |
| Lighting Science Group Corporation | Containers, Packaging & Glass | Warrants - 1.01% of Outstanding Equity ⁽²⁰⁾ | 2/19/2024 | — | 955,680 | 50,000 | 0.0 % |
| | | | | — | 955,680 | 50,000 | |
| Manna Pro Products, LLC ⁽⁷⁾ | Consumer goods: Non-durable | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 12/8/2023 | 5,453,570 | 5,453,570 | 5,434,482 | 1.7 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁹⁾ | 12/8/2023 | 670,363 | 670,363 | 666,517 | 0.2 % |
| | | | | 6,123,933 | 6,123,933 | 6,100,999 | |
| Midcoast Energy, LLC | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 8/1/2025 | 3,000,000 | 2,970,391 | 3,003,900 | 0.9 % |
| | | | | 3,000,000 | 2,970,391 | 3,003,900 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|--|------------------------------|--|------------|---------------------------|---------------------|------------|--------------------------------|
| Oxford Mining Company, LLC | Metals & Mining | Senior Secured First Lien Term Loan (LIBOR + 11.50% PIK, 0.75% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 12/31/2018 | 21,925,733 | 19,746,873 | 8,814,145 | 2.7 % |
| | | | | 21,925,733 | 19,746,873 | 8,814,145 | |
| Path Medical, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/11/2021 | 8,151,557 | 7,813,946 | 7,654,312 | 2.4 % |
| | | Senior Secured First Lien Term Loan A (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 10/11/2021 | 2,808,500 | 2,808,500 | 2,637,182 | 0.8 % |
| | | Warrants - 1.56% of Outstanding Equity | 1/9/2027 | — | 499,751 | — | 0.0 % |
| | | | | 10,960,057 | 11,122,197 | 10,291,494 | |
| Point.360 | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% PIK) ⁽¹⁰⁾⁽¹⁶⁾ | 7/8/2020 | 2,103,712 | 2,103,712 | 1,051,856 | 0.3 % |
| | | Equity - 479,283 Common Units | | — | 129,406 | — | 0.0 % |
| | | Warrants - 2.8% of Outstanding Equity | 7/8/2020 | — | 52,757 | — | 0.0 % |
| | | | | 2,103,712 | 2,285,875 | 1,051,856 | |
| RateGain Technologies, Inc. | Hotel, Gaming & Leisure | Unsecured Debt ⁽²⁶⁾ | 7/31/2020 | 761,905 | 761,905 | 761,905 | 0.2 % |
| | | Unsecured Debt ⁽²⁶⁾ | 7/31/2021 | 761,905 | 761,905 | 761,905 | 0.2 % |
| | | | | 1,523,810 | 1,523,810 | 1,523,810 | |
| Redwood Services Group, LLC ⁽⁷⁾ | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/6/2023 | 6,022,406 | 6,022,406 | 6,022,406 | 1.9 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 6/6/2023 | 1,373,485 | 1,373,485 | 1,373,485 | 0.4 % |
| | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 6/6/2023 | — | — | — | 0.0 % |
| | | | | 7,395,891 | 7,395,891 | 7,395,891 | |
| RMS Holding Company, LLC ⁽⁷⁾ | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/16/2022 | 15,269,745 | 15,269,745 | 15,269,745 | 4.8 % |
| | | Revolving Credit Facility (LIBOR + 6.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 11/16/2022 | 1,073,204 | 1,073,204 | 1,066,744 | 0.3 % |
| | | | | 16,342,949 | 16,342,949 | 16,336,489 | |
| SavATree, LLC ⁽⁷⁾ | Environmental Industries | Senior Secured First Lien Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 6/2/2022 | 1,858,855 | 1,858,855 | 1,858,855 | 0.6 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 5.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁹⁾ | 6/2/2022 | 43,225 | 43,225 | 43,225 | 0.0 % |
| | | | | 1,902,080 | 1,902,080 | 1,902,080 | |
| Sendero Drilling Company, LLC | Energy: Oil & Gas | Unsecured Debt (8.00% Cash) | 8/31/2019 | 850,000 | 850,000 | 850,000 | 0.3 % |
| | | | | 850,000 | 850,000 | 850,000 | |
| Seotowncenter, Inc. | Services: Business | Equity - 3,249.697 Common Units | | — | 500,000 | 532,885 | 0.2 % |
| | | | | — | 500,000 | 532,885 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|--|---|--|------------|---------------------------|---------------------|------------|--------------------------------|
| SFP Holding, Inc. ⁽⁷⁾ | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/1/2022 | 9,739,371 | 9,739,371 | 9,739,371 | 3.0 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.25% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾⁽¹⁷⁾ | 9/1/2022 | 1,005,364 | 1,005,364 | 1,005,364 | 0.3 % |
| | | Equity - 1.42% Company Interest | | — | 736,905 | 736,905 | 0.2 % |
| | | | | 10,744,735 | 11,481,640 | 11,481,640 | |
| Ship Supply Acquisition Corporation | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 7/31/2020 | 7,330,098 | 7,136,156 | 3,512,583 | 1.1 % |
| | | | | 7,330,098 | 7,136,156 | 3,512,583 | |
| SMART Financial Operations, LLC ⁽⁷⁾ | Retail | Senior Secured First Lien Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/22/2021 | 2,775,000 | 2,775,000 | 2,775,833 | 0.9 % |
| | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 11/22/2021 | 2,325,000 | 2,325,000 | 2,326,418 | 0.7 % |
| | | Equity - 700,000 Class A Preferred Units | | — | 700,000 | 700,000 | 0.2 % |
| | | | | 5,100,000 | 5,800,000 | 5,802,251 | |
| SRS Software, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 7.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 2/17/2022 | 7,387,500 | 7,387,500 | 7,461,375 | 2.3 % |
| | | | | 7,387,500 | 7,387,500 | 7,461,375 | |
| Stancor, Inc. | Services: Business | Equity - 263,814.43 Class A Units | | — | 263,814 | 274,367 | 0.1 % |
| | | | | — | 263,814 | 274,367 | |
| Starfish Holdco, LLC | High Tech Industries | Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 8/18/2025 | 4,000,000 | 3,945,676 | 4,000,000 | 1.2 % |
| | | | | 4,000,000 | 3,945,676 | 4,000,000 | |
| Trans-Fast Remittance LLC ⁽⁷⁾ | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁷⁾ | 12/2/2021 | 3,567,857 | 3,567,857 | 3,571,557 | 1.1 % |
| | | Revolving Credit Facility (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾⁽¹⁷⁾ | 12/2/2021 | 1,875,000 | 1,875,000 | 1,875,000 | 0.6 % |
| | | | | 5,442,857 | 5,442,857 | 5,446,557 | |
| Vail Holdco Corp | Wholesale | Equity - 10,702 Shares of Series A Preferred Stock (12.50% PIK) ⁽⁸⁾ | | 10,702,000 | 10,276,214 | 10,234,323 | 3.2 % |
| | | Equity - 7,700 Shares of Junior Convertible Preferred Stock | | 7,700,000 | 7,700,000 | 7,700,000 | 2.4 % |
| | | Warrants - 0.4875% of Outstanding Equity | | — | 425,787 | 580,416 | 0.2 % |
| | | | | 18,402,000 | 18,402,001 | 18,514,739 | |
| Velocity Pooling Vehicle, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 4/28/2023 | 808,000 | 734,073 | 734,553 | 0.2 % |
| | | Equity - 5,441 Class A Units | | — | 302,464 | 302,464 | 0.1 % |
| | | Warrants - 0.65% of Outstanding Equity | 3/30/2028 | — | 361,667 | 361,667 | 0.1 % |
| | | | | 808,000 | 1,398,204 | 1,398,684 | |
| Walker Edison Furniture Company LLC | Consumer goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 6.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/26/2024 | 13,807,500 | 13,807,500 | 13,807,500 | 4.3 % |
| | | Equity - 1,500 Common Units | | — | 1,500,000 | 1,500,000 | 0.5 % |
| | | | | 13,807,500 | 15,307,500 | 15,307,500 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|------------------------------------|---|-----------|---------------------------|-----------------------|-----------------------|--------------------------------|
| Watermill-QMC Midco, Inc. | Automotive | Equity - 1.3% Partnership Interest ⁽⁹⁾ | | — | 518,283 | 698,024 | 0.2 % |
| | | | | — | 518,283 | 698,024 | |
| Xebec Global Holdings, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 2/12/2024 | 4,225,918 | 4,225,918 | 4,225,918 | 1.3 % |
| | | | | 4,225,918 | 4,225,918 | 4,225,918 | |
| Subtotal Non-Controlled/Non-Affiliated Investments | | | | \$ 438,395,898 | \$ 428,717,777 | \$ 393,149,374 | |
| Affiliated Investments: | | | | | | | |
| 1888 Industrial Services, LLC ⁽⁷⁾⁽²³⁾ | Energy: Oil & Gas | Senior Secured First Lien Term Loan A (LIBOR + 5.00% Cash, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/30/2021 | \$ 8,984,232 | \$ 8,984,232 | \$ 8,984,232 | 2.8 % |
| | | | 9/30/2021 | 21,762,155 | 19,326,112 | 19,725,217 | 6.1 % |
| | | | 9/30/2021 | 3,593,693 | 3,593,693 | 3,593,693 | 1.1 % |
| | | | | — | — | — | 0.0 % |
| | | Equity - 21,562.16 Class A Units | | 34,340,080 | 31,904,037 | 32,303,142 | |
| Access Media Holdings, LLC ⁽⁷⁾ | Media: Broadcasting & Subscription | Senior Secured First Lien Term Loan (10.00% PIK) ⁽¹⁰⁾ | 7/22/2020 | 9,072,532 | 8,446,385 | 5,876,279 | 1.8 % |
| | | | | 1,600,000 | 1,600,000 | — | 0.0 % |
| | | | | 800,000 | 800,000 | — | 0.0 % |
| | | | | 899,200 | 899,200 | (172,800) | (0.1)% |
| | | | | — | — | — | 0.0 % |
| | | Equity - 16 Common Units | | 12,371,732 | 11,745,585 | 5,703,479 | |
| Brantley Transportation LLC ⁽¹²⁾ | Energy: Oil & Gas | Senior Secured First Lien Term Loan (12.00% PIK) ⁽¹⁰⁾ | 8/2/2017 | 12,829,552 | 9,000,000 | 2,882,800 | 0.9 % |
| | | | 8/2/2017 | 503,105 | 503,105 | 503,105 | 0.2 % |
| | | | | — | — | — | 0.0 % |
| | | Equity - 7.5 Common Units | | 13,332,657 | 9,503,105 | 3,385,905 | |
| Caddo Investors Holdings 1 LLC | Forest Products & Paper | Equity - 6.15% Membership Interest | | 2,500,000 | 2,500,000 | 2,500,000 | 0.8 % |
| | | | | 2,500,000 | 2,500,000 | 2,500,000 | |
| JFL-NGS Partners, LLC | Construction & Building | Preferred Equity - A-2 Preferred (3.00% PIK) | | 31,468,755 | 31,468,755 | 31,468,755 | 9.8 % |
| | | | | 4,072,311 | 4,072,311 | 4,072,311 | 1.3 % |
| | | | | — | 57,300 | 9,825,804 | 3.1 % |
| | | Equity - 57,300 Class B Units | | 35,541,066 | 35,598,366 | 45,366,870 | |
| JFL-WCS Partners, LLC | Environmental Industries | Preferred Equity - Class A Preferred (6.00% PIK) | | 1,166,292 | 1,166,292 | 1,166,292 | 0.4 % |
| | | | | — | 129,588 | 215,116 | 0.1 % |
| | | Equity - 129,588 Class B Units | | 1,166,292 | 1,295,880 | 1,381,408 | |

| Company ⁽¹⁾ | Industry | Type of Investment ⁽⁶⁾ | Maturity | Par Amount ⁽²⁾ | Cost ⁽³⁾ | Fair Value | % of Net Assets ⁽⁴⁾ |
|---|---|--|------------|---------------------------|-----------------------|-----------------------|--------------------------------|
| US Multifamily, LLC ⁽¹¹⁾ | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (10.00% Cash) | 6/17/2021 | 6,670,000 | 6,670,000 | 6,670,000 | 2.1 % |
| | | Equity - 33,300 Preferred Units | | — | 3,330,000 | 3,330,000 | 1.0 % |
| | | | | 6,670,000 | 10,000,000 | 10,000,000 | |
| Subtotal Affiliated Investments | | | | \$ 105,921,827 | \$ 102,546,973 | \$ 100,640,804 | |
| Controlled Investments:⁽⁵⁾ | | | | | | | |
| Capstone Nutrition | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 9/25/2020 | \$ 30,252,541 | \$ 20,846,571 | \$ 12,657,663 | 3.9 % |
| | | Senior Secured First Lien Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁰⁾⁽¹⁴⁾ | 9/25/2020 | 13,604,437 | 9,686,866 | 5,692,096 | 1.8 % |
| | | Senior Secured First Lien Incremental Delayed Draw (LIBOR + 12.50% PIK, 1.00% LIBOR Floor) ⁽¹⁴⁾ | 9/25/2020 | 2,242,721 | 2,242,721 | 2,242,721 | 0.7 % |
| | | Equity - 4,664.6 Class B Units and 9,424.4 Class C Units | | — | 12 | — | 0.0 % |
| | | Equity - 2,932.3 Common Units | | — | 400,003 | — | 0.0 % |
| | | | | 46,099,699 | 33,176,173 | 20,592,480 | |
| MCC Senior Loan Strategy JV I LLC ⁽¹¹⁾ | Multisector Holdings | Equity - 87.5% ownership of MCC Senior Loan Strategy JV I LLC | | — | 78,575,000 | 78,370,891 | 24.4 % |
| | | | | — | 78,575,000 | 78,370,891 | |
| NVTN LLC | Hotel, Gaming & Leisure | Senior Secured First Lien Term Loan (LIBOR + 4.00% Cash, 1.00% LIBOR Floor) ⁽¹³⁾ | 11/9/2020 | 4,005,990 | 4,005,990 | 4,005,990 | 1.2 % |
| | | Senior Secured First Lien Term Loan B (LIBOR + 9.25% PIK, 1.00% LIBOR Floor) ⁽¹³⁾ | 11/9/2020 | 11,837,367 | 11,837,367 | 11,837,367 | 3.7 % |
| | | Senior Secured First Lien Term Loan C (LIBOR + 12.00% PIK, 1.00% LIBOR Floor) ⁽¹³⁾ | 11/9/2020 | 7,479,397 | 7,479,397 | 7,479,397 | 2.3 % |
| | | Equity - 787.4 Class A Units | | — | 9,550,922 | — | 0.0 % |
| | | | | 23,322,754 | 32,873,676 | 23,322,754 | |
| OmniVere, LLC | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 13.00% PIK) ⁽¹⁰⁾⁽¹⁶⁾ | 5/5/2019 | 29,590,984 | 22,880,599 | — | 0.0 % |
| | | Senior Secured First Lien Term Loan (8.00% PIK) ⁽¹⁰⁾ | 5/5/2019 | 4,392,738 | 4,337,049 | 1,374,048 | 0.4 % |
| | | Unsecured Debt (8.00% PIK) ⁽¹⁰⁾ | 7/24/2025 | 28,912,172 | 22,727,575 | — | 0.0 % |
| | | Equity - 5,055.56 Common Units | | — | 872,698 | — | 0.0 % |
| | | | | 62,895,894 | 50,817,921 | 1,374,048 | |
| TPG Plastics LLC | Chemicals, Plastics & Rubber | Senior Secured Second Lien Term Loan (Prime + 0.00% Cash) ⁽¹⁵⁾ | 12/31/2019 | 401,346 | 401,346 | 401,346 | 0.1 % |
| | | Unsecured Debt (10.00% Cash) ⁽²¹⁾ | | 360,000 | 360,000 | 360,000 | 0.1 % |
| | | Unsecured Debt (1.00% Cash) ⁽²²⁾ | | 646,996 | 646,996 | 646,996 | 0.2 % |
| | | Equity - 35 Class B Units | | — | 2,670,154 | 2,670,154 | 0.8 % |
| | | | | 1,408,342 | 4,078,496 | 4,078,496 | |
| URT Acquisition Holdings Corporation | Services: Business | Senior Secured Second Lien Term Loan (LIBOR + 8.00% PIK, 2.00% LIBOR Floor) ⁽¹⁴⁾ | 5/2/2022 | 15,112,754 | 15,112,754 | 15,112,754 | 4.7 % |
| | | Preferred Equity (12.00% PIK) | | 5,850,794 | 5,850,794 | 5,850,795 | 1.8 % |
| | | Equity - 397,466 Common Units | | — | 12,936,879 | 12,937,518 | 4.0 % |
| | | | | 20,963,548 | 33,900,427 | 33,901,067 | |
| Subtotal Controlled Investments | | | | \$ 154,690,237 | \$ 233,421,693 | \$ 161,639,736 | |
| Total Investments, September 30, 2018 | | | | \$ 699,007,962 | \$ 764,686,443 | \$ 655,429,914 | 204.1 % |

- (1) All of our investments are domiciled in the United States. Certain investments also have international operations.
- (2) Par amount includes accumulated PIK interest, as applicable, and is net of repayments.
- (3) Gross unrealized appreciation, gross unrealized depreciation, and net unrealized depreciation for U.S. federal income tax purposes totaled \$17,795,949, \$120,259,250, and \$102,463,301, respectively. The tax cost basis of investments is \$757,893,215 as of September 30, 2018.
- (4) Percentage is based on net assets of \$321,178,727 as of September 30, 2018.
- (5) Control Investments are defined by the 1940 Act as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (6) Unless otherwise indicated, all securities are valued using significant unobservable inputs, which are categorized as Level 3 assets under the definition of ASC 820 fair value hierarchy (see Note 4).
- (7) The investment has an unfunded commitment as of September 30, 2018 (see Note 8), and includes an analysis of the value of any unfunded commitments.
- (8) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities represent a fair value of \$29,502,323 and 9.2% of net assets as of September 30, 2018, and are considered restricted securities.
- (9) Represents 1.3% partnership interest in Watermill-QMC Partners, LP and Watermill-EMI Partners, LP.
- (10) The investment was on non-accrual status as of September 30, 2018.
- (11) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part. As of September 30, 2018, 13.5% of the Company's portfolio investments were non-qualifying assets.
- (12) A portion of this investment was sold via a participation agreement. The amount stated is the portion retained by Medley Capital Corporation (see Note 3).
- (13) The interest rate on these loans is subject to the greater of a LIBOR floor, or 1 month LIBOR plus a base rate. The 1 month LIBOR as of September 30, 2018 was 2.24%.
- (14) The interest rate on these loans is subject to the greater of a LIBOR floor, or 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2018 was 2.39%.
- (15) These loans bear interest at an alternate base rate, or in the case of these particular investments the Prime Rate set by the Federal Reserve, plus a given spread. The Prime Rate in effect at September 30, 2018 was 5.25%.
- (16) The interest rate on these loans is subject to 3 month LIBOR plus a base rate. The 3 month LIBOR as of September 30, 2018 was 2.39%.
- (17) This investment earns 0.50% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (18) This investment earns 0.75% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (19) This investment earns 1.00% commitment fee on all unused commitment as of September 30, 2018, and is recorded as a component of interest income on the Consolidated Statements of Operations.
- (20) This investment represents a Level 2 security in the ASC 820 table as of September 30, 2018 (see Note 4).
- (21) This investment is scheduled to repay a percentage of the outstanding principal on a quarterly basis. Upon TPG Plastics, LLC obtaining all environmental and product testing authorizations, licenses and permits from all applicable governmental authorities, the remaining outstanding principal is expected to be repaid in full.
- (22) This investment shall convert to equity upon TPG Plastics, LLC obtaining all environmental and product testing authorizations, licenses and permits from all applicable governmental authorities. Upon conversion Medley Capital Corporation will continue to own 35% of the equity of TPG Plastics, LLC.
- (23) Investment changed its name from AAR Intermediate Holdings, LLC during FY 2018.
- (24) Investment changed its name from Imagine! Print Solutions, LLC during FY 2018.
- (25) Investment changed its name from Impact Sales, LLC during FY 2018.
- (26) Security is non-income producing.

See accompanying notes to consolidated financial statements.

MEDLEY CAPITAL CORPORATION
Notes to Consolidated Financial Statements
March 31, 2019
(unaudited)

Note 1. Organization

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

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

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

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

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

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

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

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

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

Agreements and Plans of Mergers

On August 9, 2018, the Company entered into a definitive agreement to merge with Sierra Income Corporation (“Sierra”). Pursuant to the Agreement and Plan of Merger, dated as of August 9, 2018, by and between the Company and Sierra (the “MCC Merger Agreement”), the Company would, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving entity (the “Combined Company”) in the merger (the “MCC Merger”). Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, would be converted into the right to receive 0.8050 shares of the Sierra’s common stock. Simultaneously, pursuant to the Agreement and Plan of Merger (the “MDLY Merger Agreement”), dated as of August 9, 2018, by and among MDLY, Sierra, and Sierra Management, Inc., a newly formed Delaware corporation and a wholly owned subsidiary of Sierra (“Merger Sub”), MDLY would, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the Merger (the “MDLY Merger” together with the MCC Merger, the “Mergers”), and MDLY’s existing asset management business would continue to operate as a wholly owned subsidiary of the Combined Company. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or

their respective wholly owned subsidiaries, would be converted into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to \$3.44 per share. In addition, MDLY's stockholders would have the right to receive certain dividends and/or other payments. If the Mergers are successfully consummated, Sierra's common stock would be listed on the NYSE under the symbol "SRA" and the TASE, with such listings expected to be effective as of the closing date of the Mergers. Upon completion of the Mergers, the investment portfolios of the Company and Sierra would be combined, Merger Sub, as a successor to MDLY, would be a wholly owned subsidiary of the Combined Company, and the Combined Company would be internally managed by MCC Advisors, its wholly controlled adviser subsidiary.

On February 11, 2019, a putative stockholder class action related to the MCC Merger was commenced in the Court of Chancery of the State of Delaware by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd (collectively, "FrontFour"). The action, as consolidated, is captioned In re Medley Capital Corporation Stockholder Litigation, C.A. No. 2019-0100-KSJM (the "Class Action"). The complaint alleged that the Company's directors (Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, and Arthur S. Ainsberg) breached their fiduciary duties to the Company's stockholders in connection with the MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. On March 11, 2019, following a two-day trial, the Court issued a Memorandum Opinion (the "Decision") denying FrontFour's requests to (i) permanently enjoin the MCC Merger and (ii) require the Company to conduct a "shopping process" for the Company on terms proposed by FrontFour in its complaint. The Court held that the Company's directors breached their fiduciary duties in entering into the MCC Merger, but rejected FrontFour's claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company's stockholders on the MCC Merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information.

On April 15, 2019, certain parties in the Class Action reached agreement on the principal terms of a settlement, which are contained in a binding term sheet, dated April 15, 2019 (the "Settlement Term Sheet"), among Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, the Company, MCC Advisors, Medley LLC, and Medley Group LLC (the "Medley Parties"), on the one hand, and FrontFour, on behalf of itself and a class of similarly situated stockholders of the Company, on the other hand. The Settlement Term Sheet is intended to form the basis of a definitive stipulation of settlement in the Class Action. The Settlement Term Sheet provides that the Company will seek to obtain the agreement and/or consent of Sierra to effect certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement (together with the MCC Merger Agreement, the "Merger Agreements"). If the foregoing amendments are entered into they will, among other matters (as described in further detail in the Settlement Term Sheet): (a) extend the Outside Date (as defined in the Merger Agreements) to October 31, 2019; (b) permit the Company's special committee of independent directors (the "MCC Special Committee") to undertake a sixty-day "go shop" process to solicit superior transactions to the MCC Merger and (c) if the MCC Merger is consummated, create a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra stock, with the number of shares of Sierra stock to be calculated using the pro forma NAV reported in the future proxy supplement describing the amendments to the MCC Merger Agreement, which will be distributed to eligible members of the Class (as defined in the Settlement Term Sheet). In connection with the Settlement Term Sheet, MDLY has executed an acknowledgement and agreement to take certain actions, including consenting to certain amendments to the Merger Agreements, in furtherance of the transactions contemplated thereby.

In addition, the Settlement Term Sheet provides that the Company and FrontFour will enter into a Governance Agreement pursuant to which, among other matters, FrontFour will be subject to customary standstill restrictions and be required to vote in favor of the MCC Merger at a meeting of stockholders to approve the MCC Merger Agreement and in favor of the directors nominated by our board of directors for election at the Company's 2019 annual meeting of stockholders.

Under the Settlement Term Sheet, the parties have agreed to cooperate to reduce the agreements reflected therein to a definitive stipulation of settlement (the "Settlement Stipulation"), and to obtain approval of Court of Chancery of the State of Delaware as soon as reasonably practicable thereafter. The Settlement Stipulation will provide for mutual releases between and among FrontFour and the Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Class Action. The Medley Parties will also release all claims arising out of or relating to the prosecution and settlement of the Class Action and all claims that were or could have been asserted (other than claims against NexPoint Advisors, L.P. and its affiliates) in the litigation pending in the United States District Court for the Southern District of New York captioned Medley Capital Corporation v. FrontFour Capital Group LLC, et al., No. 1:19-cv-02055-LTS (S.D.N.Y.) (the "Federal Action"), and FrontFour and the Class will release all claims arising out of or relating to the prosecution and settlement of the Federal Action.

Under the Settlement Term Sheet, the Company and FrontFour have also undertaken to work together in good faith to agree to supplemental disclosures relating to the transactions contemplated by the Merger Agreements consistent with the Decision.

If the contemplated amendments to the Merger Agreements have not been entered into by May 15, 2019, the Settlement Term Sheet may be terminated by the Company or FrontFour. The contemplated amendments to the Merger Agreements require the agreement of Sierra and there can be no assurance that such agreement will be obtained or that agreements on the amendments to the Merger Agreements will be reached.

Note 2. Significant Accounting Policies

Basis of Presentation

The Company follows the accounting and reporting guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 946 ("ASC 946"). The accompanying unaudited consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP") and include the consolidated accounts of the Company and its wholly-owned subsidiary SBIC LP and its wholly-owned Taxable Subsidiaries. All references made to the "Company," "we," and "us" herein include Medley Capital Corporation and its consolidated subsidiaries, except as stated otherwise. Additionally, the accompanying unaudited consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X of the Securities Act of 1933. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments and reclassifications, which are of a normal recurring nature, that are necessary for the fair presentation of financial results as of and for the periods presented. Therefore, this Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018. The current period's

results of operations will not necessarily be indicative of results that ultimately may be achieved for the full year ending September 30, 2019. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Deferred Offering Costs

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

Debt Issuance Costs

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

Indemnification

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

Revenue Recognition

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

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

The Company holds debt investments in its portfolio that contain a payment-in-kind ("PIK") interest provision. PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three and six months ended March 31, 2019, the Company earned approximately \$2.0 million and \$4.6 million in PIK interest, respectively. For the three and six months ended March 31, 2018, the Company earned approximately \$2.5 million and \$5.7 million in PIK interest, respectively.

Origination/closing, amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt. Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as fee income when the services are rendered. Fee income for the three and six months ended March 31, 2019 was approximately \$0.3 million and \$0.8 million, respectively (see Note 9). Fee income for the three and six months ended March 31, 2018 was approximately \$0.5 million and \$2.3 million, respectively (see Note 9).

Investment transactions are accounted for on a trade date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. During the three and six months ended March 31, 2019, \$10.8 million and \$10.8 million of our realized losses, respectively, were related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. During the three and six months ended March 31, 2018, \$22.2 million and \$22.2 million of our realized losses, respectively, were related to certain non-cash restructuring transactions, which is recorded on the Consolidated Statements of Operations as a component of net realized gain/(loss) from investments. The Company reports changes in fair value of investments as a component of the net unrealized appreciation/(depreciation) on investments in the Consolidated Statements of Operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management's designation of non-accrual status. Interest receivable is analyzed regularly and may be reserved

against when deemed uncollectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. As of March 31, 2019, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$55.7 million, or 9.1% of the fair value of our portfolio. As of September 30, 2018, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$48.1 million, or 7.3% of the fair value of our portfolio.

Investment Classification

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

Valuation of Investments

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

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

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

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

- The "Market Approach" uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.
- The "Income Approach" converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the Income Approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

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

- valuations of comparable public companies ("Guideline Comparable Approach");
- recent sales of private and public comparable companies ("Guideline Comparable Approach");

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

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

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

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

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

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

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

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

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Fair Value of Financial Instruments

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

Recent Accounting Pronouncements

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

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. (“ASU 2018-13”). The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all companies that are required to include fair value measurement disclosures. In general, the amendments in ASU 2018-13 are effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt the removed or modified disclosures upon the issuance of ASU 2018-13 and may delay adoption of the additional disclosures, which are required for public companies only, until their effective date. The Company is currently evaluating the potential impact of this guidance on the Company’s consolidated financial statements and disclosures.

In October 2018, the SEC adopted amendments (the “Amendments”) to certain disclosure requirements that have become redundant, duplicative, overlapping, outdated, or superseded, in light of other SEC disclosure requirements, U.S. GAAP requirements, or changes in the information environment. In part, the Amendments require an investment company to present distributable earnings in total, rather than showing the three components of distributable earnings. The compliance date for the Amendments is for all filings on or after November 5, 2018. Among the amendments is the requirement to present the changes in shareholders’ equity in the interim financial statements (either in a separate statement or footnote) in quarterly reports on Form 10-Q.

Management has adopted the Amendments and included the required disclosures in the Company's consolidated financial statements herein. Prior periods have been reclassified to conform to the current year presentation.

Federal Income Taxes

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There is no provision for federal excise tax for the calendar year ended 2018 accrued at March 31, 2019. For the calendar year ended December 31, 2017, the Company did not distribute at least 98% of its ordinary income and 98.2% of its capital gains, and subsequently paid \$157,922 in federal excise taxes.

The Company's Taxable Subsidiaries accrue income taxes payable based on the applicable corporate rates on the unrealized gains generated by the investments held by the Taxable Subsidiaries. As of March 31, 2019 and September 30, 2018, the Company did not record a deferred tax liability on the Consolidated Statements of Assets and Liabilities. The change in provision for deferred taxes is included as a component of net realized and unrealized gain/(loss) on investments in the Consolidated Statements of Operations. For the three and six months ended March 31, 2019, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments. For the three and six months ended March 31, 2018, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.2 million and \$0.3 million, respectively.

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

The Company accounts for income taxes in conformity with ASC Topic 740 - Income Taxes ("ASC 740"). ASC 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations. There were no material uncertain income tax positions at March 31, 2019. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's federal and state tax returns for the prior three fiscal years remain open, subject to examination by the Internal Revenue Service.

Segments

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

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

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

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

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

Note 3. Investments

The composition of our investments as of March 31, 2019 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 | \$ 424,455 | 62.4% | \$ 352,820 | 57.6% |
| Senior Secured Second Lien Term Loans | 37,628 | 5.5 | 35,851 | 5.9 |
| Senior Secured First Lien Notes | 20,000 | 2.9 | 19,268 | 3.1 |
| Unsecured Debt | 2,662 | 0.4 | 2,662 | 0.4 |
| MCC Senior Loan Strategy JV I LLC | 78,575 | 11.6 | 75,410 | 12.3 |
| Equity/Warrants | 116,827 | 17.2 | 126,489 | 20.7 |
| Total | \$ 680,147 | 100.0% | \$ 612,500 | 100.0% |

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

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

In connection with certain of the Company's investments, the Company receives warrants from certain portfolio companies for the objective of increasing total investment returns and are not held for hedging purposes. As of March 31, 2019 and September 30, 2018, the total fair value of warrants was \$1.3 million and \$1.0 million, respectively, and were included in investments at fair value on the Consolidated Statement of Assets and Liabilities. During the three months ended March 31, 2019, the Company did not acquire any warrant positions. During the six months ended March 31, 2019, the Company acquired additional warrants in one of its existing portfolio investments. During the three and six months ended March 31, 2018, the Company acquired one and two warrant positions, respectively.

Total unrealized appreciation related to warrants for the three and six months ended March 31, 2019 was \$0.3 million and \$0.3 million, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. Total unrealized depreciation related to warrants for the three and six months ended March 31, 2018 was \$0.2 million and \$0.5 million, respectively, and was recorded on the Consolidated Statements of Operations as net unrealized appreciation/(depreciation) on investments. The warrants are received in connection with individual portfolio investments and are not subject to master netting arrangements.

The following table shows the portfolio composition by industry grouping at fair value at March 31, 2019 (dollars in thousands):

| | Fair Value | Percentage |
|---|------------|------------|
| Services: Business | \$ 109,200 | 17.8% |
| Construction & Building | 90,269 | 14.7 |
| Multisector Holdings | 75,410 | 12.3 |
| High Tech Industries | 55,845 | 9.1 |
| Healthcare & Pharmaceuticals | 41,858 | 6.8 |
| Aerospace & Defense | 35,437 | 5.8 |
| Energy: Oil & Gas | 31,248 | 5.1 |
| Containers, Packaging & Glass | 28,507 | 4.7 |
| Wholesale | 24,642 | 4.0 |
| Hotel, Gaming & Leisure | 23,120 | 3.8 |
| Banking, Finance, Insurance & Real Estate | 15,408 | 2.5 |
| Consumer goods: Durable | 15,221 | 2.5 |
| Automotive | 11,773 | 1.9 |
| Services: Consumer | 11,258 | 1.8 |
| Capital Equipment | 10,885 | 1.8 |
| Metals & Mining | 6,924 | 1.1 |
| Environmental Industries | 6,007 | 1.0 |
| Consumer goods: Non-durable | 5,955 | 1.0 |
| Media: Broadcasting & Subscription | 5,264 | 0.9 |
| Forest Products & Paper | 2,715 | 0.5 |
| Media: Advertising, Printing & Publishing | 2,709 | 0.4 |
| Chemicals, Plastics & Rubber | 2,306 | 0.4 |
| Retail | 539 | 0.1 |
| Total | \$ 612,500 | 100.0% |

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

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

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

The following table shows the portfolio composition by geographic location at fair value at March 31, 2019 (dollars in thousands):

| | Fair Value | Percentage |
|--------------|-------------------|---------------|
| Northeast | \$ 168,931 | 27.6% |
| West | 158,837 | 25.9 |
| Midwest | 114,473 | 18.7 |
| Mid-Atlantic | 65,139 | 10.6 |
| Southeast | 54,245 | 8.9 |
| Southwest | 50,875 | 8.3 |
| Total | \$ 612,500 | 100.0% |

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

| | Fair Value | Percentage |
|--------------|-------------------|---------------|
| Northeast | \$ 167,803 | 25.6% |
| West | 155,519 | 23.7 |
| Midwest | 118,291 | 18.1 |
| Southeast | 76,676 | 11.7 |
| Mid-Atlantic | 71,962 | 11.0 |
| Southwest | 65,179 | 9.9 |
| Total | \$ 655,430 | 100.0% |

Transactions With Affiliated/Controlled Companies

The Company had investments in portfolio companies designated as Affiliated Investments and Controlled Investments under the 1940 Act. Transactions with Affiliated Investments and Controlled Investments during the six months ended March 31, 2019 and 2018 were as follows:

| Name of Investment ⁽³⁾ | Type of Investment | Fair Value at September 30, 2018 | Purchases/(Sales) of or Advances/(Distributions) | Transfers In/(Out) of Affiliates | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Fair Value at March 31, 2019 | Income Earned |
|---|--|--|---|--|---------------------------|-------------------------|---------------------------------|---------------|
| Affiliated Investments | | | | | | | | |
| 1888 Industrial Services, LLC | Senior Secured First Lien Term Loan A | \$ 8,984,232 | \$ — | \$ — | \$ — | \$ — | \$ 8,984,232 | \$ 344,796 |
| | Senior Secured First Lien Term Loan B | 19,725,217 | 734,779 | — | (7,334,001) | — | 13,125,995 | 759,184 |
| | Revolving Credit Facility | 3,593,693 | (539,054) | — | — | — | 3,054,639 | 112,249 |
| | Equity | — | — | — | — | — | — | — |
| Access Media Holdings, LLC | Senior Secured First Lien Term Loan | 5,876,279 | — | — | (510,963) | — | 5,365,316 | — |
| | Preferred Equity Series A | — | — | — | — | — | — | — |
| | Preferred Equity Series AA | — | — | — | — | — | — | — |
| | Preferred Equity Series AAA | (172,800) | 72,000 | — | — | — | (100,800) | — |
| | Equity | — | — | — | — | — | — | — |
| Brantley Transportation LLC | Senior Secured First Lien Term Loan | 2,882,800 | — | — | (1,248,260) | — | 1,634,540 | — |
| | Senior Secured First Lien Delayed Draw Term Loan | 503,105 | — | — | — | — | 503,105 | 18,817 |
| | Equity | — | — | — | — | — | — | — |
| Caddo Investors Holdings 1 LLC | Equity | 2,500,000 | 20,842 | — | 194,105 | — | 2,714,947 | (61,927) |
| Dynamic Energy Services International LLC | Senior Secured First Lien Term Loan | — | — | 7,824,975 | (6,636,810) | — | 1,188,165 | — |
| | Revolving Credit Facility | — | 585,858 | 1,322,001 | — | — | 1,907,859 | 7,542 |
| | Equity | — | — | — | — | — | — | — |

| Name of Investment ⁽³⁾ | Type of Investment | Fair Value at September 30, 2018 | Purchases/(Sales) of or Advances/(Distributions) | Transfers In/(Out) of Affiliates | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Fair Value at March 31, 2019 | Income Earned |
|---|--|----------------------------------|--|----------------------------------|------------------------|----------------------|------------------------------|---------------------|
| JFL-NGS Partners, LLC | Preferred Equity A-2 | 31,468,755 | — | — | — | — | 31,468,755 | 470,738 |
| | Preferred Equity A-1 | 4,072,311 | — | — | — | — | 4,072,311 | 60,917 |
| | Equity | 9,825,804 | — | — | 8,367,519 | — | 18,193,323 | — |
| JFL-WCS Partners, LLC | Preferred Equity Class A | 1,166,292 | 69,978 | — | — | — | 1,236,270 | 35,641 |
| | Equity | 215,116 | — | — | 2,539,925 | — | 2,755,041 | — |
| Path Medical, LLC | Senior Secured First Lien Term Loan | — | 856,808 | 7,821,824 | (182,471) | — | 8,496,161 | 538,508 |
| | Senior Secured First Lien Term Loan A | — | 281,574 | 2,808,500 | (162,846) | — | 2,927,228 | 171,909 |
| | Senior Secured First Lien Term Loan C | — | 688,926 | — | — | — | 688,926 | 36,208 |
| | Equity | — | — | 499,751 | (499,751) | — | — | — |
| US Multifamily, LLC | Senior Secured First Lien Term Loan | 6,670,000 | — | — | — | — | 6,670,000 | 333,500 |
| | Equity | 3,330,000 | — | — | — | — | 3,330,000 | — |
| Total Affiliated Investments | | \$ 100,640,804 | \$ 2,771,711 | \$ 20,277,051 | \$ (5,473,553) | \$ — | \$ 118,216,013 | \$ 2,828,082 |
| Controlled Investments | | | | | | | | |
| Capstone Nutrition | Senior Secured First Lien Term Loan | \$ 12,657,663 | \$ — | \$ — | \$ (2,916,918) | \$ — | \$ 9,740,745 | \$ — |
| | Senior Secured First Lien Delayed Draw Term Loan | 5,692,096 | — | — | (1,311,725) | — | 4,380,371 | — |
| | Senior Secured First Lien Incremental Delayed Draw | 2,242,721 | 1,484,319 | — | — | — | 3,727,040 | 204,361 |
| | Equity - Class B and C Units | — | — | — | — | — | — | — |
| | Equity - Common Units | — | — | — | — | — | — | — |
| MCC Senior Loan Strategy JV I LLC ⁽¹⁾⁽²⁾ | Equity | 78,370,891 | — | — | (2,961,191) | — | 75,409,700 | 4,025,000 |
| NVTN LLC | Senior Secured First Lien Term Loan | 4,005,990 | 250,000 | — | — | — | 4,255,990 | 132,703 |
| | Senior Secured First Lien Term Loan B | 11,837,367 | 467,729 | — | (2,912,368) | — | 9,392,728 | 356,304 |
| | Senior Secured First Lien Term Loan C | 7,479,397 | 90,657 | — | (7,570,054) | — | — | — |
| | Equity | — | — | — | — | — | — | — |
| OmniVere, LLC | Senior Secured First Lien Term Loan | — | — | — | 22,880,599 | (22,880,599) | — | (2,822) |
| | Senior Secured First Lien Term Loan | 1,374,048 | 661,225 | — | 2,963,001 | (4,998,274) | — | — |
| | Unsecured Debt | — | — | — | 22,727,575 | (22,727,575) | — | (2,205) |
| | Equity | — | — | — | 872,698 | (872,698) | — | — |
| TPG Plastics LLC | Senior Secured Second Lien Term Loan | 401,346 | (28,295) | — | — | — | 373,051 | 14,925 |
| | Unsecured Debt | 360,000 | (12,780) | — | — | (59,410) | 287,810 | 13,667 |
| | Unsecured Debt | 646,996 | (646,996) | — | — | — | — | 2,163 |

| Name of Investment ⁽³⁾ | Type of Investment | Fair Value at September 30, 2018 | Purchases/(Sales) of or Advances/(Distributions) | Transfers In/(Out) of Affiliates | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Fair Value at March 31, 2019 | Income Earned |
|--------------------------------------|--------------------------------------|----------------------------------|--|----------------------------------|------------------------|------------------------|------------------------------|---------------------|
| | Equity | 2,670,154 | 646,996 | — | (1,672,398) | — | 1,644,752 | — |
| URT Acquisition Holdings Corporation | Senior Secured Second Lien Term Loan | 15,112,754 | 2,318,082 | — | — | — | 17,430,836 | 862,128 |
| | Preferred Equity | 5,850,795 | 702,095 | — | — | — | 6,552,890 | 371,091 |
| | Equity | 12,937,518 | — | — | (3,179,728) | — | 9,757,790 | — |
| Total Controlled Investments | | \$ 161,639,736 | \$ 5,933,032 | \$ — | \$ 26,919,491 | \$ (51,538,556) | \$ 142,953,703 | \$ 5,977,315 |

| Name of Investment ⁽³⁾ | Type of Investment | Fair Value at September 30, 2017 | Purchases/(Sales) of or Advances/(Distributions) | Transfers In/(Out) of Affiliates | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Fair Value at March 31, 2018 | Income Earned |
|-------------------------------------|--|----------------------------------|--|----------------------------------|------------------------|----------------------|------------------------------|---------------------|
| Affiliated Investments | | | | | | | | |
| 1888 Industrial Services, LLC | Senior Secured First Lien Term Loan A | \$ 8,984,232 | \$ — | \$ — | \$ — | \$ — | \$ 8,984,232 | \$ 295,637 |
| | Senior Secured First Lien Term Loan B | 19,746,290 | 1,251,359 | — | (289,649) | — | 20,708,000 | 1,273,390 |
| | Revolving Credit Facility | — | 1,437,477 | — | — | — | 1,437,477 | 21,227 |
| | Equity | — | — | — | — | — | — | — |
| Access Media Holdings, LLC | Senior Secured First Lien Term Loan | 8,340,525 | 105,860 | — | (2,570,259) | — | 5,876,126 | 212,657 |
| | Preferred Equity Series A | — | — | — | — | — | — | — |
| | Preferred Equity Series AA | — | — | — | — | — | — | — |
| | Preferred Equity Series AAA | 43,200 | 276,800 | — | (480,000) | — | (160,000) | — |
| | Equity | — | — | — | — | — | — | — |
| Brantley Transportation LLC | Senior Secured First Lien Term Loan | 7,719,520 | — | — | (1,560,220) | — | 6,159,300 | — |
| | Senior Secured First Lien Delayed Draw Term Loan | 668,105 | — | — | — | — | 668,105 | 21,731 |
| | Equity | — | — | — | — | — | — | — |
| JFL-NGS Partners, LLC | Preferred Equity A-2 | 30,552,190 | — | — | — | — | 30,552,190 | 457,027 |
| | Preferred Equity A-1 | 3,953,700 | — | — | — | — | 3,953,700 | 59,143 |
| | Equity | 63,603 | — | — | 4,254,525 | — | 4,318,128 | — |
| JFL-WCS Partners, LLC | Preferred Equity Class A | — | 1,166,292 | — | — | — | 1,166,292 | 12,829 |
| | Equity | — | 129,588 | — | — | — | 129,588 | — |
| US Multifamily, LLC | Senior Secured First Lien Term Loan | 6,670,000 | — | — | — | — | 6,670,000 | 333,500 |
| | Equity | 3,330,000 | — | — | — | — | 3,330,000 | — |
| Total Affiliated Investments | | \$ 90,071,365 | \$ 4,367,376 | \$ — | \$ (645,603) | \$ — | \$ 93,793,138 | \$ 2,687,141 |

| Controlled Investments | | | | | | | | |
|-------------------------------|--|---------------|------|------|----------------|------|---------------|------|
| Capstone Nutrition | Senior Secured First Lien Term Loan | \$ 18,002,715 | \$ — | \$ — | \$ (5,844,817) | \$ — | \$ 12,157,898 | \$ — |
| | Senior Secured First Lien Delayed Draw Term Loan | 7,789,760 | — | — | (2,529,048) | — | 5,260,712 | — |

| Name of Investment ⁽³⁾ | Type of Investment | Fair Value at September 30, 2017 | Purchases/(Sales) of or Advances/(Distributions) | Transfers In/(Out) of Affiliates | Unrealized Gain/(Loss) | Realized Gain/(Loss) | Fair Value at March 31, 2018 | Income Earned |
|---|--|----------------------------------|--|----------------------------------|------------------------|----------------------|------------------------------|---------------------|
| | Senior Secured First Lien Incremental Delayed Draw | — | 2,079,229 | — | — | — | 2,079,229 | 59,422 |
| | Equity - Class B and C Units | — | — | — | — | — | — | — |
| | Equity - Common Units | — | — | — | — | — | — | — |
| MCC Senior Loan Strategy JV I LLC ⁽¹⁾⁽²⁾ | Equity | 56,137,946 | 14,000,000 | — | 723,614 | — | 70,861,560 | 3,084,375 |
| NVTN LLC | Senior Secured First Lien Term Loan | 3,505,990 | 500,000 | — | — | — | 4,005,990 | 99,656 |
| | Senior Secured First Lien Term Loan B | 10,604,502 | 578,617 | — | — | — | 11,183,119 | 591,168 |
| | Senior Secured First Lien Term Loan C | 6,518,046 | 450,383 | — | — | — | 6,968,429 | 460,614 |
| | Equity | 9,550,922 | — | — | — | — | 9,550,922 | — |
| OmniVere LLC | Senior Secured First Lien Term Loan | 24,500,205 | — | — | (10,808,466) | — | 13,691,739 | — |
| | Senior Secured First Lien Term Loan | 1,409,669 | 1,732,203 | — | — | — | 3,141,872 | 82,858 |
| | Unsecured Debt | — | — | — | — | — | — | — |
| | Equity | — | — | — | — | — | — | — |
| URT Acquisition Holdings Corporation | Senior Secured Second Lien Term Loan | 14,966,563 | — | — | — | — | 14,966,563 | 756,643 |
| | Preferred Equity | 5,500,000 | 350,795 | — | — | — | 5,850,795 | 339,591 |
| | Equity | 12,937,518 | — | — | — | — | 12,937,518 | — |
| Total Controlled Investments | | \$ 171,423,836 | \$ 19,691,227 | \$ — | \$ (18,458,717) | \$ — | \$ 172,656,346 | \$ 5,474,327 |

- (1) The Company and Great American Life Insurance Company (“GALIC”) are the members of MCC Senior Loan Strategy JV I LLC (“MCC JV”), a joint venture formed as a Delaware limited liability company that is not consolidated by either member for financial reporting purposes. The members of MCC JV make capital contributions as investments by MCC JV are completed, and all portfolio and other material decisions regarding MCC JV must be submitted to MCC JV’s board of managers, which is comprised of an equal number of members appointed by each of the Company and GALIC. Approval of MCC JV’s board of managers requires the unanimous approval of a quorum of the board of managers, with a quorum consisting of equal representation of members appointed by each of the Company and GALIC. Because management of MCC JV is shared equally between the Company and GALIC, the Company does not have operational control over the MCC JV for purposes of the 1940 Act or otherwise.
- (2) Amount of income earned represents distributions from MCC JV to the Company and is a component of dividend income, net of provisional taxes in the Consolidated Statements of Operations.
- (3) The par amount and additional detail are shown in the consolidated schedule of investments.

Purchases/(sales) of or advances to/(distributions) from Affiliated Investments and Controlled Investments represent the proceeds from sales and settlements of investments, purchases, originations and participations, investment increases due to PIK interest as well as net amortization of premium/(discount) on investments and are included in the purchases and sales presented on the Consolidated Statements of Cash Flows for the six months ended March 31, 2019 and 2018. Transfers in/(out) of Affiliated Investments and Controlled Investments represent the fair value for the month an investment became or was removed as an Affiliated Investment or a Controlled Investment. Income received from Affiliated Investments and Controlled Investments is included in total investment income on the Consolidated Statements of Operations for the three and six months ended March 31, 2019 and 2018.

Loan Participation Sales

The Company may sell portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. As of March 31, 2019, there were four participation agreements outstanding with an aggregate fair value of \$19.3 million. As of September 30, 2018, there were four participation agreements outstanding with an aggregate fair value of \$22.0 million. The transfer of the participated portion of the investments met the criteria set forth in ASC 860, *Transfers and Servicing* for treatment as a sale. In each case, the Company’s loan participation agreements satisfy the following conditions:

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

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

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

During the three and six months ended March 31, 2019, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of \$1.0 million and \$2.0 million, respectively. During the three and six months ended March 31, 2018, the Company collected interest and principal payments on behalf of the participant in aggregate amounts of \$2.3 million and \$4.2 million, respectively. Under the terms of the participation agreements, the Company will collect and remit periodic payments to the participant equal to the participant's proportionate share of any principal and interest payments received by the Company from the underlying investee companies.

MCC Senior Loan Strategy JV I LLC

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

As of March 31, 2019, MCC JV had total capital commitments of \$100.0 million, with the Company providing \$87.5 million and GALIC providing \$12.5 million. Approximately \$89.8 million was funded as of March 31, 2019 relating to these commitments, of which \$78.6 million was from the Company. As of March 31, 2019, MCC JV's board of managers had approved advances of capital of up to \$0.3 million of the remaining capital commitments, of which \$0.2 million is from the Company.

On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the "JV Facility") led by Credit Suisse, AG ("CS") with commitments of \$100 million subject to leverage and borrowing base restrictions. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch, ("DB") and increased the total loan commitments to \$200 million. The JV Facility bears interest at a rate of LIBOR (with no minimum) + 2.50% per annum. On March 29, 2019, the JV Facility reinvestment period was extended to June 28, 2019 from March 30, 2019. The stated maturity date was not impacted by the JV Facility reinvestment period extension and remained March 30, 2022. As of March 31, 2019 and September 30, 2018, there was approximately \$179.3 million outstanding under the JV Facility, respectively.

At March 31, 2019 and September 30, 2018, MCC JV had total investments at fair value of \$254.8 million and \$251.9 million, respectively. As of March 31, 2019 and September 30, 2018, MCC JV's portfolio was comprised of senior secured first lien term loans to 60 and 56 borrowers, respectively. As of March 31, 2019, MCC JV did not have any investments on non-accrual status. As of September 30, 2018, certain investments in one portfolio company held by MCC JV were on non-accrual status.

Below is a summary of MCC JV's portfolio, excluding equity investments, followed by a listing of the individual investments in MCC JV's portfolio as of March 31, 2019 and September 30, 2018:

| | March 31, 2019 | September 30, 2018 |
|---|----------------|--------------------|
| Senior secured loans ⁽¹⁾ | \$ 260,138,993 | \$ 256,547,053 |
| Weighted average current interest rate on senior secured loans ⁽²⁾ | 7.58% | 7.39% |
| Number of borrowers in MCC JV | 60 | 56 |
| Largest loan to a single borrower ⁽¹⁾ | \$ 11,000,215 | \$ 11,115,786 |
| Total of five largest loans to borrowers ⁽¹⁾ | \$ 46,773,360 | \$ 47,982,607 |

(1) At par value.

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

MCC JV Loan Portfolio as of March 31, 2019
(unaudited)

| <u>Company</u> | <u>Industry</u> | <u>Type of Investment</u> | <u>Maturity</u> | <u>Par Amount</u> | <u>Cost</u> | <u>Fair Value⁽²⁾</u> | <u>% of Net Assets⁽³⁾</u> |
|---|---|---|-----------------|-------------------|---------------|---------------------------------|--------------------------------------|
| 4Over International, LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/7/2022 | \$ 11,000,215 | \$ 11,000,215 | \$ 10,793,411 | 12.5% |
| | | | | 11,000,215 | 11,000,215 | 10,793,411 | |
| Acrisure, LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/22/2023 | 2,927,913 | 2,922,305 | 2,905,368 | 3.4% |
| | | | | 2,927,913 | 2,922,305 | 2,905,368 | |
| Avantor, Inc. | Wholesale | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/21/2024 | 2,687,637 | 2,663,037 | 2,689,787 | 3.1% |
| | | | | 2,687,637 | 2,663,037 | 2,689,787 | |
| BW NHHC HOLDCO INC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/15/2025 | 5,208,013 | 5,139,266 | 4,999,693 | 5.8% |
| | | | | 5,208,013 | 5,139,266 | 4,999,693 | |
| Callaway Golf Company | Consumer Goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/2/2026 | 2,967,563 | 2,910,052 | 2,987,445 | 3.5% |
| | | | | 2,967,563 | 2,910,052 | 2,987,445 | |
| Cardenas Markets LLC | Retail | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/29/2023 | 5,376,250 | 5,340,408 | 5,231,091 | 6.1% |
| | | | | 5,376,250 | 5,340,408 | 5,231,091 | |
| CD&R TZ Purchaser, Inc. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/21/2023 | 3,410,627 | 3,378,906 | 3,328,431 | 3.9% |
| | | | | 3,410,627 | 3,378,906 | 3,328,431 | |
| CHA Consulting, Inc. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/10/2025 | 1,360,956 | 1,355,082 | 1,357,554 | 1.6% |
| | | | | 1,360,956 | 1,355,082 | 1,357,554 | |
| Covenant Surgical Partners, Inc. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/4/2024 | 9,882,374 | 9,862,818 | 9,783,550 | 11.4% |
| | | | | 9,882,374 | 9,862,818 | 9,783,550 | |
| CT Technologies Intermediate Holdings, Inc. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/1/2021 | 4,153,477 | 4,074,396 | 3,525,472 | 4.1% |
| | | | | 4,153,477 | 4,074,396 | 3,525,472 | |
| Deliver Buyer, Inc. | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/1/2024 | 2,025,486 | 2,013,504 | 2,012,928 | 2.3% |
| | | | | 2,025,486 | 2,013,504 | 2,012,928 | |
| Envision Healthcare | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/10/2025 | 1,970,063 | 1,901,655 | 1,840,432 | 2.1% |
| | | | | 1,970,063 | 1,901,655 | 1,840,432 | |
| GC EOS Buyer, Inc. | Automotive | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/1/2025 | 4,462,485 | 4,398,136 | 4,462,486 | 5.2% |
| | | | | 4,462,485 | 4,398,136 | 4,462,486 | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽³⁾ |
|--|---|---|------------|------------|-----------|---------------------------|--------------------------------|
| GK Holdings, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 1/20/2021 | 2,923,664 | 2,917,311 | 2,616,387 | 3.0% |
| | | | | 2,923,664 | 2,917,311 | 2,616,387 | |
| Glass Mountain Pipeline Holdings, LLC | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/23/2024 | 4,925,250 | 4,910,059 | 4,777,493 | 5.5% |
| | | | | 4,925,250 | 4,910,059 | 4,777,493 | |
| Golden West Packaging Group LLC | Forest Products & Paper | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/20/2023 | 4,212,342 | 4,212,342 | 4,212,342 | 4.9% |
| | | | | 4,212,342 | 4,212,342 | 4,212,342 | |
| High Ridge Brands Co. | Consumer Goods: Non-Durable | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/30/2022 | 1,823,438 | 1,808,029 | 1,681,027 | 2.0% |
| | | | | 1,823,438 | 1,808,029 | 1,681,027 | |
| Highline Aftermarket Acquisitions, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/26/2025 | 4,086,764 | 4,075,007 | 3,928,607 | 4.6% |
| | | | | 4,086,764 | 4,075,007 | 3,928,607 | |
| The Imagine Group, LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/21/2022 | 7,840,000 | 7,789,003 | 7,340,592 | 8.5% |
| | | | | 7,840,000 | 7,789,003 | 7,340,592 | |
| Infogroup, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/3/2023 | 4,900,000 | 4,867,047 | 4,831,400 | 5.6% |
| | | | | 4,900,000 | 4,867,047 | 4,831,400 | |
| Intermedia Holdings, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/21/2025 | 2,992,500 | 2,965,302 | 2,959,283 | 3.4% |
| | | | | 2,992,500 | 2,965,302 | 2,959,283 | |
| Isagenix International, LLC | Consumer Goods - Durable | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/16/2025 | 2,863,438 | 2,849,177 | 2,782,688 | 3.2% |
| | | | | 2,863,438 | 2,849,177 | 2,782,688 | |
| Jackson Hewitt Tax Services Inc. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/20/2023 | 5,925,000 | 5,925,000 | 5,925,000 | 6.9% |
| | | | | 5,925,000 | 5,925,000 | 5,925,000 | |
| Keystone Acquisition Corp. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/1/2024 | 6,194,142 | 6,109,018 | 5,904,256 | 6.9% |
| | | | | 6,194,142 | 6,109,018 | 5,904,256 | |
| KNB Holdings Corporation | Consumer Goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/26/2024 | 4,935,460 | 4,863,756 | 4,854,519 | 5.6% |
| | | | | 4,935,460 | 4,863,756 | 4,854,519 | |
| LifeMiles Ltd. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/18/2022 | 5,121,795 | 5,102,862 | 5,096,186 | 5.9% |
| | | | | 5,121,795 | 5,102,862 | 5,096,186 | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽³⁾ | | |
|--------------------------------------|---|---|------------|--|-----------|--|--------------------------------|-----------|-----------|
| Loparex International B.V. | Containers, Packaging and Glass | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/11/2025 | 6,616,667 | 6,588,086 | 6,576,967 | 7.6% | | |
| | | | | 6,616,667 | 6,588,086 | 6,576,967 | | | |
| Manna Pro Products, LLC | Consumer Goods: Non-Durable | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/8/2023 | 3,044,792 | 3,044,792 | 2,908,888 | 3.4% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/8/2023 | 376,167 | 376,167 | 358,469 | 0.4% |
| | | | | | | 3,420,959 | 3,420,959 | 3,267,357 | |
| Midcoast Energy, LLC | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/1/2025 | 3,980,000 | 3,943,910 | 3,953,334 | 4.6% | | |
| | | | | 3,980,000 | 3,943,910 | 3,953,334 | | | |
| New Media Holdings II LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/14/2022 | 2,459,274 | 2,455,422 | 2,437,878 | 2.8% | | |
| | | | | 2,459,274 | 2,455,422 | 2,437,878 | | | |
| NGS US Finco, LLC | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/21/2025 | 2,992,500 | 2,978,599 | 2,977,538 | 3.5% | | |
| | | | | 2,992,500 | 2,978,599 | 2,977,538 | | | |
| Northern Star Industries, Inc. | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/28/2025 | 4,207,500 | 4,189,398 | 4,042,566 | 4.7% | | |
| | | | | 4,207,500 | 4,189,398 | 4,042,566 | | | |
| Nuvei Technologies Corp. | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/25/2025 | 449,024 | 449,024 | 381,603 | 0.4% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/25/2025 | 309,778 | 309,778 | 304,402 | 0.4% |
| | | | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/25/2025 | 3,859,914 | 3,824,040 |
| | | | | 4,618,716 | 4,582,842 | | | 4,488,468 | |
| Peraton Corp. | Aerospace and Defense | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/29/2024 | 3,423,864 | 3,411,394 | 3,313,273 | 3.8% | | |
| | | | | 3,423,864 | 3,411,394 | 3,313,273 | | | |
| PetroChoice Holdings, Inc. | Chemicals, Plastics and Rubber | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/19/2022 | 6,378,948 | 6,365,031 | 6,366,828 | 7.4% | | |
| | | | | 6,378,948 | 6,365,031 | 6,366,828 | | | |
| Phoenix Guarantor Inc. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/5/2026 | 5,477,083 | 5,395,717 | 5,385,616 | 6.2% | | |
| | | | | 5,477,083 | 5,395,717 | 5,385,616 | | | |
| Plaskolite PPC Intermediate II LLC | Chemicals, Plastics & Rubber | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/13/2025 | 3,241,875 | 3,179,538 | 3,236,364 | 3.8% | | |
| | | | | 3,241,875 | 3,179,538 | 3,236,364 | | | |
| Port Townsend Holdings Company, Inc. | Forest Products & Paper | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/3/2024 | 3,057,205 | 3,031,461 | 3,057,205 | 3.5% | | |
| | | | | 3,057,205 | 3,031,461 | 3,057,205 | | | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽³⁾ | | |
|-----------------------------|---|---|------------|--|-----------|---------------------------|--------------------------------|-----------|-----------|
| PT Network, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/30/2021 | 4,900,632 | 4,900,632 | 4,799,189 | 5.6% | | |
| | | | | 4,900,632 | 4,900,632 | 4,799,189 | | | |
| PVHC Holding Corp | Containers, Packaging and Glass | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/3/2024 | 1,982,311 | 1,973,383 | 1,972,400 | 2.3% | | |
| | | | | 1,982,311 | 1,973,383 | 1,972,400 | | | |
| Recorded Books Inc. | Media: Diversified & Production | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/29/2025 | 3,980,000 | 3,943,345 | 3,980,000 | 4.6% | | |
| | | | | 3,980,000 | 3,943,345 | 3,980,000 | | | |
| Rough Country, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/25/2023 | 4,954,226 | 4,931,111 | 4,924,996 | 5.7% | | |
| | | | | 4,954,226 | 4,931,111 | 4,924,996 | | | |
| Safe Fleet Holdings LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/3/2025 | 3,440,250 | 3,434,432 | 3,299,544 | 3.8% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/3/2025 | 1,342,626 | | 1,290,405 | 1,311,746 |
| | | | | | | 4,782,876 | | 4,724,837 | 4,611,290 |
| Salient CRGT Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/28/2022 | 2,683,036 | 2,651,479 | 2,639,839 | 3.1% | | |
| | | | | 2,683,036 | 2,651,479 | 2,639,839 | | | |
| SCS Holdings I Inc. | Wholesale | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/30/2022 | 2,591,152 | 2,573,004 | 2,591,152 | 3.0% | | |
| | | | | 2,591,152 | 2,573,004 | 2,591,152 | | | |
| Shift4 Payments, LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/29/2024 | 9,875,000 | 9,834,935 | 9,754,525 | 11.3% | | |
| | | | | 9,875,000 | 9,834,935 | 9,754,525 | | | |
| Sierra Enterprises, LLC | Beverage & Food | Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/11/2024 | 3,938,886 | 3,928,543 | 3,899,497 | 4.5% | | |
| | | | | 3,938,886 | 3,928,543 | 3,899,497 | | | |
| Simplified Logistics, LLC | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/27/2022 | 3,500,000 | 3,500,000 | 3,500,000 | 4.1% | | |
| | | | | 3,500,000 | 3,500,000 | 3,500,000 | | | |
| SMB Shipping Logistics, LLC | Transportation: Cargo | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/5/2024 | 301,861 | 299,209 | 292,866 | 0.3% | | |
| | | | | Senior Secured First Lien Delayed Draw Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/5/2024 | 2,179,151 | | 2,160,007 | 2,114,212 |
| | | | | | | 2,481,012 | | 2,459,216 | 2,407,078 |
| Starfish Holdco, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/16/2024 | 3,935,250 | 3,908,561 | 3,927,773 | 4.6% | | |
| | | | | 3,935,250 | 3,908,561 | 3,927,773 | | | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽³⁾ |
|--|---|---|------------|-----------------------|-----------------------|---------------------------|--------------------------------|
| Syniverse Holdings, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/9/2023 | 3,955,025 | 3,923,668 | 3,622,803 | 4.2% |
| | | | | 3,955,025 | 3,923,668 | 3,622,803 | |
| The KEYW Corporation | Aerospace & Defense | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/8/2024 | 2,697,674 | 2,686,130 | 2,697,674 | 3.1% |
| | | | | 2,697,674 | 2,686,130 | 2,697,674 | |
| The Octave Music Group, Inc. | Media: Diversified & Production | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/28/2021 | 4,371,352 | 4,371,352 | 4,340,315 | 5.0% |
| | | | | 4,371,352 | 4,371,352 | 4,340,315 | |
| ThoughtWorks, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/11/2024 | 5,708,741 | 5,696,627 | 5,687,618 | 6.6% |
| | | | | 5,708,741 | 5,696,627 | 5,687,618 | |
| Tortoise Borrower LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 1/31/2025 | 2,450,250 | 2,440,006 | 2,450,250 | 2.8% |
| | | | | 2,450,250 | 2,440,006 | 2,450,250 | |
| United Road Services, Inc. | Transportation: Cargo | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/2/2024 | 3,820,000 | 3,804,853 | 3,746,274 | 4.3% |
| | | | | 3,820,000 | 3,804,853 | 3,746,274 | |
| Wheels Up Partners LLC | Aerospace & Defense | Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/15/2021 | 4,043,606 | 3,964,019 | 3,972,438 | 4.6% |
| | | | | 4,043,606 | 3,964,019 | 3,972,438 | |
| Wok Holdings Inc. | Retail | Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/1/2026 | 6,650,000 | 6,592,402 | 6,608,770 | 7.7% |
| | | | | 6,650,000 | 6,592,402 | 6,608,770 | |
| Xebec Global Holdings, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/12/2024 | 8,175,771 | 8,175,771 | 8,175,771 | 9.5% |
| | | | | 8,175,771 | 8,175,771 | 8,175,771 | |
| Z Medica, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/29/2022 | 2,610,750 | 2,610,750 | 2,552,791 | 3.0% |
| | | | | 2,610,750 | 2,610,750 | 2,552,791 | |
| Total Investments, March 31, 2019 | | | | \$ 260,138,993 | \$ 258,490,674 | \$ 254,793,265 | 295.6% |

(1) Represents the annual current interest rate as of March 31, 2019. All interest rates are payable in cash, unless otherwise noted.

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

(3) Percentage is based on MCC JV's net assets of \$86,182,514 as of March 31, 2019.

MCC JV Loan Portfolio as of September 30, 2018

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽⁴⁾ |
|---|---|--|------------|---------------|---------------|---------------------------|--------------------------------|
| 4Over International, LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/7/2022 | \$ 11,115,786 | \$ 11,115,786 | \$ 11,115,786 | 12.4% |
| | | | | 11,115,786 | 11,115,786 | 11,115,786 | |
| Acrisure, LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/22/2023 | 2,942,775 | 2,936,535 | 2,942,775 | 3.3% |
| | | | | 2,942,775 | 2,936,535 | 2,942,775 | |
| Avantor, Inc. | Wholesale | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/21/2024 | 5,528,200 | 5,455,199 | 5,583,482 | 6.2% |
| | | | | 5,528,200 | 5,455,199 | 5,583,482 | |
| BW NHHH HOLDCO INC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.00%) ⁽¹⁾ | 5/15/2025 | 6,284,250 | 6,184,580 | 6,170,505 | 6.9% |
| | | | | 6,284,250 | 6,184,580 | 6,170,505 | |
| Cardenas Markets LLC | Retail | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/29/2023 | 5,403,750 | 5,363,877 | 5,402,669 | 6.0% |
| | | | | 5,403,750 | 5,363,877 | 5,402,669 | |
| CD&R TZ Purchaser, Inc. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/21/2023 | 3,428,127 | 3,392,563 | 3,370,192 | 3.8% |
| | | | | 3,428,127 | 3,392,563 | 3,370,192 | |
| CHA Consulting, Inc. | Construction & Building | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/10/2025 | 2,867,813 | 2,854,412 | 2,853,473 | 3.2% |
| | | | | 2,867,813 | 2,854,412 | 2,853,473 | |
| Covenant Surgical Partners, Inc. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 4.50%) ⁽¹⁾ | 10/4/2024 | 7,634,615 | 7,613,184 | 7,584,990 | 8.5% |
| | | Delayed Draw Term Loan (LIBOR + 4.50%) ⁽¹⁾ | 10/4/2024 | 2,297,782 | 2,297,782 | 2,282,846 | 2.5% |
| | | | | 9,932,397 | 9,910,966 | 9,867,836 | |
| CP OPCO, LLC | Services: Consumer | Senior Secured First Lien Term Loan B (ABR + 5.50% PIK, 5.25% ABR Floor) ⁽¹⁾⁽³⁾ | 4/1/2019 | 242,807 | 213,451 | 41,301 | 0.0% |
| | | Senior Secured First Lien Term Loan C (ABR + 8.50% PIK, 5.25% ABR Floor) ⁽¹⁾⁽³⁾ | 4/1/2019 | 1,826,953 | 717,016 | — | 0.0% |
| | | Senior Secured First Lien Term Loan D (ABR + 7.00% PIK, 5.25% ABR Floor) ⁽¹⁾⁽³⁾ | 4/1/2019 | 1,038,290 | — | — | 0.0% |
| | | Equity - 41 Common Units | 4/1/2019 | — | — | — | 0.0% |
| | | | | 3,108,050 | 930,467 | 41,301 | |
| CT Technologies Intermediate Holdings, Inc. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/1/2021 | 4,175,053 | 4,080,739 | 4,064,414 | 4.5% |
| | | | | 4,175,053 | 4,080,739 | 4,064,414 | |
| Deliver Buyer, Inc. | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/1/2024 | 531,987 | 530,704 | 530,657 | 0.6% |
| | | | | 531,987 | 530,704 | 530,657 | |
| DigiCert, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/31/2024 | 1,488,750 | 1,482,238 | 1,488,750 | 1.7% |
| | | | | 1,488,750 | 1,482,238 | 1,488,750 | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽⁴⁾ | | |
|--|---|---|------------|---|-----------|---------------------------|--------------------------------|-----------|------|
| Elite Comfort Solutions, Inc. | Chemicals, Plastics and Rubber | Senior Secured First Lien Term Loan (LIBOR + 6.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 1/15/2021 | 5,507,602 | 5,507,602 | 5,507,602 | 6.1% | | |
| | | | | 5,507,602 | 5,507,602 | 5,507,602 | | | |
| GC EOS Buyer, Inc. | Automotive | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/1/2025 | 3,750,000 | 3,713,265 | 3,712,500 | 4.1% | | |
| | | | | 3,750,000 | 3,713,265 | 3,712,500 | | | |
| GK Holdings, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 1/20/2021 | 2,938,931 | 2,930,787 | 2,656,795 | 3.0% | | |
| | | | | 2,938,931 | 2,930,787 | 2,656,795 | | | |
| Glass Mountain Pipeline Holdings, LLC | Energy: Oil & Gas | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/23/2024 | 4,950,125 | 4,933,531 | 4,950,125 | 5.5% | | |
| | | | | 4,950,125 | 4,933,531 | 4,950,125 | | | |
| Golden West Packaging Group LLC | Forest Products & Paper | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/20/2023 | 8,792,361 | 8,792,361 | 8,792,361 | 9.9% | | |
| | | | | 8,792,361 | 8,792,361 | 8,792,361 | | | |
| High Ridge Brands Co. | Consumer Goods: Non-Durable | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/30/2022 | 1,820,455 | 1,802,712 | 1,694,479 | 1.9% | | |
| | | | | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/30/2022 | 12,358 | 12,238 | 11,503 | 0.0% |
| | | | | | | 1,832,813 | 1,814,950 | 1,705,982 | |
| Highline Aftermarket Acquisitions, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/26/2025 | 4,107,353 | 4,094,567 | 4,114,746 | 4.6% | | |
| | | | | 4,107,353 | 4,094,567 | 4,114,746 | | | |
| The Imagine Group, LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/21/2022 | 7,880,000 | 7,820,824 | 7,437,932 | 8.3% | | |
| | | | | 7,880,000 | 7,820,824 | 7,437,932 | | | |
| Infogroup, Inc. | Services: Business | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/3/2023 | 4,925,000 | 4,887,744 | 4,905,300 | 5.5% | | |
| | | | | 4,925,000 | 4,887,744 | 4,905,300 | | | |
| Intermedia Holdings, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/21/2025 | 3,000,000 | 2,970,580 | 2,970,000 | 3.3% | | |
| | | | | 3,000,000 | 2,970,580 | 2,970,000 | | | |
| Isagenix International, LLC | Consumer Goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 6/16/2025 | 2,937,813 | 2,922,007 | 2,894,920 | 3.2% | | |
| | | | | 2,937,813 | 2,922,007 | 2,894,920 | | | |
| Jackson Hewitt Tax Services Inc. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/31/2023 | 6,000,000 | 6,000,000 | 6,000,000 | 6.7% | | |
| | | | | 6,000,000 | 6,000,000 | 6,000,000 | | | |
| Keystone Acquisition Corp. | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/1/2024 | 6,225,584 | 6,131,648 | 6,194,456 | 6.9% | | |
| | | | | 6,225,584 | 6,131,648 | 6,194,456 | | | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽⁴⁾ | | |
|--------------------------------------|---|---|------------|---|-----------|---------------------------|--------------------------------|-----------|------|
| KNB Holdings Corporation | Consumer Goods: Durable | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/26/2024 | 4,999,557 | 4,919,799 | 4,960,560 | 5.5% | | |
| | | | | 4,999,557 | 4,919,799 | 4,960,560 | | | |
| LifeMiles Ltd. | Services: Consumer | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/18/2022 | 5,423,077 | 5,400,078 | 5,450,192 | 6.1% | | |
| | | | | 5,423,077 | 5,400,078 | 5,450,192 | | | |
| Loparex International B.V. | Containers, Packaging and Glass | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/11/2025 | 6,650,000 | 6,615,014 | 6,716,500 | 7.5% | | |
| | | | | 6,650,000 | 6,615,014 | 6,716,500 | | | |
| Manna Pro Products, LLC | Consumer Goods: Non-Durable | Senior Secured First Lien Term Loan (LIBOR + 6.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 12/8/2023 | 3,060,208 | 3,060,208 | 3,049,498 | 3.4% | | |
| | | | | Delayed Draw Term Loan (LIBOR + 6.00%) ⁽¹⁾ | 12/8/2023 | 376,167 | 376,167 | 374,850 | 0.4% |
| | | | | | | 3,436,375 | 3,436,375 | 3,424,348 | |
| Midcoast Energy, LLC | Energy: Oil & gas | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/1/2025 | 4,000,000 | 3,960,877 | 4,005,200 | 4.5% | | |
| | | | | 4,000,000 | 3,960,877 | 4,005,200 | | | |
| New Media Holdings II LLC | Media: Advertising, Printing & Publishing | Senior Secured First Lien Term Loan (LIBOR + 6.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 7/14/2022 | 4,557,382 | 4,549,251 | 4,557,382 | 5.1% | | |
| | | | | 4,557,382 | 4,549,251 | 4,557,382 | | | |
| Northern Star Industries, Inc. | Capital Equipment | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/28/2025 | 4,228,750 | 4,209,044 | 4,207,606 | 4.7% | | |
| | | | | 4,228,750 | 4,209,044 | 4,207,606 | | | |
| Peraton Corp. | Aerospace and Defense | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/29/2024 | 3,441,288 | 3,427,525 | 3,441,288 | 3.8% | | |
| | | | | 3,441,288 | 3,427,525 | 3,441,288 | | | |
| PetroChoice Holdings, Inc. | Chemicals, Plastics and Rubber | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/19/2022 | 4,911,410 | 4,911,410 | 4,911,410 | 5.5% | | |
| | | | | 4,911,410 | 4,911,410 | 4,911,410 | | | |
| Port Townsend Holdings Company, Inc. | Forest Products & Paper | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 4/3/2024 | 6,160,625 | 6,103,585 | 6,099,019 | 6.8% | | |
| | | | | 6,160,625 | 6,103,585 | 6,099,019 | | | |
| PT Network, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/30/2021 | 4,875,423 | 4,875,423 | 4,807,655 | 5.4% | | |
| | | | | 4,875,423 | 4,875,423 | 4,807,655 | | | |
| PVHC Holding Corp | Containers, Packaging and Glass | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/3/2024 | 1,992,273 | 1,982,463 | 1,982,311 | 2.2% | | |
| | | | | 1,992,273 | 1,982,463 | 1,982,311 | | | |
| Recorded Books Inc. | Media: Diversified & Production | Senior Secured First Lien Term Loan (LIBOR + 4.50%) ⁽¹⁾ | 8/29/2025 | 4,000,000 | 3,960,299 | 3,960,299 | 4.4% | | |
| | | | | 4,000,000 | 3,960,299 | 3,960,299 | | | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽⁴⁾ |
|------------------------------|---|---|------------|------------|-----------|---------------------------|--------------------------------|
| Rough Country, LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/25/2023 | 5,205,684 | 5,173,271 | 5,212,452 | 5.8% |
| | | | | 5,205,684 | 5,173,271 | 5,212,452 | |
| Safe Fleet Holdings LLC | Automotive | Senior Secured First Lien Term Loan (LIBOR + 3.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/3/2025 | 3,457,625 | 3,449,777 | 3,457,625 | 3.9% |
| | | | | 3,457,625 | 3,449,777 | 3,457,625 | |
| Salient CRGT Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/28/2022 | 2,720,536 | 2,683,070 | 2,720,808 | 3.0% |
| | | | | 2,720,536 | 2,683,070 | 2,720,808 | |
| SCS Holdings I Inc. | Wholesale | Senior Secured First Lien Term Loan (LIBOR + 4.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/30/2022 | 3,904,564 | 3,873,416 | 3,904,564 | 4.4% |
| | | | | 3,904,564 | 3,873,416 | 3,904,564 | |
| Shift4 Payments, LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/29/2024 | 9,925,000 | 9,881,191 | 9,925,000 | 11.1% |
| | | | | 9,925,000 | 9,881,191 | 9,925,000 | |
| Sierra Enterprises, LLC | Beverage & Food | Senior Secured First Lien Term Loan (LIBOR + 3.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 11/11/2024 | 5,211,928 | 5,196,997 | 5,191,602 | 5.8% |
| | | | | 5,211,928 | 5,196,997 | 5,191,602 | |
| SMB Shipping Logistics, LLC | Transportation: Cargo | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/5/2024 | 2,493,671 | 2,469,513 | 2,468,735 | 2.8% |
| | | | | 2,493,671 | 2,469,513 | 2,468,735 | |
| Starfish Holdco, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 8/16/2024 | 3,955,025 | 3,921,489 | 3,955,025 | 4.4% |
| | | | | 3,955,025 | 3,921,489 | 3,955,025 | |
| Syniverse Holdings, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 3/9/2023 | 4,975,000 | 4,930,568 | 4,975,000 | 5.6% |
| | | | | 4,975,000 | 4,930,568 | 4,975,000 | |
| The KEYW Corporation | Aerospace and Defense | Senior Secured First Lien Term Loan (LIBOR + 4.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/8/2024 | 3,337,209 | 3,321,534 | 3,305,172 | 3.7% |
| | | | | 3,337,209 | 3,321,534 | 3,305,172 | |
| The Octave Music Group, Inc. | Media: Diversified & Production | Senior Secured First Lien Term Loan (LIBOR + 4.75%, 1.00% LIBOR Floor) ⁽¹⁾ | 5/28/2021 | 4,923,664 | 4,923,664 | 4,923,664 | 5.5% |
| | | | | 4,923,664 | 4,923,664 | 4,923,664 | |
| ThoughtWorks, Inc. | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/11/2024 | 4,987,500 | 4,974,219 | 5,001,965 | 5.6% |
| | | | | 4,987,500 | 4,974,219 | 5,001,965 | |
| Tortoise Borrower LLC | Banking, Finance, Insurance & Real Estate | Senior Secured First Lien Term Loan (LIBOR + 4.00%, 1.00% LIBOR Floor) ⁽¹⁾ | 1/31/2025 | 2,462,625 | 2,451,451 | 2,462,625 | 2.7% |
| | | | | 2,462,625 | 2,451,451 | 2,462,625 | |

| Company | Industry | Type of Investment | Maturity | Par Amount | Cost | Fair Value ⁽²⁾ | % of Net Assets ⁽⁴⁾ |
|--|------------------------------|---|------------|-----------------------|-----------------------|---------------------------|--------------------------------|
| United Road Services, Inc. | Transportation: Cargo | Senior Secured First Lien Term Loan (LIBOR + 5.25%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/1/2024 | 3,880,000 | 3,863,202 | 3,880,000 | 4.3% |
| | | | | 3,880,000 | 3,863,202 | 3,880,000 | |
| Vertex Aerospace Services Corp. | Aerospace and Defense | Senior Secured First Lien Term Loan (LIBOR + 4.75%) ⁽¹⁾ | 6/29/2025 | 1,496,250 | 1,488,975 | 1,511,213 | 1.7% |
| | | | | 1,496,250 | 1,488,975 | 1,511,213 | |
| Wheels Up Partners LLC | Aerospace and Defense | Senior Secured First Lien Term Loan (LIBOR + 8.55%, 1.00% LIBOR Floor) ⁽¹⁾ | 10/15/2021 | 4,437,529 | 4,333,078 | 4,380,729 | 4.9% |
| | | | | 4,437,529 | 4,333,078 | 4,380,729 | |
| Xebec Global Holdings, LLC | High Tech Industries | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 2/12/2024 | 8,217,063 | 8,217,063 | 8,217,063 | 9.2% |
| | | | | 8,217,063 | 8,217,063 | 8,217,063 | |
| Z Medica, LLC | Healthcare & Pharmaceuticals | Senior Secured First Lien Term Loan (LIBOR + 5.50%, 1.00% LIBOR Floor) ⁽¹⁾ | 9/29/2022 | 2,625,500 | 2,625,500 | 2,622,349 | 2.9% |
| | | | | 2,625,500 | 2,625,500 | 2,622,349 | |
| Total Investments, September 30, 2018 | | | | \$ 256,547,053 | \$ 252,887,053 | \$ 251,913,920 | 281.2% |

(1) Represents the annual current interest rate as of September 30, 2018. All interest rates are payable in cash, unless otherwise noted.

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

(3) This investment was on non-accrual status as of September 30, 2018.

(4) Percentage is based on MCC JV's net assets of \$89,580,037 as of September 30, 2018.

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

Note 4. Fair Value Measurements

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

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.
- Level 3 - Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date. The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the Market or Income Approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and EBITDA multiples. The information may also include pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

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

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of March 31, 2019 (dollars in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|------------|------------|
| Senior Secured First Lien Term Loans | \$ — | \$ — | \$ 352,820 | \$ 352,820 |
| Senior Secured Second Lien Term Loans | — | — | 35,851 | 35,851 |
| Senior Secured First Lien Notes | — | — | 19,268 | 19,268 |
| Unsecured Debt | — | — | 2,662 | 2,662 |
| Equity/Warrants | — | — | 126,489 | 126,489 |
| Total | \$ — | \$ — | \$ 537,090 | \$ 537,090 |
| MCC Senior Loan Strategy JV I LLC ⁽¹⁾ | | | | 75,410 |
| Total Investments, at fair value | | | | \$ 612,500 |

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|------------|------------|
| Senior Secured First Lien Term Loans | \$ — | \$ — | \$ 395,015 | \$ 395,015 |
| Senior Secured Second Lien Term Loans | — | — | 48,890 | 48,890 |
| Senior Secured First Lien Notes | — | — | 19,268 | 19,268 |
| Unsecured Debt | — | — | 3,381 | 3,381 |
| Equity/Warrants | — | 50 | 110,455 | 110,505 |
| Total | \$ — | \$ 50 | \$ 577,009 | \$ 577,059 |
| MCC Senior Loan Strategy JV I LLC ⁽¹⁾ | | | | 78,371 |
| Total Investments, at fair value | | | | \$ 655,430 |

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

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended March 31, 2019 (dollars in thousands):

| | Senior Secured First Lien Term Loans | Senior Secured Second Lien Term Loans | Senior Secured First Lien Notes | Unsecured Debt | Equities/Warrants | Total |
|--|--------------------------------------|---------------------------------------|---------------------------------|----------------|-------------------|------------|
| Balance as of September 30, 2018 | \$ 395,015 | \$ 48,890 | \$ 19,268 | \$ 3,381 | \$ 110,455 | \$ 577,009 |
| Purchases and other adjustments to cost | 3,328 | 821 | — | (647) | 2,589 | 6,091 |
| Originations | 50,169 | 1,500 | — | — | 72 | 51,741 |
| Sales | (32,030) | (11,828) | — | — | — | (43,858) |
| Settlements | (28,752) | (2,141) | — | (13) | (1) | (30,907) |
| Net realized gains/(losses) from investments | (44,061) | 114 | — | (22,787) | (873) | (67,607) |
| Net transfers in and/or out of Level 3 | — | — | — | — | — | — |
| Net unrealized gains/(losses) | 9,151 | (1,505) | — | 22,728 | 14,247 | 44,621 |
| Balance as of March 31, 2019 | \$ 352,820 | \$ 35,851 | \$ 19,268 | \$ 2,662 | \$ 126,489 | \$ 537,090 |

The following table provides a reconciliation of the beginning and ending balances for investments that use Level 3 inputs for the six months ended March 31, 2018 (dollars in thousands):

| | Senior Secured First Lien Term Loans | Senior Secured Second Lien Term Loans | Senior Secured First Lien Notes | Unsecured Debt | Equities/Warrants | Total |
|--|--------------------------------------|---------------------------------------|---------------------------------|----------------|-------------------|------------|
| Balance as of September 30, 2017 | \$ 537,163 | \$ 135,826 | \$ 20,478 | \$ — | \$ 80,260 | \$ 773,727 |
| Purchases and other adjustments to cost | 3,526 | 10,524 | 6 | — | 2,652 | 16,708 |
| Originations | 60,509 | — | — | — | 18,114 | 78,623 |
| Sales | (15,061) | (17,714) | (7,013) | — | — | (39,788) |
| Settlements | (47,139) | (41,861) | — | — | — | (89,000) |
| Net realized gains/(losses) from investments | (1,068) | (22,639) | 239 | — | — | (23,468) |
| Net transfers in and/or out of Level 3 | — | — | 7,067 | — | — | 7,067 |
| Net unrealized gains/(losses) | (66,831) | 15,236 | (485) | — | 4,117 | (47,963) |
| Balance as of March 31, 2018 | \$ 471,099 | \$ 79,372 | \$ 20,292 | \$ — | \$ 105,143 | \$ 675,906 |

Net change in unrealized loss included in earnings related to investments still held as of March 31, 2019 and 2018 was approximately \$12.5 million and \$65.6 million, respectively.

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

Sales represent net proceeds received from investments sold.

Settlements represent principal paydowns received.

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

the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the six months ended March 31, 2019, none of our investments transferred in or out of Level 3. During the six months ended March 31, 2018, one of our senior secured first lien notes with a fair value of \$7.0 million transferred from Level 2 to Level 3 because of the decrease in availability of the transaction data or the inputs to the valuation.

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of March 31, 2019 (dollars in thousands):

| | Fair Value | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|---------------------------------------|-------------------|---|---|---|
| Senior Secured First Lien Term Loans | \$ 211,079 | Income Approach (DCF) | Market Yield | 6.76% - 17.19% (10.13%) |
| Senior Secured First Lien Term Loans | 84,774 | Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate Expected Proceeds | 1.35x - 1.35x (1.35x) 3.50x - 6.75x (5.96x) 10.00% - 18.00% (16.63%) \$1.2M - \$17.5M (\$14.0M) |
| Senior Secured First Lien Term Loans | 56,967 | Recent Arms-Length Transaction | Recent Arms-Length Transaction | N/A |
| Senior Secured First Lien Notes | 19,268 | Income Approach (DCF) | Market Yield | 17.66% |
| Senior Secured Second Lien Term Loans | 15,127 | Income Approach (DCF) | Market Yield | 10.31% - 18.15% (14.58%) |
| Senior Secured Second Lien Term Loans | 17,804 | Market Approach (Guideline Comparable)/Income Approach (DCF) | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate | 0.70x - 0.70x (0.70x) 4.50x - 7.25x (7.19x) 16.50% - 16.50% (16.50%) |
| Senior Secured Second Lien Term Loans | 2,920 | Recent Arms-Length Transaction | Recent Arms-Length Transaction | N/A |
| Unsecured Debt | 850 | Income Approach (DCF) | Market Yield | 7.72% |
| Unsecured Debt | 288 | Market Approach (Guideline Comparable) | EBITDA Multiple ⁽¹⁾ | 4.00x - 5.00x (4.50x) |
| Unsecured Debt | 1,524 | Recent Arms-Length Transaction | Recent Arms-Length Transaction | N/A |
| Equity | 112,445 | Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis/Option Model | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate Expected Proceeds Volatility | 0.70x - 1.35x (0.70x) 3.50x - 13.50x (8.65x) 10.00% - 21.50% (17.20%) \$5.7M - \$47.5M (\$47.5M) 50.00% - 50.00% (50.00%) |
| Equity | 2,715 | Net Asset Value (NAV) | Net Asset Value (NAV) | N/A |
| Equity | 11,329 | Income Approach (DCF) | Market Yield | 12.67% |
| Total | \$ 537,090 | | | |

The following table has been modified to conform to the current year presentation, and presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2018 (dollars in thousands):

| | Fair Value | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|---------------------------------------|-------------------|---|---|---|
| Senior Secured First Lien Term Loans | \$ 175,233 | Income Approach (DCF) | Market Yield | 7.18% - 16.87% (10.80%) |
| Senior Secured First Lien Term Loans | 113,178 | Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/ Enterprise Value Analysis | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate Expected Proceeds | 0.75x - 1.35x (0.87x) 3.50x - 7.00x (5.93x) 10.00% - 18.00% (16.77%) \$0.0M - \$127.5M (\$76.8M) |
| Senior Secured First Lien Term Loans | 106,604 | Recent Arms-Length Transaction | Recent Arms Length Transaction | N/A |
| Senior Secured First Lien Notes | 19,268 | Income Approach (DCF) | Market Yield | 14.17% |
| Senior Secured Second Lien Term Loans | 33,376 | Income Approach (DCF) | Market Yield | 8.99% - 14.17% (11.29%) |
| Senior Secured Second Lien Term Loans | 15,113 | Market Approach (Guideline Comparable)/Income Approach (DCF) | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate | 0.60x - 0.80x (0.70x) 6.75x - 7.75x (7.25x) 15.50% - 17.50% (16.50%) |
| Senior Secured Second Lien Term Loans | 401 | Recent Arms-Length Transaction | Recent Arms Length Transaction | N/A |
| Unsecured Debt | — | Enterprise Value Analysis | Expected Proceeds | \$0.0M - \$0.0M (\$0.0M) |
| Unsecured Debt | 3,381 | Recent Arms-Length Transaction | Recent Arms Length Transaction | N/A |
| Equity | 6,678 | Income Approach (DCF) | Market Yield | 8.75% |
| Equity | 97,107 | Market Approach (Guideline Comparable)/Market Approach (Comparable Transactions)/Income Approach (DCF)/Enterprise Value Analysis | Revenue Multiple ⁽¹⁾ EBITDA Multiple ⁽¹⁾ Discount Rate Expected Proceeds | 0.70x - 1.35x (0.69x) 4.50x - 13.00x (9.60x) 10.00% - 21.50% (14.79%) \$0.0M - \$5.7M (\$0.0M) |
| Equity | 6,670 | Recent Arms-Length Transaction | Recent Arms Length Transaction | N/A |
| Total | \$ 577,009 | | | |

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

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

In September 2017, the Company entered into an agreement with Global Accessories Group, LLC (“Global Accessories”), in which the Company exchanged its full position in Lydell Jewelry Design Studio, LLC for a 3.8% membership interest in Global Accessories, which is included in the Consolidated Schedule of Investments. As part of the agreement, the Company is entitled to contingent consideration in the form of cash payments (“Earnout”), as well as up to an additional 5% membership interest (“AMI”), provided Global Accessories achieves certain financial benchmarks over specified time frames. The Earnout and AMI were initially recorded an aggregate fair value of \$2.4 million on the transaction date using the Income Approach and were included on the Consolidated Statements of Assets and Liabilities in other assets. The contingent consideration will be remeasured to fair value at each reporting date until the contingency is resolved. Any changes in fair value will be recognized in earnings. As of March 31, 2019, there was no change in fair value of the contingent consideration.

Note 5. Borrowings

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

However, in March 2018, the Small Business Credit Availability Act modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from 200% to 150%, if certain requirements under the 1940 Act are met. Under the 1940 Act, we are allowed to increase our leverage capacity if stockholders representing at least a majority of the votes cast, when a quorum is present, approve a proposal to do so. If we receive stockholder approval, we would be allowed to increase our leverage capacity on the first day after such approval. Alternatively, the 1940 Act allows the majority of our independent directors to approve an increase in our leverage capacity, and such approval would become effective after the one-year anniversary of such approval. In either case, we would be required to make certain disclosures on our website and in SEC filings regarding, among other things, the receipt of approval to increase our leverage, our leverage capacity and usage, and risks related to leverage.

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

The Company's outstanding debt excluding debt issuance costs as of March 31, 2019 and September 30, 2018 was as follows (dollars in thousands):

| | March 31, 2019 | | | | September 30, 2018 | | | |
|----------------|--------------------------------------|------------------------------|----------------|------------|--------------------------------------|------------------------------|----------------|------------|
| | Aggregate Principal Amount Available | Principal Amount Outstanding | Carrying Value | Fair Value | Aggregate Principal Amount Available | Principal Amount Outstanding | Carrying Value | Fair Value |
| 2021 Notes | \$ 74,013 | \$ 74,013 | \$ 74,013 | \$ 74,664 | \$ 74,013 | \$ 74,013 | \$ 74,013 | \$ 74,960 |
| 2023 Notes | 77,847 | 77,847 | 77,847 | 76,446 | 89,847 | 89,847 | 89,847 | 89,128 |
| 2024 Notes | 120,156 | 120,156 | 120,156 | 97,980 | 121,276 | 121,276 | 121,276 | 112,993 |
| SBA Debentures | 135,000 | 135,000 | 135,000 | 135,000 | 135,000 | 135,000 | 135,000 | 135,000 |
| Total | \$ 407,016 | \$ 407,016 | \$ 407,016 | \$ 384,090 | \$ 420,136 | \$ 420,136 | \$ 420,136 | \$ 412,081 |

Credit Facilities

Term Loan Facility

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

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

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

Revolving Credit Facility

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

The pricing on the Revolving Credit Facility was LIBOR (with no minimum) plus 2.75% and had a revolving period that was to end July 28, 2019, followed by a one year amortization period and a final maturity on July 28, 2020.

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

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

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

The following table shows the components of interest expense, commitment fees related to the Facilities, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Facilities for the three and six months ended March 31, 2019 and 2018 (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---------------------------------------|-------------------------------------|-----------|-----------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revolving Facility interest | \$ — | \$ 304 | \$ — | \$ 714 |
| Revolving Facility commitment fee | — | 364 | — | 774 |
| Term Facility interest | — | 384 | — | 1,505 |
| Amortization of debt issuance costs | — | 562 | — | 814 |
| Agency and other fees | — | 18 | — | 38 |
| Total | \$ — | \$ 1,632 | \$ — | \$ 3,845 |
| Weighted average stated interest rate | —% | 4.6% | —% | 4.4% |
| Weighted average outstanding balance | \$ — | \$ 60,633 | \$ — | \$ 101,462 |

Unsecured Notes

2021 Notes

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

2023 Notes

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

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

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

On December 31, 2018, the Company redeemed \$12.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

2024 Notes

On January 26, 2018, the Company priced a debt offering in Israel of \$121.3 million Series A Notes (the “2024 Notes,” and together with the 2021 Notes and the 2023 Notes, the “Unsecured Notes”). The 2024 Notes will mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. The 2024 Notes are listed on the Tel Aviv Stock Exchange (“TASE”) and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements. In connection with this offering, we have dual listed our common stock on TASE. As of March 27, 2018, the 2024 Notes may be redeemed in whole or in part at anytime or from time to time at the Company’s option. The 2024 Notes bear interest at a rate of 5.55% per year, payable semi-annually on February 27 and August 27 of each year, beginning August 27, 2018.

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

As of March 31, 2019, the Company has net assets of less than \$285 million. As a result, upon filing of this quarterly report on Form 10-Q, the interest rate on the 2024 Notes will increase by one-half percent (0.50%) per annum in accordance with the deed of trust governing the 2024 Notes. The 2024 Notes include certain trigger events that result in an increase in the interest rate on the 2024 Notes, including the Company having net assets of less than \$285 million or the Company not satisfying the 70% maximum debt to total assets covenant. If the Company does not satisfy either of these tests, then the interest rate on the 2024 Notes increases by one-half percent (0.50%) per annum, which is the maximum amount that the interest rate will increase. The effective date of the increase is the date that the Company publishes its financial statements indicating the non-compliance, and the rate increase continues until the next publication date of the Company’s financial statement demonstrating compliance with the foregoing tests.

The deed of trust governing the 2024 Notes includes certain customary covenants, including minimum net assets of \$275 million and a maximum debt to total assets ratio of 70%. The date for determining compliance with these financial covenants is the date that the Company publishes its financial statements (i.e., in a quarterly report on Form 10-Q or an annual report on Form 10-K) with the SEC. If the Company does not satisfy these financial covenants for two consecutive quarters, it is an event of default under the deed of trust governing the 2024 Notes. If this event of default is expected to occur, the Company has the right to request the trustee under the 2024 Notes to appoint an emergency committee of the three largest noteholders for the purpose of obtaining a one-quarter extension of time to satisfy the financial covenants. If the Company does not make this request and the breach occurs, or if the emergency committee does not grant the extension, then the trustee is required to convene a meeting of the noteholders as described below.

In addition to not complying with the financial covenants as described above, the events of default include: (i) a change of control of the Company (defined in the deed of trust as MCC Advisors’ ceasing to provide investment management or advisory services to the Company); (ii) the Company not publishing a tender offer for the purchase of all of the 2024 Notes within 45 days; (iii) the Company not paying any amount due and payable to the holders of the 2024 Notes within seven business days after the payment due date; (iv) certain insolvency and receivership events with respect to the

Company or with respect to all or substantially all of its assets, and (v) the 2024 Notes being delisted from the TASE or the TASE's suspension of trading of the 2024 Notes for more than 60 days.

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

As of March 31, 2019, we have net assets in excess of \$275 million and a maximum debt to total assets ratio of below 70%. Therefore, as of March 31, 2019, we were in compliance with the minimum net assets covenant under the 2024 Notes. However, if we experience realized losses or unrealized declines in the fair value of the Company's portfolio investments due to either portfolio company specific or macro-economic factors, it is reasonably likely, absent injection of capital or waivers or an amendment to the covenants set forth in the deed of trust governing the 2024 Notes, that we could not satisfy the minimum net assets covenant under the 2024 Notes as early as the date we publish financial statements for the quarter ending June 30, 2019, which would be no later than August 9, 2019. While there are no immediate consequences to breaching this financial covenant for a single period, if the Company reports net assets of less than \$275 million for two consecutive quarters and does not obtain a one-quarter extension of time as described above, the holders of the 2024 Notes can require the trustee to accelerate the 2024 Notes. In that regard, if the Company's net assets are below \$275 million as of June 30, 2019, and the Company's net assets remain below \$275 million as of September 30, 2019, and the Company does not obtain an extension of time for compliance as described above or an adequate waiver or amendment, then an event of default on the 2024 Notes will occur on the date that the Company publishes its annual report on Form 10-K for the fiscal year ending September 30, 2019, which would be no later than December 16, 2019.

As of March 31, 2019, the Company's net assets are \$278 million, resulting in a cushion of approximately \$3 million. It is reasonably likely that the Company's net assets could decline by more than \$3 million by June 30, 2019, which would result in a breach of the financial covenant described above. To address these matters, we may pursue alternatives which could include discussions with the trustee and holders of the 2024 Notes regarding potential waivers and/or an amendment to the covenants set forth in the deed of trust. Any such waivers or an amendment may be subject to conditions that may not be satisfied. If market or other conditions are not favorable, or if such discussions do not result in a favorable outcome, we may be unable to take any such actions or obtain waivers or an amendment from the trustee or holders of the 2024 Notes. In addition, the Company is also exploring the possibility of raising additional capital, which will have the effect of increasing the Company's net assets, as another means to cure any future non-compliance with the financial covenants of the deed of trust. The Company continues to actively pursue the Mergers. If the Mergers are consummated, we expect it would result in the Company's ability to comply with the financial covenants described above as the Combined Company is projected to have net assets well in excess of \$275 million and debt to total assets ratio well below 70%. Alternatively, we believe we have the ability to sell certain portfolio investments and reduce other controllable cash outflows in order to increase our liquidity to levels sufficient to meet our debt obligations under the 2024 Notes and any other anticipated cash needs to meet our obligations as they become due.

The foregoing description of the terms of 2024 Notes and the deed of trust does not purport to be complete and is qualified in its entirety by reference to the full text of the deed of trust incorporated by reference as an exhibit to this quarterly report on Form 10-Q.

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

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

The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Unsecured Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. As of March 31, 2019 and September 30, 2018, the Unsecured Notes would be deemed to be Level 1 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the Unsecured Notes are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the Unsecured Notes. As of March 31, 2019 and September 30, 2018, debt issuance costs related to the Unsecured Notes were as follows (dollars in thousands):

| | March 31, 2019 | | | | September 30, 2018 | | | |
|---------------------------------|----------------|------------|------------|-----------|--------------------|------------|------------|-----------|
| | 2021 Notes | 2023 Notes | 2024 Notes | Total | 2021 Notes | 2023 Notes | 2024 Notes | Total |
| Total Debt Issuance Costs | \$ 3,226 | \$ 3,102 | \$ 6,287 | \$ 12,615 | \$ 3,226 | \$ 3,102 | \$ 6,287 | \$ 12,615 |
| Amortized Debt Issuance Costs | 2,070 | 1,988 | 1,687 | 5,745 | 1,756 | 1,656 | 965 | 4,377 |
| Unamortized Debt Issuance Costs | \$ 1,156 | \$ 1,114 | \$ 4,600 | \$ 6,870 | \$ 1,470 | \$ 1,446 | \$ 5,322 | \$ 8,238 |

For the three and six months ended March 31, 2019 and 2018, the components of interest expense, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the Unsecured Notes were as follows (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---------------------------------------|-------------------------------------|------------|-----------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| 2021 Notes interest | \$ 1,203 | \$ 1,203 | \$ 2,405 | \$ 2,405 |
| 2023 Notes interest | 1,192 | 1,531 | 2,570 | 3,105 |
| 2023 Notes premium | (1) | (1) | (1) | (1) |
| 2024 Notes interest | 1,644 | 1,090 | 3,166 | 1,091 |
| Amortization of debt issuance costs | 561 | 529 | 1,139 | 780 |
| Total | \$ 4,599 | \$ 4,352 | \$ 9,279 | \$ 7,380 |
| Weighted average stated interest rate | 6.0% | 5.9% | 5.9% | 6.1% |
| Weighted average outstanding balance | \$ 272,016 | \$ 261,125 | \$ 278,539 | \$ 218,530 |

SBA Debentures

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

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

SBA regulations currently limit the amount that the SBIC LP may borrow to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. In June 2018, the U.S. Senate passed the Small Business Investment Opportunity Act, which the President signed into law, that amended the Small Business Investment Act of 1958 by increasing the individual leverage limit from \$150 million to \$175 million, subject to SBA approvals.

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

SBIC LP received a letter from the SBA (the “SBA Letter”), dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP’s outstanding SBA Debentures. The SBA Letter stated that SBIC LP had until March 29, 2019, fifteen (15) days from the date of the SBA Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA.

SBIC LP’s management submitted an orderly wind-down plan to the SBA to prepay the remaining \$135.0 million of outstanding SBA Debentures using available cash at SBIC LP as well as the sale of assets to third parties or affiliates of SBIC LP.

On March 28, 2019, SBIC LP agreed and made a repayment of \$50.0 million of outstanding SBA Debentures on April 3, 2019 using available cash at SBIC LP and the cure period was extended to April 19, 2019.

On April 18, 2019, SBIC LP agreed and made a repayment of \$20.0 million of outstanding SBA Debentures on April 23, 2019 and an additional \$30.0 million of outstanding SBA Debentures on April 30, 2019 using proceeds from the sale of certain assets and the cure period was extended to May 10, 2019.

On May 10, 2019, SBIC LP made the final repayment of the remaining \$35.0 million of outstanding SBA Debentures using proceeds from the sale of certain assets.

The Company believes the wind-down plan of SBIC LP will not have a material impact on the Company’s net investment income per share. In addition, the Company believes the wind-down will not have an adverse impact on the Company’s other operations. The Company has received the necessary consents and waivers under the MCC Merger Agreement to permit the repayment of the outstanding SBA Debentures.

As of March 31, 2019 and September 30, 2018, SBIC LP had \$75.0 million in regulatory capital and had \$135.0 million SBA Debentures outstanding that mature between March 2024 and September 2025.

Our fixed-rate SBA Debentures as of March 31, 2019 and September 30, 2018 were as follows (dollars in thousands):

| Rate Fix Date | March 31, 2019 | | September 30, 2018 | |
|-----------------------------|----------------|----------------------------|--------------------|----------------------------|
| | Debt Amount | Fixed All-in Interest Rate | Debt Amount | Fixed All-in Interest Rate |
| March 2014 | \$ 29,000 | 3.951% | \$ 29,000 | 3.951% |
| September 2014 | 50,000 | 3.370 | 50,000 | 3.370 |
| September 2014 | 6,000 | 3.775 | 6,000 | 3.775 |
| September 2015 | 50,000 | 3.571 | 50,000 | 3.571 |
| Weighted Average Rate/Total | \$ 135,000 | 3.587% | \$ 135,000 | 3.587% |

As of March 31, 2019, 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 March 31, 2019 and September 30, 2018, the SBA Debentures would be deemed to be Level 3 in the fair value hierarchy, as defined in Note 4.

In accordance with ASU 2015-03, the debt issuance costs related to the SBA Debentures are reported on the Consolidated Statements of Assets and Liabilities as a direct deduction from the face amount of the SBA Debentures. As of March 31, 2019 and September 30, 2018, debt issuance costs related to the SBA Debentures were as follows (dollars in thousands):

| | March 31, 2019 | September 30, 2018 |
|---------------------------------|----------------|--------------------|
| Total Debt Issuance Costs | \$ 5,138 | \$ 5,138 |
| Amortized Debt Issuance Costs | 3,257 | 3,042 |
| Unamortized Debt Issuance Costs | \$ 1,881 | \$ 2,096 |

For the three and six months ended March 31, 2019 and 2018, the components of interest, amortized debt issuance costs, weighted average stated interest rate and weighted average outstanding debt balance for the SBA Debentures were as follows (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---------------------------------------|-------------------------------------|------------|-----------------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| SBA Debentures interest | \$ 1,194 | \$ 1,346 | \$ 2,415 | \$ 2,722 |
| Amortization of debt issuance costs | 106 | 140 | 214 | 282 |
| Total | \$ 1,300 | \$ 1,486 | \$ 2,629 | \$ 3,004 |
| Weighted average stated interest rate | 3.6% | 3.6% | 3.6% | 3.6% |
| Weighted average outstanding balance | \$ 135,000 | \$ 150,000 | \$ 135,000 | \$ 150,000 |

Note 6. Agreements

Investment Management Agreement

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

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

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

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

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

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

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

Base Management Fee

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

Incentive Fee

The incentive fee has two components, as follows:

Incentive Fee Based on Income

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

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

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

Determination of Quarterly Incentive Fee Based on Income

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

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

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

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

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

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

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

Incentive Fee Based on Capital Gains

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

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

Base Management Fee - Prior to Fee Waiver Agreement

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

Incentive Fee - Prior to Fee Waiver Agreement

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

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

For the three and six months ended March 31, 2019, the Company incurred base management fees to MCC Advisors of \$3.1 million and \$6.3 million, respectively. For the three and six months ended March 31, 2018, the Company incurred base management fees to MCC Advisors of \$3.8 million and \$7.8 million, respectively.

For the three and six months ended March 31, 2019 and 2018, the Company did not waive any management fees under the Fee Waiver Agreement. For the three and six months ended March 31, 2018, base management fees, net of the voluntary \$0.4 million waiver was \$3.4 million and \$7.4 million, respectively.

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

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

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

For the three and six months ended March 31, 2019 and 2018, the Company did not incur any incentive fees on net investment income because pre-incentive fee net investment income did not exceed the hurdle amount under the formula that exists under the investment management agreement.

As of March 31, 2019 and September 30, 2018, \$3.1 million and \$3.3 million, respectively, were included in “management and incentive fees payable” in the accompanying Consolidated Statements of Assets and Liabilities.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to the administration agreement, MCC Advisors furnishes us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimburse MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. From time to time, our administrator may pay amounts owed by us to third-party service providers and we will subsequently reimburse our administrator for such amounts paid on our behalf. For the three and six months ended March 31, 2019, we incurred \$0.7 million and \$1.7 million in administrator expenses, respectively. For the three and six months ended March 31, 2018, we incurred \$1.0 million and \$1.8 million in administrator expenses, respectively.

As of March 31, 2019 and September 30, 2018, \$0.7 million and \$0.8 million, respectively, were included in “administrator expenses payable” in the accompanying Consolidated Statements of Assets and Liabilities.

Note 7. Related Party Transactions

Due to Affiliate

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

Other Related Party Transactions

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

Opportunities for co-investments may arise when MCC Advisors or an affiliated investment adviser becomes aware of investment opportunities that may be appropriate for the Company, other clients, or affiliated funds. On November 25, 2013, the Company obtained an exemptive order from the SEC that permits us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Medley, LLC or an investment adviser controlled by Medley, LLC in a manner consistent with our investment objective, strategies and restrictions, as well as regulatory requirements and other pertinent factors (the “Prior Exemptive Order”). On March 29, 2017, the Company, MCC Advisors and certain other affiliated funds and investment advisers received an exemptive order (the “Exemptive Order”) that supersedes the Prior Exemptive Order and allows affiliated registered investment companies to participate in co-investment transactions with us that would otherwise have been prohibited under Section 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 thereunder. On October 4, 2017, the Company, MCC Advisors and certain of our affiliates received an exemptive order that supersedes the Exemptive Order (the “Current Exemptive Order”) and allows, in addition to the entities already covered by the Exemptive Order, Medley LLC and its subsidiary, Medley Capital LLC, to the extent they hold financial assets in a principal capacity, and any direct or indirect, wholly- or majority-owned subsidiary of Medley LLC that is formed in the future, to participate in co-investment transactions with us that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates have submitted an exemptive application to the SEC for an exemptive order that would supersede the Current Exemptive Order (the “Superseding Exemptive Order”) and would permit Sierra to participate in negotiated co-investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the board of directors determines that it would be in Sierra’s best interest to participate in the transaction. The Current Exemptive Order will remain in effect

unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. However, neither we nor the affiliated funds are obligated to invest or co-invest when investment opportunities are referred to us or them.

Note 8. Commitments

Guarantees

The Company has a guarantee to issue up to \$7.0 million in standby letters of credit through a financial intermediary on behalf of a certain portfolio company. Under this arrangement, if the standby letters of credit were to be issued, the Company would be required to make payments to third parties if the portfolio company was to default on its related payment obligations. The guarantee will renew annually until cancellation. As of March 31, 2019 and September 30, 2018, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

Unfunded commitments

As of March 31, 2019 and September 30, 2018, we had commitments under loan and financing agreements to fund up to \$15.2 million to 13 portfolio companies and \$36.1 million to 17 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolvers, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of March 31, 2019 and September 30, 2018 is shown in the table below (dollars in thousands):

| | March 31, 2019 | September 30, 2018 |
|---|------------------|--------------------|
| Accupac, Inc. - Delayed Draw Term Loan | \$ 2,612 | \$ 2,612 |
| Dynamic Energy Services International LLC - Revolver | 1,892 | — |
| DataOnline Corp. - Revolver | 1,890 | 1,890 |
| Barry's Bootcamp Holdings, LLC - Delayed Draw Term Loan | 1,271 | 1,271 |
| 1888 Industrial Services, LLC - Revolver | 1,258 | 719 |
| Trans-Fast Remittance LLC - Delayed Draw Term Loan | 1,057 | 1,057 |
| Alpine SG, LLC - Revolver | 1,000 | 1,000 |
| Black Angus Steakhouses, LLC - Delayed Draw Term Loan | 893 | 893 |
| Redwood Services Group, LLC - Revolver | 875 | 1,750 |
| RMS Holding Company, LLC - Revolver | 691 | 2,327 |
| Barry's Bootcamp Holdings, LLC - Revolver | 660 | 2,200 |
| Manna Pro Products, LLC - Delayed Draw Term Loan | 429 | 429 |
| Black Angus Steakhouses, LLC - Revolver | 313 | 625 |
| Path Medical, LLC - Delayed Draw Term Loan C | 295 | — |
| Access Media Holdings, LLC - Series AAA Preferred Equity | 101 | 173 |
| SFP Holding, Inc. - Delayed Draw Term Loan | — | 2,765 |
| Central States Dermatology Services, LLC - Delayed Draw Term Loan | — | 137 |
| SavATree, LLC - Delayed Draw Term Loan | — | 123 |
| Impact Group, LLC - Delayed Draw Term Loan | — | 8,567 |
| Redwood Services Group, LLC - Delayed Draw Term Loan | — | 4,839 |
| SMART Financial Operations, LLC - Delayed Draw Term Loan | — | 2,400 |
| Brook & Whittle Holding Corp. - Delayed Draw Term Loan | — | 310 |
| Total | \$ 15,237 | \$ 36,087 |

Legal Proceedings

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

On February 11, 2019, a putative stockholder class action related to the MCC Merger was commenced in the Court of Chancery of the State of Delaware by FrontFour. The action, as consolidated, is captioned *In re Medley Capital Corporation Stockholder Litigation*, C.A. No. 2019-0100-KSJM (the "Class Action"). The complaint alleged that the Company's directors (Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, and Arthur S. Ainsberg) breached their fiduciary duties to the Company's stockholders in connection with the MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. On March 11, 2019, following a two-day trial, the Court issued the Decision denying FrontFour's requests to (i) permanently enjoin the MCC Merger and (ii) require the Company to conduct a "shopping process" for the Company on terms proposed by FrontFour in its complaint. The Court held that the Company's directors breached their fiduciary duties in entering into the MCC Merger, but rejected FrontFour's claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company's stockholders on the MCC Merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information.

On April 15, 2019, certain parties in the Class Action reached agreement on the principal terms of a settlement, which are contained in the Settlement Term Sheet, among the Medley Parties, on the one hand, and FrontFour, on behalf of itself and a class of similarly situated stockholders of the Company, on the other hand. The Settlement Term Sheet is intended to form the basis of a definitive stipulation of settlement in the Class Action. The Settlement Term Sheet provides that the Company will seek to obtain the agreement and/or consent of Sierra to effect certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement. If the foregoing amendments are entered into they will, among other matters (as described in further detail in the Settlement Term Sheet): (a) extend the Outside Date (as defined in the Merger Agreements) to October 31, 2019; (b) permit the MCC Special Committee to undertake a sixty-day “go shop” process to solicit superior transactions to the MCC Merger and (c) if the MCC Merger is consummated, create a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra stock, with the number of shares of Sierra stock to be calculated using the pro forma NAV reported in the future proxy supplement describing the amendments to the MCC Merger Agreement, which will be distributed to eligible members of the Class (as defined in the Settlement Term Sheet). In connection with the Settlement Term Sheet, MDLY has executed an acknowledgement and agreement to take certain actions, including consenting to certain amendments to the Merger Agreements, in furtherance of the transactions contemplated thereby.

In addition, the Settlement Term Sheet provides that the Company and FrontFour will enter into a Governance Agreement pursuant to which, among other matters, FrontFour will be subject to customary standstill restrictions and be required to vote in favor of the MCC Merger at a meeting of stockholders to approve the MCC Merger Agreement and in favor of the directors nominated by our board of directors for election at the Company’s 2019 annual meeting of stockholders.

Under the Settlement Term Sheet, the parties have agreed to cooperate to reduce the agreements reflected therein to the Settlement Stipulation, and to obtain approval of Court of Chancery of the State of Delaware as soon as reasonably practicable thereafter. The Settlement Stipulation will provide for mutual releases between and among FrontFour and the Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Class Action. The Medley Parties will also release all claims arising out of or relating to the prosecution and settlement of the Class Action and all claims that were or could have been asserted (other than claims against NexPoint Advisors, L.P. and its affiliates) in the litigation pending in the United States District Court for the Southern District of New York captioned Medley Capital Corporation v. FrontFour Capital Group LLC, et al., No. 1:19-cv-02055-LTS (S.D.N.Y.) (the “Federal Action”), and FrontFour and the Class will release all claims arising out of or relating to the prosecution and settlement of the Federal Action.

Under the Settlement Term Sheet, the Company and FrontFour have also undertaken to work together in good faith to agree to supplemental disclosures relating to the transactions contemplated by the Merger Agreements consistent with the Decision.

If the contemplated amendments to the Merger Agreements have not been entered into by May 15, 2019, the Settlement Term Sheet may be terminated by the Company or FrontFour. The contemplated amendments to the Merger Agreements require the agreement of Sierra and there can be no assurance that such agreement will be obtained or that agreements on the amendments to the Merger Agreements will be reached.

Note 9. Fee Income

Fee income consists of origination/closing fees, amendment fees, prepayment penalty fees, administrative agent fees, and other miscellaneous fees. The following tables summarize the Company’s fee income for the three and six months ended March 31, 2019 and 2018 (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---------------------------|-------------------------------------|--------|-----------------------------------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Origination fees | \$ 71 | \$ 161 | \$ 270 | \$ 1,617 |
| Amendment fees | 88 | — | 202 | 179 |
| Administrative agent fees | 85 | 145 | 161 | 306 |
| Prepayment fees | 74 | — | 146 | 20 |
| Other fees | — | 190 | — | 222 |
| Fee income | \$ 318 | \$ 496 | \$ 779 | \$ 2,344 |

Note 10. Directors Fees

The Company’s independent directors each receive an annual fee of \$90,000. They also receive \$3,000, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting, and \$2,500, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee meeting. The chair of the Audit Committee receives an annual fee of \$25,000 and the chair of the Nominating and Corporate Governance Committee and the Compensation Committee receives an annual fee of \$10,000 for their additional services in these capacities. In addition, other members of the Audit Committee receive an annual fee of \$12,500, and other members of the Nominating and Corporate Governance Committee and the Compensation Committee receive an annual fee of \$6,000.

On January 26, 2018, the board of directors established the MCC Special Committee, for the purpose of assessing the merits of various proposed strategic transactions. As compensation for serving on the MCC Special Committee, each independent director received a one-time retainer of \$25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company’s policies for reimbursement of members of the board of directors. In addition, the chairman of the MCC Special Committee receives a monthly fee of \$15,000 and other members receive a monthly fee of \$10,000.

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

Lorber and Mr. Robinson received the one-time retainer of \$25,000 plus reimbursement of out-of-pocket expenses, consistent with the Company's policies for reimbursement of members of the board of directors.

No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three and six months ended March 31, 2019, we accrued \$0.4 million and \$0.7 million for directors' fees expense, respectively. For the three and six months ended March 31, 2018, we accrued \$0.3 million and \$0.4 million for directors' fees expense, respectively.

Note 11. Earnings Per Share

In accordance with the provisions of ASC Topic 260 - Earnings per Share, basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. The Company does not have any potentially dilutive common shares as of March 31, 2019.

The following information sets forth the computation of the weighted average basic and diluted net increase/(decrease) in net assets per share from operations for the three months ended March 31, 2019 and 2018 (dollars in thousands, except share and per share amounts):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Basic and diluted: | | | | |
| Net increase/(decrease) in net assets resulting from operations | \$ (24,609) | \$ (28,779) | \$ (34,687) | \$ (60,723) |
| Weighted average common shares outstanding | 54,474,211 | 54,474,211 | 54,474,211 | 54,474,211 |
| Earnings per common share-basic and diluted | \$ (0.45) | \$ (0.53) | \$ (0.64) | \$ (1.11) |

Note 12. Financial Highlights

The following is a schedule of financial highlights for the six months ended March 31, 2019 and 2018:

| | For the six months ended March 31 | |
|---|-----------------------------------|----------------|
| | 2019 | 2018 |
| Per share data ⁽¹⁾ : | | |
| Net asset value per share at beginning of period | \$ 5.90 | \$ 8.45 |
| Net investment income ⁽²⁾ | (0.16) | 0.20 |
| Net realized gains/(losses) on investments | (1.24) | (0.43) |
| Net unrealized appreciation/(depreciation) on investments | 0.76 | (0.87) |
| Change in provision for deferred taxes on unrealized appreciation/(depreciation) on investments | — | 0.01 |
| Loss on extinguishment of debt | — | (0.02) |
| Net increase/(decrease) in net assets | (0.64) | (1.11) |
| Distributions from net investment income | (0.15) | (0.32) |
| Distributions from tax return of capital | — | — |
| Distributions from net realized gains | — | — |
| Net asset value at end of period | \$ 5.11 | \$ 7.02 |
| Net assets at end of period | \$ 278,320,976 | \$ 382,274,960 |
| Shares outstanding at end of period | 54,474,211 | 54,474,211 |
| Per share market value at end of period | \$ 3.11 | \$ 3.98 |
| Total return based on market value ⁽³⁾ | (15.83)% | (28.71)% |
| Total return based on net asset value ⁽⁴⁾ | (9.30)% | (11.16)% |
| Portfolio turnover rate ⁽⁵⁾ | 16.50 % | 25.29 % |

The following is a schedule of ratios and supplemental data for the six months ended March 31, 2019 and 2018:

| | For the six months ended March 31 | |
|--|-----------------------------------|----------------|
| | 2019 | 2018 |
| Ratios: | | |
| Ratio of net investment income to average net assets after waivers ⁽⁵⁾⁽⁶⁾ | (5.65)% | 4.90% |
| Ratio of total expenses to average net assets after waivers ⁽⁵⁾⁽⁶⁾ | 22.77 % | 12.43% |
| Ratio of incentive fees to average net assets after waivers ⁽⁶⁾ | — % | —% |
| Supplemental Data: | | |
| Ratio of net operating expenses and credit facility related expenses to average net assets ⁽⁵⁾⁽⁶⁾⁽¹¹⁾ | 22.77 % | 12.43% |
| Percentage of non-recurring fee income ⁽⁷⁾ | 2.31 % | 5.41% |
| Average debt outstanding ⁽⁸⁾ | \$ 413,538,818 | \$ 469,991,053 |
| Average debt outstanding per common share | \$ 7.59 | \$ 8.63 |
| Asset coverage ratio per unit ⁽⁹⁾ | 2,023 | 2,287 |
| Total Debt Outstanding⁽¹²⁾: | | |
| Revolving Credit Facility | \$ — | \$ 12,000,000 |
| Term Loan Facility | \$ — | \$ — |
| 2021 Notes | \$ 74,012,825 | \$ 74,012,825 |
| 2023 Notes | \$ 77,846,800 | \$ 89,846,800 |
| 2024 Notes | \$ 120,156,489 | \$ 121,275,690 |
| SBA Debentures | \$ 135,000,000 | \$ 150,000,000 |
| Average market value per unit: | | |
| Facilities ⁽¹⁰⁾ | N/A | N/A |
| SBA debentures ⁽¹⁰⁾ | N/A | N/A |
| 2021 Notes | \$ 25.07 | \$ 25.68 |
| 2023 Notes | \$ 24.68 | \$ 25.15 |
| 2024 Notes | \$ 245.62 | \$ 283.27 |

(1) Table may not foot due to rounding.

(2) Net investment income excluding management and incentive fee waivers based on total weighted average common stock outstanding equals \$(0.16) and \$0.19 per share for the six months ended March 31, 2019 and 2018, respectively.

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

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

(5) Ratios are annualized during interim periods.

(6) For the six months ended March 31, 2019, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were (5.65)%, 22.77%, 0.00%, and 22.77%, respectively. For the six months ended March 31, 2018, excluding management and incentive fee waivers, the ratio of net investment income, total expenses, incentive fees, and operating expenses and credit facility related expenses to average net assets were 4.81%, 12.52%, 0.00%, and 12.52%, respectively.

(7) Represents the impact of the non-recurring fees as a percentage of total investment income.

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

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

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

(11) Excludes incentive fees.

(12) Total amount of each class of senior securities outstanding at the end of the period excluding debt issuance costs.

Note 13. Dividends

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

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

The following table summarizes the Company's dividend distributions during the six months ended March 31, 2019 and 2018:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|---|--------------------|---------------------|-------------------------|
| During the six months ended March 31, 2019 | | | |
| 11/16/2018 | 12/5/2018 | 12/20/2018 | \$ 0.10 |
| 2/10/2019 | 2/22/2019 | 3/12/2019 | 0.05 |
| | | | <u>\$ 0.15</u> |
| During the six months ended March 31, 2018 | | | |
| 10/31/2017 | 11/22/2017 | 12/22/2017 | \$ 0.16 |
| 1/30/2018 | 2/1/2018 | 3/23/2018 | 0.16 |
| | | | <u>\$ 0.32</u> |

Note 14. Stock Repurchase Program

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

Note 15. Subsequent Events

Management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements as of and for the six months ended March 31, 2019.

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

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

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

Forward-Looking Statements

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

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

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "trend," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "potential," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. The forward looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as "Risk Factors" in our annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 4, 2018, and elsewhere in this quarterly report on Form 10-Q.

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

Overview

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

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

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

On January 26, 2018, the Company priced a debt offering in Israel of \$121.3 million Series A Notes (the “2024 Notes”). The 2024 Notes will mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. The 2024 Notes are listed on the Tel Aviv Stock Exchange (“TASE”) and denominated in New Israeli Shekels, but linked to the US Dollar at a fixed exchange rate which mitigates any currency exposure to the Company. The 2024 Notes have not been and will not be registered under the Securities Act of 1933, and may not be offered or sold in the United States absent registration under the Securities Act or in transactions exempt from, or not subject to, such registration requirements. In connection with this offering, we have dual listed our common stock on TASE.

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

Agreements and Plan of Mergers

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

On February 11, 2019, a putative stockholder class action related to the MCC Merger was commenced in the Court of Chancery of the State of Delaware by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd (collectively, “FrontFour”). The action, as consolidated, is captioned *In re Medley Capital Corporation Stockholder Litigation*, C.A. No. 2019-0100-KSJM (the “Class Action”). The complaint alleged that the Company’s directors (Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, and Arthur S. Ainsberg) breached their fiduciary duties to the Company’s stockholders in connection with the MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. On March 11, 2019, following a two-day trial, the Court issued a Memorandum Opinion (the “Decision”) denying FrontFour’s requests to (i) permanently enjoin the MCC Merger and (ii) require the Company to conduct a “shopping process” for the Company on terms proposed by FrontFour in its complaint. The Court held that the Company’s directors breached their fiduciary duties in entering into the MCC Merger, but rejected FrontFour’s claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company’s stockholders on the MCC Merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information.

On April 15, 2019, certain parties in the Class Action reached agreement on the principal terms of a settlement, which are contained in a binding term sheet, dated April 15, 2019 (the “Settlement Term Sheet”), among Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, the Company, MCC Advisors, Medley LLC, and Medley Group LLC (the “Medley Parties”), on the one hand, and FrontFour, on behalf of itself and a class of similarly situated stockholders of the Company, on the other hand. The Settlement Term Sheet is intended to form the basis of a definitive stipulation of settlement in the Class Action. The Settlement Term Sheet provides that the Company will seek to obtain the agreement and/or consent of Sierra to effect certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement (together with the MCC Merger Agreement, the “Merger Agreements”). If the foregoing amendments are entered into they will, among other matters (as described in further detail in the Settlement Term Sheet): (a) extend the Outside Date (as defined in the Merger Agreements) to October 31, 2019; (b) permit the Company’s special committee of independent directors (the “MCC Special Committee”) to undertake a sixty-day “go shop” process to solicit superior transactions to the MCC Merger and (c) if the MCC Merger is consummated, create a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra stock, with the number of shares of Sierra stock to be calculated using the pro forma NAV reported in the future proxy supplement describing the amendments to the MCC Merger Agreement, which will be distributed to eligible members of the Class (as defined in the Settlement Term Sheet). In connection with the Settlement Term Sheet, MDLY has executed an acknowledgement and agreement to take certain actions, including consenting to certain amendments to the Merger Agreements, in furtherance of the transactions contemplated thereby.

In addition, the Settlement Term Sheet provides that the Company and FrontFour will enter into a Governance Agreement pursuant to which, among other matters, FrontFour will be subject to customary standstill restrictions and be required to vote in favor of the MCC Merger at a meeting of stockholders to approve the MCC Merger Agreement and in favor of the directors nominated by our board of directors for election at the Company’s 2019 annual meeting of stockholders.

Under the Settlement Term Sheet, the parties have agreed to cooperate to reduce the agreements reflected therein to a definitive stipulation of settlement (the “Settlement Stipulation”), and to obtain approval of Court of Chancery of the State of Delaware as soon as reasonably practicable thereafter. The Settlement Stipulation will provide for mutual releases between and among FrontFour and the Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Class Action. The Medley Parties will also release all claims arising out of or relating to the prosecution and settlement of the Class Action and all claims that were or could have been asserted (other than claims against NexPoint Advisors, L.P. and its affiliates) in the litigation pending in the United States District Court for the Southern District of New York captioned Medley Capital Corporation v. FrontFour Capital Group LLC, et al., No. 1:19-cv-02055-LTS (S.D.N.Y.) (the “Federal Action”), and FrontFour and the Class will release all claims arising out of or relating to the prosecution and settlement of the Federal Action.

Under the Settlement Term Sheet, the Company and FrontFour have also undertaken to work together in good faith to agree to supplemental disclosures relating to the transactions contemplated by the Merger Agreements consistent with the Decision.

If the contemplated amendments to the Merger Agreements have not been entered into by May 15, 2019, the Settlement Term Sheet may be terminated by the Company or FrontFour. The contemplated amendments to the Merger Agreements require the agreement of Sierra and there can be no assurance that such agreement will be obtained or that agreements on the amendments to the Merger Agreements will be reached.

Revenues

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

Expenses

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

- our organization and continued corporate existence;
- calculating our NAV (including the cost and expenses of any independent valuation firms);
- expenses incurred by MCC Advisors payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of all offerings of common stock and other securities, if any;
- the base management fee and any incentive fee;
- distributions on our shares;
- administration fees payable under our administration agreement;
- the allocated costs incurred by MCC Advisors in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees and listing fees;
- U.S. federal, state and local taxes;
- independent director fees and expenses;
- costs of preparing and filing reports or other documents with the SEC or other regulators;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;

- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including audit and legal costs; and
- all other expenses reasonably incurred by us or MCC Advisors in connection with administering our business, such as the allocable portion of overhead under our administration agreement, including rent and other allocable portions of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs (including travel expenses).

Portfolio and Investment Activity

As of March 31, 2019 and September 30, 2018, our portfolio had a fair market value of approximately \$612.5 million and \$655.4 million, respectively. The following table summarizes our portfolio and investment activity during the three months ended March 31, 2019 and 2018 (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Investments made in new portfolio companies | \$ — | \$ 4,896 | \$ 648 | \$ 77,953 |
| Investments made in existing portfolio companies | 13,268 | 15,341 | 51,741 | 24,979 |
| Aggregate amount in exits and repayments | (30,968) | (79,537) | (74,765) | (127,396) |
| Net investment activity | \$ (17,700) | \$ (59,300) | \$ (22,376) | \$ (24,464) |
| Portfolio Companies, at beginning of period | 62 | 68 | 67 | 64 |
| Number of new portfolio companies | — | 2 | 2 | 8 |
| Number of exited portfolio companies | (2) | (6) | (9) | (8) |
| Portfolio companies, at end of period | 60 | 64 | 60 | 64 |
| Number of investments in existing portfolio companies | 13 | 10 | 19 | 14 |

The following table summarizes the amortized cost and the fair value of our average portfolio company investment, including the equity investment in the MCC Senior Loan Strategy JV I LLC (“MCC JV”), and largest portfolio company investment, excluding the equity investment in the MCC JV, as of March 31, 2019 and September 30, 2018 (dollars in thousands):

| | March 31, 2019 | | September 30, 2018 | |
|--------------------------------------|----------------|------------|--------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Average portfolio company investment | \$ 11,336 | \$ 10,208 | \$ 11,413 | \$ 9,783 |
| Largest portfolio company investment | 31,469 | 31,469 | 31,469 | 31,469 |

The following table summarizes the amortized cost and the fair value of investments as of March 31, 2019 (dollars in thousands):

| | Amortized Cost | Percentage | Fair Value | Percentage |
|---------------------------------------|----------------|------------|------------|------------|
| Senior Secured First Lien Term Loans | \$ 424,455 | 62.4% | \$ 352,820 | 57.6% |
| Senior Secured Second Lien Term Loans | 37,628 | 5.5 | 35,851 | 5.9 |
| Senior Secured First Lien Notes | 20,000 | 2.9 | 19,268 | 3.1 |
| Unsecured Debt | 2,662 | 0.4 | 2,662 | 0.4 |
| MCC Senior Loan Strategy JV I LLC | 78,575 | 11.6 | 75,410 | 12.3 |
| Equity/Warrants | 116,827 | 17.2 | 126,489 | 20.7 |
| Total | \$ 680,147 | 100.0% | \$ 612,500 | 100.0% |

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

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

As of March 31, 2019, our income-bearing investment portfolio, which represented 80.7% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 9.5%, and 80.4% of our income-bearing investment portfolio bore interest based on floating rates, such as the London Interbank Offering Rate (“LIBOR”), while 19.6% of our income-bearing investment portfolio bore interest at fixed rates. As of March 31, 2019, the weighted average yield based upon cost of our total portfolio was approximately 5.9%. The weighted average yield of our total portfolio does not represent the total return to our stockholders.

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

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

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of March 31, 2019 and September 30, 2018 (dollars in thousands):

| Investment Performance Rating | March 31, 2019 | | September 30, 2018 | |
|-------------------------------|----------------|------------|--------------------|------------|
| | Fair Value | Percentage | Fair Value | Percentage |
| 1 | \$ 211,425 | 34.5% | \$ 50,245 | 7.7% |
| 2 | 230,410 | 37.6 | 448,240 | 68.4 |
| 3 | 108,956 | 17.8 | 106,236 | 16.2 |
| 4 | 23,022 | 3.8 | 503 | 0.1 |
| 5 | 38,687 | 6.3 | 50,206 | 7.6 |
| Total | \$ 612,500 | 100.0% | \$ 655,430 | 100.0% |

Results of Operations

Operating results for the three and six months ended March 31, 2019 and 2018 are as follows (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Total investment income | \$ 12,587 | \$ 17,035 | \$ 26,789 | \$ 37,666 |
| Total expenses, net | 23,182 | 13,431 | 35,625 | 26,749 |
| Net investment income before excise taxes | (10,595) | 3,604 | (8,836) | 10,917 |
| Excise tax expense | — | (24) | — | (158) |
| Net investment income | (10,595) | 3,580 | (8,836) | 10,759 |
| Net realized gains/(losses) from investments | (10,615) | (23,331) | (67,338) | (23,352) |
| Net unrealized appreciation/(depreciation) on investments | (3,399) | (8,060) | 41,610 | (47,252) |
| Change in provision for deferred taxes on unrealized (appreciation)/depreciation on investments | — | 190 | — | 280 |
| Loss on extinguishment of debt | — | (1,158) | (123) | (1,158) |
| Net increase/(decrease) in net assets resulting from operations | \$ (24,609) | \$ (28,779) | \$ (34,687) | \$ (60,723) |

Investment Income

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

For the three months ended March 31, 2018, investment income totaled \$17.0 million, of which \$16.5 million was attributable to portfolio interest and dividend income, and \$0.5 million to fee income. For the six months ended March 31, 2018, investment income totaled \$37.7 million, of which \$35.4 million was attributable to portfolio interest and dividend income, and \$2.3 million to fee income.

Operating Expenses

Operating expenses for the three and six months ended March 31, 2019 and 2018 are as follows (dollars in thousands):

| | For the three months ended March 31 | | For the six months ended March 31 | |
|---|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Base management fees | \$ 3,084 | \$ 3,776 | \$ 6,270 | \$ 7,844 |
| Incentive fees | — | — | — | — |
| Interest and financing expenses | 5,899 | 7,470 | 11,908 | 14,229 |
| Professional fees | 10,157 | 556 | 11,357 | 1,142 |
| General and administrative | 2,881 | 672 | 3,485 | 1,429 |
| Administrator expenses | 668 | 956 | 1,700 | 1,824 |
| Directors fees | 376 | 251 | 669 | 398 |
| Insurance | 117 | 130 | 236 | 263 |
| Expenses before management and incentive fee waivers | 23,182 | 13,811 | 35,625 | 27,129 |
| Management fee waiver | — | (380) | — | (380) |
| Incentive fee waiver | — | — | — | — |
| Expenses, net of management and incentive fee waivers | \$ 23,182 | \$ 13,431 | \$ 35,625 | \$ 26,749 |

For the three months ended March 31, 2019, total operating expenses before management and incentive fee waivers increased by \$9.4 million, or 67.8%, compared to the three months ended March 31, 2018. For the six months ended March 31, 2019, total operating expenses before management and incentive fee waivers increased by \$8.5 million, or 31.3%, compared to the six months ended March 31, 2018.

Interest and Financing Expenses

Interest and financing expenses for the three months ended March 31, 2019 decreased by \$1.6 million, or 21.0%, compared to the three months ended March 31, 2018. The decrease in interest and financing expenses was primarily due to the \$102.0 million voluntary repayment of the Senior Secured Term Loan Credit Facility (the "Term Loan Facility"), the voluntary satisfaction and termination of the Senior Secured Revolving Credit Facility (the "Revolving Credit Facility"), the redemption of \$13.0 million and \$12.0 million of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes") on March 12, 2018 and December 31, 2018, respectively, and the \$15.0 million repayment of the SBA-guaranteed debentures (the "SBA Debentures") on September 1, 2018, partially offset by the issuance of the 2024 Notes.

Interest and financing expenses for the six months ended March 31, 2019 decreased by \$2.3 million, or 16.3%, compared to the six months ended March 31, 2018. The decrease in interest and financing expenses was primarily due to the \$102.0 million voluntary repayment of the Term Loan Facility, the voluntary satisfaction and termination of the Revolving Credit Facility, the redemption of \$13.0 million and \$12.0 million of the 2023 Notes on March 12, 2018 and December 31, 2018, respectively, and the \$15.0 million repayment of the SBA Debentures on September 1, 2018, partially offset by the issuance of the 2024 Notes.

Base Management Fees and Incentive Fees

Base management fees for the three months ended March 31, 2019 decreased by \$0.7 million, or 18.3%, compared to the three months ended March 31, 2018 due to the decline in the portfolio in the period. The Company did not incur incentive fees for the three months ended March 31, 2019 and 2018.

Base management fees for the six months ended March 31, 2019 decreased by \$1.6 million, or 20.1%, compared to the six months ended March 31, 2018 due to the decline in the portfolio in the period. The Company did not incur incentive fees for the six months ended March 31, 2019 and 2018.

Professional Fees and Other General and Administrative Expenses

Professional fees and general and administrative expenses for the three months ended March 31, 2019 increased by \$11.6 million, or 453.4%, compared to the three months ended March 31, 2018 primarily due to an increase in legal expenses, directors expenses, proxy soliciting expenses, and administrative expenses in connection with the MCC Merger, offset by a decrease in valuation expenses, general administrative expenses, and insurance expenses.

Professional fees and general and administrative expenses for the six months ended March 31, 2019 increased by \$12.4 million, or 245.1%, compared to the six months ended March 31, 2018 primarily due to an increase in legal expenses, directors expenses, proxy soliciting expenses, and administrative expenses in connection with the MCC Merger, offset by a decrease in valuation expenses, general administrative expenses, and insurance expenses.

Net Realized Gains/Losses from Investments

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

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

During the three and six months ended March 31, 2018, we recognized \$23.3 million and \$23.4 million of realized loss on our portfolio investments, respectively, primarily due to the non-cash restructuring transaction of certain investments.

Net Realized Loss on Extinguishment of Debt

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

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

During the six months ended March 31, 2019, the Company recognized a net loss on extinguishment of debt of \$0.1 million, which is comprised of \$0.2 million loss on extinguishment of debt from the \$13.0 million partial redemption of the 2023 Notes, offset by a \$0.1 million gain on extinguishment of debt from the repurchase and retirement of \$1.1 million of the 2024 Notes.

During the three and six months ended March 31, 2018 the Company recognized a \$1.2 million loss on extinguishment of debt from the \$102.0 million repayment of the Term Loan Facility as well as the redemption of \$13.0 million of the 2023 Notes.

Net Unrealized Appreciation/Depreciation on Investments

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

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

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

For the three months ended March 31, 2018, we had \$8.1 million of net unrealized depreciation of investments. The net unrealized depreciation comprised of \$31.3 million of net unrealized depreciation on investments offset by \$23.2 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized or written-off during the period.

For the six months ended March 31, 2018, we had \$47.3 million of net unrealized depreciation of investments. The net unrealized depreciation comprised of \$65.6 million of net unrealized depreciation on investments offset by \$18.3 million of net unrealized appreciation that resulted from the reversal of previously recorded unrealized depreciation on investments that were realized or written-off during the period.

Provision for Deferred Taxes on Unrealized Depreciation on Investments

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three and six months ended March 31, 2019, the Company did not record a change in provision for deferred taxes on the unrealized (appreciation)/depreciation on investments. For the three and six months ended March 31, 2018, the change in provision for deferred taxes on the unrealized depreciation on investments was \$0.2 million and \$0.3 million, respectively.

Changes in Net Assets from Operations

For the three months ended March 31, 2019, we recorded a net decrease in net assets resulting from operations of \$24.6 million compared to a net decrease in net assets resulting from operations of \$28.8 million for the three months ended March 31, 2018 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the three months ended March 31, 2019 and 2018, our per share net decrease in net assets resulting from operations was \$0.45 and \$0.53 for three months ended March 31, 2019 and 2018, respectively.

For the six months ended March 31, 2019, we recorded a net decrease in net assets resulting from operations of \$34.7 million compared to a net decrease in net assets resulting from operations of \$60.7 million for the six months ended March 31, 2018 as a result of the factors discussed above. Based on 54,474,211 weighted average common shares outstanding for the six months ended March 31, 2019 and 2018, our per share net decrease in net assets resulting from operations was \$0.64 and \$1.11 for six months ended March 31, 2019 and 2018, respectively.

Financial Condition, Liquidity and Capital Resources

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

Our liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Credit Facility and net proceeds from the issuance of notes as well as cash flows from operations. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

As of March 31, 2019, we had \$73.4 million in cash and cash equivalents, of which \$53.3 million was held by Medley SBIC LP (“SBIC LP”). In connection with the wind-down of SBIC LP, SBIC LP agreed to and made a repayment of \$50.0 million of outstanding SBA Debentures on April 3, 2019 using available cash currently at SBIC LP. See “- SBA Debentures” below. As a result of this repayment to the SBA, as of the date of this quarterly report on Form 10-Q, we had \$19.8 million in cash and cash equivalents, of which \$4.0 was held by SBIC LP.

In order to continue to qualify as a RIC under the Code, we intend to distribute to our stockholders substantially all of our taxable income, but we may also elect to periodically spill over certain excess undistributed taxable income from one tax year into the next tax year. In addition, as a BDC, for each taxable year we generally are required to meet a coverage ratio of total assets to total senior securities, which include borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if, pursuant to the 1940 Act, certain requirements are met). This requirement limits the amount that we may borrow.

Credit Facilities

Term Loan Facility

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

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

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

Revolving Credit Facility

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

The Revolving Credit Facility had a revolving period that was to end July 28, 2019, followed by a one year amortization period and a final maturity on July 28, 2020.

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

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

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

Unsecured Notes

2021 Notes

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

2023 Notes

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

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

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

On December 31, 2018, the Company redeemed \$12.0 million in aggregate principal amount of the 2023 Notes. The redemption was accounted for as a debt extinguishment in accordance with ASC 470-50, Modifications and Extinguishments, which resulted in a realized loss of \$0.2 million and was recorded on the Consolidated Statements of Operations as a loss on extinguishment of debt.

2024 Notes

On January 26, 2018, the Company priced a debt offering in Israel of \$121.3 million in aggregate principal amount of the 2024 Notes that mature on February 27, 2024 and the principal will be payable in four annual installments, of which 25% will be payable on each February 27 for the years 2021 through 2024. As of March 27, 2018, the 2024 Notes may be redeemed in whole or in part at anytime or from time to time at the Company's option. The 2024 Notes bear interest at a rate of 5.55% per year, payable semi-annually on February 27 and August 27 of each year, beginning August 27, 2018.

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

As of March 31, 2019, the Company has net assets of less than \$285 million. As a result, upon filing of this quarterly report on Form 10-Q, the interest rate on the 2024 Notes will increase by one-half percent (0.50%) per annum in accordance with the deed of trust governing the 2024 Notes. The 2024 Notes include certain trigger events that result in an increase in the interest rate on the 2024 Notes, including the Company having net assets of less than \$285 million or the Company not satisfying the 70% maximum debt to total assets covenant. If the Company does not satisfy either of these tests, then the interest rate on the 2024 Notes increases by one-half percent (0.50%) per annum, which is the maximum amount that the interest rate will increase. The effective date of the increase is the date that the Company publishes its financial statements indicating the non-compliance, and the rate increase continues until the next publication date of the Company's financial statement demonstrating compliance with the foregoing tests.

The deed of trust governing the 2024 Notes includes certain customary covenants, including minimum net assets of \$275 million and a maximum debt to total assets ratio of 70%. The date for determining compliance with these financial covenants is the date that the Company publishes its financial statements (i.e., in a quarterly report on Form 10-Q or an annual report on Form 10-K) with the SEC. If the Company does not satisfy these financial covenants for two consecutive quarters, it is an event of default under the deed of trust governing the 2024 Notes. If this event of default is expected to occur, the Company has the right to request the trustee under the 2024 Notes to appoint an emergency committee of the three largest noteholders for the purpose of obtaining a one-quarter extension of time to satisfy the financial covenants. If the Company does not make this request and the breach occurs, or if the emergency committee does not grant the extension, then the trustee is required to convene a meeting of the noteholders as described below.

In addition to not complying with the financial covenants as described above, the events of default include: (i) a change of control of the Company (defined in the deed of trust as MCC Advisors' ceasing to provide investment management or advisory services to the Company); (ii) the Company not publishing a tender offer for the purchase of all of the 2024 Notes within 45 days; (iii) the Company not paying any amount due and payable to the holders of the 2024 Notes within seven business days after the payment due date; (iv) certain insolvency and receivership events with respect to the Company or with respect to all or substantially all of its assets, and (v) the 2024 Notes being delisted from the TASE or the TASE's suspension of trading of the 2024 Notes for more than 60 days.

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

As of March 31, 2019, we have net assets in excess of \$275 million and a maximum debt to total assets ratio of below 70%. Therefore, as of March 31, 2019, we were in compliance with the minimum net assets covenant under the 2024 Notes. However, if we experience realized losses or unrealized declines in the fair value of the Company's portfolio investments due to either portfolio company specific or macro-economic factors, it is reasonably likely, absent injection of capital or waivers or an amendment to the covenants set forth in the deed of trust governing the 2024 Notes, that we could not satisfy the minimum net assets covenant under the 2024 Notes as early as the date we publish financial statements for the quarter ending June 30, 2019, which would be no later than August 9, 2019. While there are no immediate consequences to breaching this financial covenant for a single period, if the Company reports net assets of less than \$275 million for two consecutive quarters and does not obtain a one-quarter extension of time as described above, the holders of the 2024 Notes can require the trustee to accelerate the 2024 Notes. In that regard, if the Company's net assets are below \$275 million as of June 30, 2019, and the Company's net assets remain below \$275 million as of September 30, 2019, and the Company does not obtain an extension of

time for compliance as described above or an adequate waiver or amendment, then an event of default on the 2024 Notes will occur on the date that the Company publishes its annual report on Form 10-K for the fiscal year ending September 30, 2019, which would be no later than December 16, 2019.

As of March 31, 2019, the Company's net assets are \$278 million, resulting in a cushion of approximately \$3 million. It is reasonably likely that the Company's net assets could decline by more than \$3 million by June 30, 2019, which would result in a breach of the financial covenant described above. To address these matters, we may pursue alternatives which could include discussions with the trustee and holders of the 2024 Notes regarding potential waivers and/or an amendment to the covenants set forth in the deed of trust. Any such waivers or an amendment may be subject to conditions that may not be satisfied. If market or other conditions are not favorable, or if such discussions do not result in a favorable outcome, we may be unable to take any such actions or obtain waivers or an amendment from the trustee or holders of the 2024 Notes. In addition, the Company is also exploring the possibility of raising additional capital, which will have the effect of increasing the Company's net assets, as another means to cure any future non-compliance with the financial covenants of the deed of trust. The Company continues to actively pursue the Mergers. If the Mergers are consummated, we expect it would result in the Company's ability to comply with the financial covenants described above as the Combined Company is projected to have net assets well in excess of \$275 million and debt to total assets ratio well below 70%. Alternatively, we believe we have the ability to sell certain portfolio investments and reduce other controllable cash outflows in order to increase our liquidity to levels sufficient to meet our debt obligations under the 2024 Notes and any other anticipated cash needs to meet our obligations as they become due. .

The foregoing description of the terms of 2024 Notes and the deed of trust does not purport to be complete and is qualified in its entirety by reference to the full text of the deed of trust incorporated by reference as an exhibit to this quarterly report on Form 10-Q.

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

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

SBA Debentures

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

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

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

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

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

SBIC LP received a letter from the SBA (the "SBA Letter"), dated March 14, 2019, informing SBIC LP of certain alleged regulatory issues constituting a default under the terms of the SBIC LP's outstanding SBA Debentures. The SBA Letter stated that SBIC LP had until March 29, 2019, fifteen (15) days from the date of the SBA Letter, to provide the SBA with certain additional information regarding the alleged regulatory issues, unless extended by the SBA.

SBIC LP's management submitted an orderly wind-down plan to the SBA to prepay the remaining \$135.0 million of outstanding SBA Debentures using available cash at SBIC LP as well as the sale of assets to third parties or affiliates of SBIC LP.

On March 28, 2019, SBIC LP agreed and made a repayment of \$50.0 million of outstanding SBA Debentures on April 3, 2019 using available cash at SBIC LP and the cure period was extended to April 19, 2019.

On April 18, 2019, SBIC LP agreed and made a repayment of \$20.0 million of outstanding SBA Debentures on April 23, 2019 and an additional \$30.0 million of outstanding SBA Debentures on April 30, 2019 using proceeds from the sale of certain assets and the cure period was extended to May 10, 2019.

On May 10, 2019, SBIC LP made the final repayment of the remaining \$35.0 million of outstanding SBA Debentures using proceeds from the sale of certain assets.

The Company believes the wind-down plan of SBIC LP will not have a material impact on the Company's net investment income per share. In addition, the Company believes the wind-down will not have an adverse impact on the Company's other operations. The Company has received the necessary consents and waivers under the MCC Merger Agreement to permit the repayment of the outstanding SBA Debentures.

As of March 31, 2019, SBIC LP had \$75.0 million in regulatory capital and had \$135.0 million SBA Debentures outstanding that mature between March 2024 and September 2025.

Contractual Obligations and Off-Balance Sheet Arrangements

The Company has a guarantee to issue up to \$7.0 million in standby letters of credit through a financial intermediary on behalf of a certain portfolio company. Under this arrangement, if the standby letters of credit were to be issued, the Company would be required to make payments to third parties if the portfolio company was to default on its related payment obligations. The guarantee will renew annually until cancellation. As of March 31, 2019 and September 30, 2018, the Company had not issued any standby letters of credit under the commitment on behalf of the portfolio company.

As of March 31, 2019 and September 30, 2018, we had commitments under loan and financing agreements to fund up to \$15.2 million to 13 portfolio companies and \$36.1 million to 17 portfolio companies, respectively. These commitments are primarily composed of senior secured term loans and revolving, and the determination of their fair value is included in the Consolidated Schedule of Investments. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of March 31, 2019 and September 30, 2018 is shown in the table below (dollars in thousands):

| | March 31, 2019 | March 31, 2018 |
|---|------------------|------------------|
| Accupac, Inc. - Delayed Draw Term Loan | \$ 2,612 | \$ 2,612 |
| Dynamic Energy Services International LLC - Revolver | 1,892 | — |
| DataOnline Corp. - Revolver | 1,890 | 1,890 |
| Barry's Bootcamp Holdings, LLC - Delayed Draw Term Loan | 1,271 | 1,271 |
| 1888 Industrial Services, LLC - Revolver | 1,258 | 719 |
| Trans-Fast Remittance LLC - Delayed Draw Term Loan | 1,057 | 1,057 |
| Alpine SG, LLC - Revolver | 1,000 | 1,000 |
| Black Angus Steakhouses, LLC - Delayed Draw Term Loan | 893 | 893 |
| Redwood Services Group, LLC - Revolver | 875 | 1,750 |
| RMS Holding Company, LLC - Revolver | 691 | 2,327 |
| Barry's Bootcamp Holdings, LLC - Revolver | 660 | 2,200 |
| Manna Pro Products, LLC - Delayed Draw Term Loan | 429 | 429 |
| Black Angus Steakhouses, LLC - Revolver | 313 | 625 |
| Path Medical, LLC - Delayed Draw Term Loan C | 295 | — |
| Access Media Holdings, LLC - Series AAA Preferred Equity | 101 | 173 |
| SFP Holding, Inc. - Delayed Draw Term Loan | — | 2,765 |
| Central States Dermatology Services, LLC - Delayed Draw Term Loan | — | 137 |
| SavATree, LLC - Delayed Draw Term Loan | — | 123 |
| Impact Group, LLC - Delayed Draw Term Loan | — | 8,567 |
| Redwood Services Group, LLC - Delayed Draw Term Loan | — | 4,839 |
| SMART Financial Operations, LLC - Delayed Draw Term Loan | — | 2,400 |
| Brook & Whittle Holding Corp. - Delayed Draw Term Loan | — | 310 |
| Total | \$ 15,237 | \$ 36,087 |

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

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

The following table shows our payment obligations for repayment of debt and other contractual obligations at March 31, 2019 (dollars in thousands):

Payment Due by Period

| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|--------------------------------------|-------------------|-------------------------|--------------------|--------------------|--------------------------|
| 2021 Notes | 74,013 | — | 74,013 | — | — |
| 2023 Notes | 77,847 | — | — | 77,847 | — |
| 2024 Notes | 120,156 | — | 60,078 | 60,078 | — |
| SBA Debenture | 135,000 | — | — | 29,000 | 106,000 |
| Total contractual obligations | \$ 407,016 | \$ — | \$ 134,091 | \$ 166,925 | \$ 106,000 |

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

On March 27, 2015, the Company and Great American Life Insurance Company (“GALIC”) entered into a limited liability company operating agreement to co-manage MCC Senior Loan Strategy JV I LLC (“MCC JV”). The Company and GALIC have committed to provide \$100 million of equity to MCC JV, with the Company providing \$87.5 million and GALIC providing \$12.5 million. MCC JV commenced operations on July 15, 2015. On August 4, 2015, MCC JV entered into a senior secured revolving credit facility (the “JV Facility”) led by Credit Suisse, AG with commitments of \$100 million. On March 30, 2017, the Company amended the JV Facility previously administered by CS and facilitated the assignment of all rights and obligations of CS under the JV Facility to Deutsche Bank AG, New York Branch, (“DB”) and increased the total loan commitments to \$200 million. As of March 31, 2019, MCC JV has drawn approximately \$179.3 million on the JV Facility. As of March 31, 2019, MCC JV had total investments at fair value of \$254.8 million. As of March 31, 2019, MCC JV’s portfolio was comprised of senior secured first lien term loans to 60 different borrowers. As of March 31, 2019, MCC JV did not have any investments on non-accrual status.

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

Distributions

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

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

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

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

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

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

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend or other distribution, each stockholder that has not “opted out” of our dividend reinvestment plan will have their dividends automatically reinvested in additional shares of

our common stock rather than receiving cash dividends. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as if they received cash distributions.

The following table summarizes the dividend distributions during the six months ended March 31, 2019:

| Date Declared | Record Date | Payment Date | Amount Per Share |
|---------------|-------------|--------------|------------------|
| 11/16/2018 | 12/5/2018 | 12/20/2018 | \$ 0.10 |
| 2/10/2019 | 2/22/2019 | 3/12/2019 | 0.05 |
| | | | <u>\$ 0.15</u> |

Stock Repurchase Program

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

Related Party Transactions

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

- We entered into an investment management agreement with MCC Advisors. Mr. Brook Taube, our Chairman and Chief Executive Officer, is a managing partner and senior portfolio manager of MCC Advisors, and Mr. Seth Taube, one of our directors, is a managing partner of MCC Advisors.
- MCC Advisors provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our administration agreement. We reimburse MCC Advisors for the allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses incurred by it in performing its obligations under the administration agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs.
- We have entered into a license agreement with Medley Capital LLC, pursuant to which Medley Capital LLC has granted us a non-exclusive, royalty-free license to use the name "Medley."
- Certain affiliates of MCC Advisors, Medley Capital LLC, their respective affiliates and some of their employees purchased in the IPO an aggregate of 833,333 shares of common stock at the IPO price per share of \$12.00. We received the full proceeds from the sale of these shares, and no underwriting discounts or commissions were paid in respect of these shares.

On August 9, 2018, the Company entered into the MCC Merger Agreement pursuant to which the Company would, on the terms and subject to the conditions set forth in the MCC Merger Agreement, merge with and into Sierra, with Sierra as the surviving company in the MCC Merger Agreement. Under the MCC Merger, each share of our common stock issued and outstanding immediately prior to the MCC Merger effective time, other than shares of our common stock held by the Company, Sierra or their respective wholly owned subsidiaries, would be converted into the right to receive 0.8050 shares of the Sierra's common stock. In addition, pursuant to the MDLY Merger Agreement, MDLY would, on the terms and subject to the conditions set forth in the MDLY Merger Agreement, merge with and into Merger Sub, with Merger Sub as the surviving company in the MDLY Merger Agreement. In the MDLY Merger, each share of MDLY Class A common stock, issued and outstanding immediately prior to the MDLY Merger effective time, other than Dissenting Shares (as defined in the MDLY Merger Agreement) and shares of MDLY Class A common stock held by MDLY, Sierra or their respective wholly owned subsidiaries, would be converted into the right to receive (i) 0.3836 shares of Sierra's common stock; plus (ii) cash in an amount equal to \$3.44 per share. In addition, MDLY's stockholders would have the right to receive certain dividends and/or other payments. The Mergers would occur simultaneously and, as a result of the foregoing, the investment management function relating to the operation of the Sierra, as the surviving company in the Mergers, would be internalized.

On February 11, 2019, a putative stockholder class action related to the MCC Merger was commenced in the Court of Chancery of the State of Delaware by FrontFour. The action, as consolidated, is captioned In re Medley Capital Corporation Stockholder Litigation, C.A. No. 2019-0100-KSJM (the "Class Action"). The complaint alleged that the Company's directors (Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, and Arthur S. Ainsberg) breached their fiduciary duties to the Company's stockholders in connection with the MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. On March 11, 2019, following a two-day trial, the Court issued the Decision denying FrontFour's requests to (i) permanently enjoin the MCC Merger and (ii) require the Company to conduct a "shopping process" for the Company on terms proposed by FrontFour in its complaint. The Court held that the Company's directors breached their fiduciary duties in entering into the MCC Merger, but rejected FrontFour's claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company's stockholders on the MCC Merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information.

On April 15, 2019, certain parties in the Class Action reached agreement on the principal terms of a settlement, which are contained in the Settlement Term Sheet, among the Medley Parties, on the one hand, and FrontFour, on behalf of itself and a class of similarly situated stockholders of the Company, on the other hand. The Settlement Term Sheet is intended to form the basis of a definitive stipulation of settlement in the Class Action. The Settlement Term Sheet provides that the Company will seek to obtain the agreement and/or consent of Sierra to effect certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement. If the foregoing amendments are entered into they will, among other matters (as described in further detail in the Settlement Term Sheet): (a) extend the Outside Date (as defined in the Merger Agreements) to October 31, 2019; (b) permit the MCC Special Committee to undertake a sixty-day "go shop" process to solicit superior transactions to the MCC Merger and (c) if the MCC Merger is consummated,

create a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra stock, with the number of shares of Sierra stock to be calculated using the pro forma NAV reported in the future proxy supplement describing the amendments to the MCC Merger Agreement, which will be distributed to eligible members of the Class (as defined in the Settlement Term Sheet). In connection with the Settlement Term Sheet, MDLY has executed an acknowledgement and agreement to take certain actions, including consenting to certain amendments to the Merger Agreements, in furtherance of the transactions contemplated thereby.

In addition, the Settlement Term Sheet provides that the Company and FrontFour will enter into a Governance Agreement pursuant to which, among other matters, FrontFour will be subject to customary standstill restrictions and be required to vote in favor of the MCC Merger at a meeting of stockholders to approve the MCC Merger Agreement and in favor of the directors nominated by our board of directors for election at the Company's 2019 annual meeting of stockholders.

Under the Settlement Term Sheet, the parties have agreed to cooperate to reduce the agreements reflected therein to the Settlement Stipulation, and to obtain approval of Court of Chancery of the State of Delaware as soon as reasonably practicable thereafter. The Settlement Stipulation will provide for mutual releases between and among FrontFour and the Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Class Action. The Medley Parties will also release all claims arising out of or relating to the prosecution and settlement of the Class Action and all claims that were or could have been asserted (other than claims against NexPoint Advisors, L.P. and its affiliates) in the Federal Action, and FrontFour and the Class will release all claims arising out of or relating to the prosecution and settlement of the Federal Action.

Under the Settlement Term Sheet, the Company and FrontFour have also undertaken to work together in good faith to agree to supplemental disclosures relating to the transactions contemplated by the Merger Agreements consistent with the Decision.

If the contemplated amendments to the Merger Agreements have not been entered into by May 15, 2019, the Settlement Term Sheet may be terminated by the Company or FrontFour. The contemplated amendments to the Merger Agreements require the agreement of Sierra and there can be no assurance that such agreement will be obtained or that agreements on the amendments to the Merger Agreements will be reached.

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

On November 25, 2013, the Company obtained an exemptive order from the SEC that permits us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Medley, LLC or an investment adviser controlled by Medley, LLC in a manner consistent with our investment objective, strategies and restrictions, as well as regulatory requirements and other pertinent factors (the "Prior Exemptive Order"). On March 29, 2017, the Company, MCC Advisors and certain other affiliated funds and investment advisers received an exemptive order (the "Exemptive Order") that supersedes the Prior Exemptive Order and allows affiliated registered investment companies to participate in co-investment transactions with us that would otherwise have been prohibited under Section 17(d) and 57(a)(4) of the 1940 Act and Rule 17d-1 thereunder. On October 4, 2017, the Company, MCC Advisors and certain of our affiliates received an exemptive order that supersedes the Exemptive Order (the "Current Exemptive Order") and allows, in addition to the entities already covered by the Exemptive Order, Medley LLC and its subsidiary, Medley Capital LLC, to the extent they hold financial assets in a principal capacity, and any direct or indirect, wholly- or majority-owned subsidiary of Medley LLC that is formed in the future, to participate in co-investment transactions with us that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. If the Mergers are successfully consummated, Sierra and certain of its affiliates will not be able to rely on the Current Exemptive Order. In this regard, on November 19, 2018, Sierra and certain of its affiliates submitted an exemptive application to the SEC for an exemptive order that would supersede the Current Exemptive Order (the "Superseding Exemptive Order") and would permit Sierra to participate in negotiated co-investment transactions with certain affiliates that would otherwise be prohibited by either or both of Sections 17(d) and 57(a)(4) of the 1940 Act. There can be no assurance if and when Sierra will receive the Superseding Exemptive Order. The terms of the Superseding Exemptive Order, if received, would be substantially similar to the Current Exemptive Order. Co-investment under the Superseding Exemptive Order is subject to certain conditions therein, including the condition that, in the case of each co-investment transaction, the board of directors determines that it would be in Sierra's best interest to participate in the transaction. The Current Exemptive Order will remain in effect unless and until the Mergers are completed and the Superseding Exemptive Order is granted by the SEC. However, neither we nor the affiliated funds are obligated to invest or co-invest when investment opportunities are referred to us or them.

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

Investment Management Agreement

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

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

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

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

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

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

Base Management Fee

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

Incentive Fee

The incentive fee has two components, as follows:

Incentive Fee Based on Income

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

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

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

Quarterly Incentive Fee Based on Income

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

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

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

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

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

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

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

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

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

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

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

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

Valuation methods may include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash

flows, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate the private equity valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

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

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

- Our quarterly valuation process begins with each investment being initially valued by the investment professionals responsible for monitoring the portfolio investment.
- Preliminary valuation conclusions are then documented and discussed with senior management.
- Independent third-party valuation firms are also employed for all of our investments for which there is not a readily available market value. At least twice annually, including at year end, the valuation for each portfolio investment is reviewed by an independent valuation firm.
- The audit committee of our board of directors reviews the preliminary valuations of the investment professionals, senior management and independent valuation firms.
- Our audit committee reviews and the board of directors approves the valuations and determines the fair value of each investment in our portfolio in good faith based on the input of MCC Advisors, the respective independent valuation firms and the audit committee.

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

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

Revenue Recognition

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

Our revenue recognition policies are as follows:

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

Non-accrual We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. As of March 31, 2019, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$55.7 million, or 9.1% of the fair value of our portfolio. As of September 30, 2018, certain investments in nine portfolio companies held by the Company were on non-accrual status with a combined fair value of approximately \$48.1 million, or 7.3% of the fair value of our portfolio.

Federal Income Taxes

The Company has elected, and intends to qualify annually, to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements. Once qualified as a RIC, the Company must timely distribute to its stockholders at least 90% of the sum of investment company taxable income ("ICTI") including PIK, as defined by the Code, and net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) for each taxable year in order to be eligible for tax treatment under Subchapter M of the Code. The Company will be subject to a nondeductible U.S.

federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its net ordinary income for any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which we did not pay federal income tax. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating interest rates. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the six months ended March 31, 2019, we did not engage in hedging activities.

As of March 31, 2019, 80.4% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate LIBOR floor as of March 31, 2019 was as follows (dollars in thousands):

| LIBOR Floor | March 31, 2019 | |
|----------------|----------------|------------------------------|
| | Fair Value | % of Floating Rate Portfolio |
| Under 1% | \$ — | —% |
| 1% to under 2% | 304,930 | 94.6 |
| 2% to under 3% | 17,431 | 5.4 |
| Total | \$ 322,361 | 100.0% |

Based on our Consolidated Statements of Assets and Liabilities as of March 31, 2019, the following table (dollars in thousands) shows the approximate increase/(decrease) in components of net assets resulting from operations of hypothetical LIBOR base rate changes in interest rates, assuming no changes in our investment and capital structure.

| Basis point increase/(decrease) | Interest Income ⁽¹⁾ | Interest Expense | Net Increase/(Decrease) |
|---------------------------------|--------------------------------|------------------|-------------------------|
| 300 | \$ 9,800 | \$ — | \$ 9,800 |
| 200 | 6,500 | — | 6,500 |
| 100 | 3,300 | — | 3,300 |
| (100) | (3,200) | — | (3,200) |
| (200) | (5,200) | — | (5,200) |
| (300) | (5,200) | — | (5,200) |

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. 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 March 31, 2019, 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.

Change in Internal Control Over Financial Reporting

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

PART II

Item 1. Legal Proceedings

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

On January 25, 2019, two purported class actions were commenced in the Supreme Court of the State of New York, County of New York, by alleged stockholders of Medley Capital Corporation, captioned, respectively, *Helene Lax v. Brook Taube, et al.*, Index No. 650503/2019, and *Richard Dicristino, et al. v. Brook Taube, et al.*, Index No. 650510/2019 (together with the Lax Action, the “New York Actions”). Named as defendants in each complaint are Brook Taube, Seth Taube, Jeffrey Tonkel, Arthur S. Ainsberg, Karin Hirtler-Garvey, John E. Mack, Mark Lerdal, Richard T. Allorto, Jr., Medley Capital Corporation, Medley Management Inc., Sierra Income Corporation, and Sierra Management, Inc. The complaints in each of the New York Actions allege that the individuals named as defendants breached their fiduciary duties in connection with the proposed merger of MCC with and into Sierra, and that the other defendants aided and abetted those alleged breaches of fiduciary duties. Compensatory damages in unspecified amounts are sought. On February 27, 2019, the Court entered a stipulated scheduling order requiring that defendants respond to the complaints 45 days following the later of (a) the stockholder vote on the proposed merger and (b) plaintiffs’ filing of a consolidated, amended complaint. A preliminary conference is scheduled to take place on May 14, 2019. The defendants believe the claims asserted in the New York Actions are without merit and they intend to defend these lawsuits vigorously. At this time, we are unable to determine whether an unfavorable outcome from these matters is probable or remote or to estimate the amount or range of potential loss, if any.

On February 11, 2019, a putative stockholder class action related to the MCC Merger was commenced in the Court of Chancery of the State of Delaware by FrontFour Capital Group LLC and FrontFour Master Fund, Ltd. (collectively, “FrontFour”). The action, as consolidated, is captioned *In re Medley Capital Corporation Stockholder Litigation*, C.A. 2019-0100-KSJM (the “Class Action”). The complaint alleged that the Company’s directors (Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, and Arthur S. Ainsberg) breached their fiduciary duties to the Company’s stockholders in connection with the MCC Merger, and that MDLY, Sierra, MCC Advisors, Medley Group LLC, and Medley LLC aided and abetted those alleged breaches of fiduciary duties. On March 11, 2019, following a two-day trial, the Court issued a Memorandum Opinion (the “Decision”) denying FrontFour’s requests to (i) permanently enjoin the MCC Merger and (ii) require the Company to conduct a “shopping process” for the Company on terms proposed by FrontFour in its complaint. The Court held that the Company’s directors breached their fiduciary duties in entering into the MCC Merger, but rejected FrontFour’s claim that Sierra aided and abetted those breaches of fiduciary duties. The Court ordered the defendants to issue corrective disclosures consistent with the Decision, and enjoined a vote of the Company’s stockholders on the MCC Merger until such disclosures have been made and stockholders have had the opportunity to assimilate this information. On March 20, 2019, another purported stockholder class action was commenced by Stephen Altman against Brook Taube, Seth Taube, Jeff Tonkel, Arthur S. Ainsberg, Karin Hirtler-Garvey, Mark Lerdal, and John E. Mack in the Court of Chancery of the State of Delaware, captioned *Altman v. Taube*, Case No. 2019-0219 (the “Altman Action”). The complaint alleged that the defendants breached their fiduciary duties to stockholders of the Company in connection with the vote of the Company’s stockholders on the proposed mergers. On April 8, 2019, the Court granted a stipulation consolidating the Class Action and the Altman Action, designating the amended complaint in the Class Action as the operative complaint, and designating the plaintiffs in the Class Action and their counsel the lead plaintiffs and lead plaintiffs’ counsel, respectively.

On April 15, 2019, certain parties in the Class Action reached agreement on the principal terms of a settlement of the Class Action, which are contained in a binding term sheet, dated April 15, 2019 (the “Settlement Term Sheet”), among Brook Taube, Seth Taube, Jeff Tonkel, Mark Lerdal, Karin Hirtler-Garvey, John E. Mack, Arthur S. Ainsberg, the Company, MCC Advisors, Medley LLC, and Medley Group LLC (the “Medley Parties”), on the one hand, and FrontFour, on behalf of itself and a class of similarly situated stockholders of the Company, on the other hand. The Settlement Term Sheet is intended to form the basis of a definitive stipulation of settlement in the Class Action. The Settlement Term Sheet provides that the Company will seek to obtain the agreement and/or consent of Sierra to effect certain amendments to (i) the MCC Merger Agreement and (ii) the MDLY Merger Agreement (together with the MCC Merger Agreement, the “Merger Agreements”). If the foregoing amendments are entered into they will, among other matters (as described in further detail in the Settlement Term Sheet): (a) extend the Outside Date (as defined in the Merger Agreements) to October 31, 2019; (b) permit the Company’s special committee of independent directors (the “MCC Special Committee”) to undertake a sixty-day “go shop” process to solicit superior transactions to the MCC Merger and (c) if the MCC Merger is consummated, create a settlement fund, consisting of \$17 million in cash and \$30 million of Sierra stock, with the number of shares of Sierra stock to be calculated using the pro forma net asset value reported in the future proxy supplement describing the amendments to the MCC Merger Agreement, which will be distributed to eligible members of the Class (as defined in the Settlement Term Sheet). In connection with the Settlement Term Sheet, MDLY has executed an acknowledgement and agreement to take certain actions, including consenting to certain amendments to the Merger Agreements, in furtherance of the transactions contemplated thereby.

In addition, the Settlement Term Sheet provides that the Company and FrontFour will enter into a Governance Agreement pursuant to which, among other matters, FrontFour will be subject to customary standstill restrictions and be required to vote in favor of the MCC Merger at a meeting of stockholders to approve the MCC Merger Agreement and in favor of the directors nominated by our board of directors for election at the Company’s 2019 annual meeting of stockholders.

Under the Settlement Term Sheet, the parties have agreed to cooperate to reduce the agreements reflected therein to a definitive stipulation of settlement (the “Settlement Stipulation”), and to obtain approval of Court of Chancery of the State of Delaware as soon as reasonably practicable thereafter. The Settlement Stipulation will provide for mutual releases between and among FrontFour and the Class, on the one hand, and the Medley Parties, on the other hand, of all claims that were or could have been asserted in the Class Action. The Medley Parties will also release all claims arising out of or relating to the prosecution and settlement of the Class Action and all claims that were or could have been asserted (other than claims against NexPoint Advisors, L.P. and its affiliates) in the litigation pending in the United States District Court for the Southern District of New York captioned *Medley Capital Corporation v. FrontFour Capital Group LLC, et al.*, No. 1:19-cv-02055-LTS (S.D.N.Y.) (the “Federal Action”), and FrontFour and the Class will release all claims arising out of or relating to the prosecution and settlement of the Federal Action. Under the Settlement Term Sheet, the Company and FrontFour have also undertaken to work together in good faith to agree to supplemental disclosures relating to the transactions contemplated by the Merger Agreements consistent with the Decision. If the contemplated amendments to the Merger Agreements have not been entered into by May 15, 2019, the

Settlement Term Sheet may be terminated by the Company or FrontFour. The contemplated amendments to the Merger Agreements require the agreement of Sierra and there can be no assurance that such agreement will be obtained or that agreements on the amendments to the Merger Agreements will be reached. In connection with the execution of the Settlement Term Sheet, effective as of April 15, 2019, the Board appointed David A. Lorber and Lowell W. Robinson to the Board to fill the vacancies on the Board created by the resignations of Mark Lerdal and John E. Mack, respectively.

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

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

On August 29, 2016, MVF Holdings filed another lawsuit in the California Superior Court, Los Angeles County, Central District, as Case No. BC 631888 (the "Derivative Action"), naming MCC Advisors LLC and certain of Medley's employees as defendants, among others. The plaintiff in the Derivative Action, asserts claims against the defendants for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unfair competition, breach of the implied covenant of good faith and fair dealing, interference with prospective economic advantage, fraud, and declaratory relief. MCC Advisors LLC and the other defendants believe the causes of action asserted in the Derivative Action are without merit and all defendants intend to continue to assert a vigorous defense. All proceedings in the Derivative Action have been stayed as a result of the chapter 11 bankruptcy proceedings of MVF, which were commenced on May 16, 2018. On August 29, 2016, however, despite the automatic stay of the MVF Bankruptcy, the Plaintiff filed an amended complaint seeking to restyle the derivative action into a direct action to circumvent the MVF bankruptcy's automatic stay. To date, the California Superior Court has not proceeded with the amended complaint.

Medley LLC, Medley Capital Corporation, Medley Opportunity Fund II LP, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube were named as defendants, along with other various parties, in a putative class action lawsuit captioned as Royce Solomon, Jodi Belleci, Michael Littlejohn, and Julianna Lomaglio v. American Web Loan, Inc., AWL, Inc., Mark Curry, MacFarlane Group, Inc., Sol Partners, Medley Opportunity Fund, II, LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube, DHI Computing Service, Inc., Middlemarch Partners, and John Does 1-100, filed on December 15, 2017, amended on March 9, 2018, and amended a second time on February 15, 2019, in the United States District Court for the Eastern District of Virginia, Newport News Division, as Case No. 4:17-cv-145 (hereinafter, "Class Action 1"). Medley Opportunity Fund II LP and Medley Capital Corporation were also named as defendants, along with various other parties, in a putative class action lawsuit captioned George Hengle and Lula Williams v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed February 13, 2018, in the United States District Court, Eastern District of Virginia, Richmond Division, as Case No. 3:18-cv-100 ("Class Action 2"). Medley Opportunity Fund II LP and Medley Capital Corporation were also named as defendants, along with various other parties, in a putative class action lawsuit captioned John Glatt, Sonji Grandy, Heather Ball, Dashawn Hunter, and Michael Corona v. Mark Curry, American Web Loan, Inc., AWL, Inc., Red Stone, Inc., Medley Opportunity Fund II LP, and Medley Capital Corporation, filed August 9, 2018 in the United States District Court, Eastern District of Virginia, Newport News Division, as Case No. 4:18-cv-101 ("Class Action 3") (together with Class Action 1 and Class Action 2, the "Virginia Class Actions"). Medley Opportunity Fund II LP was also named as a defendant, along with various other parties, in a putative class action lawsuit captioned Christina Williams and Michael Stermel v. Red Stone, Inc. (as successor in interest to MacFarlane Group, Inc.), Medley Opportunity Fund II LP, Mark Curry, Brian McGowan, Vincent Ney, and John Doe entities and individuals, filed June 29, 2018 and amended July 26, 2018, in the United States District Court for the Eastern District of Pennsylvania, as Case No. 2:18-cv-2747 (the "Pennsylvania Class Action") (together with the Virginia Class Actions, the "Class Action Complaints"). The plaintiffs in the Class Action Complaints filed their putative class actions alleging claims under the Racketeer Influenced and Corrupt Organizations Act, and various other claims arising out of the alleged payday lending activities of American Web Loan. The claims against Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube (in Class Action 1, as amended); Medley Opportunity Fund II LP and Medley Capital Corporation (in Class Action 2 and Class Action 3); and Medley Opportunity Fund II LP (in the Pennsylvania Class Action), allege that those defendants in each respective action exercised control over, or improperly derived income from, and/or obtained an improper interest in, American Web Loan's payday lending activities as a result of a loan to American Web Loan. The loan was made by Medley Opportunity Fund II LP in 2011. American Web Loan repaid the loan from Medley Opportunity Fund II LP in full in February of 2015, more than 1 year and 10 months prior to any of the loans allegedly made by American Web Loan to the alleged class plaintiff representatives in Class Action 1. In Class Action 2, the alleged class plaintiff representatives have not alleged when they received any loans from American Web Loan. In Class Action 3, the alleged class plaintiff representatives claim to have received loans from American Web Loan at various times from February 2015 through April 2018. In the Pennsylvania Class Action, the alleged class plaintiff representatives claim to have received loans from American Web Loan in 2017. By orders dated August 7, 2018 and September 17, 2018, the Court presiding over the Virginia Class Actions consolidated those cases for all purposes. On October 12, 2018, Plaintiffs in Class Action 3 filed a notice of voluntary dismissal of all claims, and on October 29, 2018, Plaintiffs in Class Action 2 filed a notice of voluntary dismissal of all claims. Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, and Seth Taube never made any loans or provided financing to, or had any other relationship with, American Web Loan. Medley Opportunity Fund II LP, Medley LLC, Medley Capital Corporation, Medley Management, Inc., Medley Group, LLC, Brook Taube, Seth Taube are seeking indemnification from American Web Loan, various affiliates, and other parties with respect to the claims in the Class Action Complaints. Medley Opportunity Fund II LP, Medley LLC, Medley

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

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2018, filed with the SEC on December 4, 2018, which could materially affect our business, financial condition and/or operating results. There have been no material changes during the six months ended March 31, 2019 to the risk factors discussed in “Item 1A. Risk Factors” of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. 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 \(Incorporated by reference to Exhibit 99.B.3 to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010\).](#)
- 3.3 [Amendment to Bylaws \(Incorporated by reference to the Current Report on Form 8-K filed February 7, 2019\).](#)
- 4.1 [Form of Stock Certificate \(Incorporated by reference to Exhibit 99.D to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010\).](#)
- 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 [Deed of Trust, dated January 23, 2018, between Medley Capital Corporation and Mishmeret Trust Company, Ltd. \(Incorporated by reference to the Registrant’s Registration Statement on Form N-2, filed on April 10, 2019\).](#)
- 4.6 [Statement of Eligibility of Trustee on Form T-1 \(Incorporated by reference to Exhibit d.5 to the Registrant’s Registration Statement on Form N-2, filed on March 15, 2013\).](#)
- 10.1 [Form of Amended and Restated Investment Management Agreement between Registrant and MCC Advisors LLC \(Incorporated by reference to Exhibit 99.G to Registrant’s Post-Effective Amendment No. 3 to the Registration Statement on N-2, filed on December 10, 2013\).](#)
- 10.2 [Letter from MCC Advisors LLC re: Waiver of Base Management Fee and Incentive Fee on Net Investment Income, dated February 8, 2016 \(Incorporated by reference to Exhibit 99.K.5 to Registrant’s Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 \(File No. 333-208746\), filed on March 25, 2016\).](#)
- 10.3 [Form of Custody Agreement \(Incorporated by reference to Exhibit 99.J.1 to the Registrant’s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010\).](#)

- 10.4 [Form of Administration Agreement \(Incorporated by reference to Exhibit 99.K.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010\).](#)
- 10.5 [Form of Sub-Administration Agreement \(Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 \(File No. 333-166491\), filed on November 22, 2010\).](#)
- 10.6 [Trademark License Agreement \(Incorporated by reference to Exhibit 99.K.3 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010\).](#)
- 10.7 [Form of Dividend Reinvestment Plan \(Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 22, 2010\).](#)
- 10.8 [Senior Secured Revolving Credit Agreement among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, dated August 4, 2011 \(Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011\).](#)
- 10.9 [Guarantee, Pledge and Security Agreement among the Company, the Subsidiary Guarantors party thereto, ING Capital LLC, as Administrative Agent, each Financial Agent and Designated Indebtedness Holder party thereto and ING Capital LLC, as Collateral Agent, dated August 4, 2011 \(Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011\).](#)
- 10.10 [Amendment No. 1, dated as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012\).](#)
- 10.11 [Amendment No. 2, dated as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 \(Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012\).](#)
- 10.12 [Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 and December 7, 2012, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013\).](#)
- 10.13 [Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012\).](#)
- 10.14 [Amendment No. 1, dated as of December 7, 2012, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012\).](#)
- 10.15 [Amendment No. 2, dated as of January 23, 2013, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Term Loan Credit Agreement, dated as of January 23, 2013 \(Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013\).](#)
- 10.16 [Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 and January 23, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013\).](#)
- 10.17 [Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012 and March 28, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013\).](#)
- 10.18 [Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013 and March 28, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013\).](#)
- 10.19 [Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013 and May 1, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014\).](#)
- 10.20 [Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013 and May 1, 2013, respectively \(Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014\).](#)

- 10.21 [Amendment No. 6, dated as of February 2, 2015, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, May 1, 2013 and June 2, 2014, respectively \(Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015\).](#)
- 10.22 [Amendment No. 6 to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013, May 1, 2013 and June 2, 2014, respectively \(Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015\).](#)
- 10.23 [Amended and Restated Senior Secured Revolving Credit Agreement, dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015\).](#)
- 10.24 [Amendment No. 1 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016\).](#)
- 10.25 [Amendment No. 2 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017\).](#)
- 10.26 [Amendment No. 3 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017\).](#)
- 10.27 [Amendment No. 4 to Amended and Restated Senior Secured Revolving Credit Agreement, dated as of February 12, 2018, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 16, 2018\).](#)
- 10.28 [Amended and Restated Senior Secured Term Loan Credit Agreement dated as of July 28, 2015, by and among the Company as borrower, each of the subsidiary guarantors party thereto, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on July 30, 2015\).](#)
- 10.29 [Amendment No. 1 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 16, 2016, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 22, 2016\).](#)
- 10.30 [Amendment No. 2 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of February 8, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2017\).](#)
- 10.31 [Amendment No. 3 to Amended and Restated Senior Secured Term Loan Credit Agreement dated as of September 1, 2017, by and among the Company as borrower, MCC Investment Holdings LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings Amvestar, LLC, and MCC Investment Holdings AAR, LLC, as subsidiary guarantors, the Lenders party thereto and ING Capital LLC, as Administrative Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 8, 2017\).](#)
- 10.32 [Incremental Assumption Agreement, dated as of February 10, 2012, made by Credit Suisse AG, Cayman Islands Branch, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2012\).](#)
- 10.33 [Incremental Assumption Agreement dated as of March 30, 2012, made by Onewest Bank, FSB, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on April 4, 2012\).](#)

- 10.34 [Incremental Assumption Agreement dated as of May 3, 2012, made by Doral Bank, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on May 3, 2012\).](#)
- 10.35 [Incremental Assumption Agreement dated as of September 25, 2012, made by Stamford First Bank, a division of the Bank of New Canaan, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, as amended by Amendment No. 1, dated as of August 31, 2012, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent \(Incorporated by reference to the Current Report on Form 8-K filed on September 28, 2012\).](#)
- 10.36 [Limited Liability Company Operating Agreement of MCC Senior Loan Strategy JV I LLC, a Delaware Limited Liability Company, dated as of March 27, 2015 \(Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2015\).](#)
- 10.37 [Agreement and Plan of Merger, dated as of August 9, 2018, by and between Medley Capital Corporation and Sierra Income Corporation \(Incorporated by reference to the Current Report on Form 8-K filed on August 15, 2018\).](#)
- 10.38 [Settlement Term Sheet, dated April 15, 2019 \(Incorporated by reference to the Current Report on Form 8-K, filed on April 17, 2019\).](#)
- 14.1 [Code of Business Conduct and Ethics of the Registrant \(Incorporated by reference to Exhibit 14.1 to the Registrant's 10-Q for the period ended June 30, 2011, filed on August 4, 2011\).](#)
- 14.2 [Code of Business Ethics of MCC Advisors \(Incorporated by reference to Exhibit 99.R.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2, filed on June 9, 2010\).](#)
- 21.1 [List of Subsidiaries*](#)
- 24.0 Power of attorney (included on the signature page hereto).
- 31.1 [Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.*](#)

* Filed herewith.

SIGNATURES

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

Dated:
May 10, 2019

Medley Capital Corporation

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

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

SUBSIDIARIES OF MEDLEY CAPITAL CORPORATION

| 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 Sendero LLC | Delaware |

**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.

May 10, 2019

/s/ Brook Taube

Brook Taube

Chief Executive Officer

(Principal Executive Officer)

**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.

May 10, 2019

/s/ Richard T. Allorto, Jr.

Richard T. Allorto, Jr.

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Medley Capital Corporation, (the "Company") for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Brook Taube and Richard T. Allorto, Jr., Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

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

Dated: May 10, 2019

By /s/ Brook Taube

Brook Taube

Chief Executive Officer

By /s/ Richard T. Allorto, Jr.

Richard T. Allorto, Jr.

Chief Financial Officer