As filed with the Securities and Exchange Commission on November 22, 2010

Securities Act Registration No. 333-166491

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 3
Post-Effective Amendment No. o

Medley Capital BDC LLC

(Exact name of Registrant as specified in its charter)
375 Park Avenue, Suite 3304
New York, NY 10152
(Address of Principal Executive Offices)
(212) 759-0777
(Registrant's Telephone Number, Including Area Code)

Brook Taube
Medley Capital BDC LLC
375 Park Avenue, Suite 3304
New York, NY 10152
(Name and Address of Agent for Services)

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Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

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

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

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, $0.001 par value per share	$200,000,000	$14,260

(1) Includes the underwriters' option to purchase additional shares.

(2) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee.

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

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

Subject To Completion. Dated November 22, 2010

13,333,334 Shares

Medley Capital Corporation

Common Stock

This is an initial public offering of shares of our common stock.

We are a newly organized, externally-managed, non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company under the Investment Company Act of 1940.

Our objective is to generate current income and capital appreciation by lending directly to privately-held middle market companies. Our portfolio will generally consist of secured loans, and, to a lesser extent, subordinate loans and equity positions in situations where we are also a secured lender.

We will be managed by our investment adviser, MCC Advisors LLC, which will also provide the administrative services necessary for us to operate.

It is currently estimated that the initial public offering price per share will be between $ and $. Our common stock has been approved for listing on the New York Stock Exchange under the symbol “MCC”, subject to notice of issuance.

Because we are newly organized, our shares have no history of public trading. Shares of closed-end investment companies, including business development companies, frequently trade at a discount from their net asset value. This risk is likely to apply to our shares of common stock as well and may be greater for investors expecting to sell their shares in a relatively short period after completion of this initial public offering. At an assumed initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth above), purchasers in this offering will experience immediate dilution of approximately $ per share. See “Dilution.”

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

Investing in our common stock involves a high degree of risk. Before buying any shares of our common stock, you should read the discussion of the material risks of investing in our common stock in the section entitled “Risks” beginning on page 16 of this prospectus.

	Per Share	Total
Public offering price	$	$
Sales load (underwriting discount and commission)(1)	$	$
Proceeds, before expenses, to us(2)	$	$

(1) No sales load will be deducted from the public offering price (or paid to the underwriters) in the case of shares sold directly to affiliates of MCC Advisors and certain employees.
(2) We estimate that we will incur expenses of approximately $1.3 million in connection with this offering.

To the extent that the underwriters sell more than 13,066,667 shares of our common stock, the underwriters have the option to purchase up to an additional 1,960,000 shares of our common stock at the initial public offering price, less the sales load, within 30 days of the date of this prospectus. If the underwriters exercise this option in full, the total price to the public, sales load and proceeds will be $, $, and $, respectively.

The underwriters expect to deliver the shares on or about , 2010.

This prospectus contains important information about us that a prospective investor should know before investing in our common stock. Please read this prospectus before investing and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 375 Park Avenue, Suite 3304, New York, NY 10152, or by telephone at (212) 759-0777 or on our website at *http://www.medleycapital.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at www.sec.gov that contains such information.

Joint Book-Running Managers

Goldman, Sachs & Co. **Citi** **UBS Investment Bank**

Joint Lead Managers

Stifel Nicolaus Weisel **RBC Capital Markets**

Co-Managers

BB&T Capital Markets Janney Montgomery Scott JMP Securities Gilford Securities

Prospectus dated , 2010

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date of this prospectus. Our business, financial condition and prospects may have changed since that date. To the extent required by applicable law, we will update this prospectus during the offering period to reflect material changes to the disclosure contained herein.

PROSPECTUS SUMMARY

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

Except as otherwise indicated, the terms:

- *"we", "us", "our" and the "Company" refer to Medley Capital BDC LLC, a Delaware limited liability company, for the periods prior to our consummation of the formation transaction described elsewhere in this prospectus, and refer to Medley Capital Corporation, a Delaware corporation, for the periods after our consummation of the formation transaction;*
- *"MCC Advisors" and the "Adviser" refer to MCC Advisors LLC, our investment adviser; and*
- *"Medley Capital" refers, collectively, to the activities and operations of Medley Capital LLC, MCC Advisors, associated investment funds and their respective affiliates.*

Medley Capital BDC LLC

We are a direct lender targeting private debt transactions ranging in size from $10 to $50 million to borrowers principally located in North America. We will seek to deliver equity-like returns to our investors on investments with the risk profile of secured debt. Our private debt transactions are generally structured to combine elements of both equity and fixed-income investments. Although our objective is to deliver a targeted total return to investors on average of 15% over time, this is not a guaranteed return. There can be no assurance that we will achieve our targeted returns as this information is subject to many risks, uncertainties and other factors some of which are beyond our control, including market conditions. We will provide customized financing solutions, typically in the form of secured loans to corporate and asset-based borrowers, and may utilize structures such as sale leaseback transactions, direct asset purchases or other hybrid structures that we believe replicate the economics and risk profile of secured loans. We may also selectively make subordinated debt and equity investments in borrowers to which we have extended secured debt financing. We believe that the current lending environment presents a significant opportunity for our strategy, as the recent financial crisis has reduced competition in the lending industry while demand for credit among private borrowers has increased. We believe that as a result of these supply and demand dynamics, private debt providers can earn wider spreads and increased equity upside while taking less risk than in recent business cycles.

The members of our management, Brook Taube, Seth Taube and Andrew Fentress, also serve as the Principals of the Adviser, and each brings 18 years of experience in finance, transaction sourcing, credit analysis, transaction structuring, due diligence and investing. Brook and Seth Taube began working together professionally in 1996 and teamed up with Andrew Fentress in 2003 to manage the CN Opportunity Fund, which deployed approximately $325 million in 20 transactions with a private debt strategy similar to the strategy we are pursuing. At the end of 2005, the members of our management formed Medley Capital LLC, a private investment management firm.

Our management team also currently manages Medley Opportunity Fund LP ("MOF LP"), a Delaware limited partnership, and Medley Opportunity Fund Ltd. ("MOF LTD"), a Cayman Islands limited company. MOF LP and MOF LTD are sister funds dedicated to the same private debt strategy we are pursuing. Since their formation in 2006, MOF LP and MOF LTD have deployed in excess of $1.2 billion in 41 transactions. Of these, 12 portfolio investments have been fully realized. As of September 30, 2010, approximately $543 million of principal and interest has been returned to MOF LP and MOF LTD. Combining the total returns of MOF LP and MOF LTD, from 2006 to 2009, and the total returns of CN Opportunity Fund, from 2003 to 2005, the Principals of the Adviser have delivered a total average annual return of 14.8% (unleveraged), net of fees and expenses in their private debt strategy. The track record and achievements of the Principals of the Adviser are not necessarily indicative of future results that we will achieve in the future.

As part of the formation transaction described in more detail elsewhere in this prospectus, MOF LP and MOF LTD will contribute their respective interests in five loan participations in secured loans to middle market companies with a combined fair value of approximately $74 million (the "Loan Assets") in exchange for 4,941,678 shares of our common stock. These participation interests were acquired by MOF LP and MOF LTD from an affiliate of Medley Capital, and represent an economic interest in the related secured loan held by the affiliate of Medley Capital. Because we will hold participation interests in these secured loans, we will have a contractual relationship only with the affiliate of Medley Capital and not with these middle market companies. However, we will have certain contractual rights under the loan participations that require the affiliate of Medley Capital to obtain our consent prior to taking various actions relating to the loans. See "Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns" and "Risks — Risks related to our investments — Our current investment portfolio is comprised of indirect interests in five loans rather than direct interests in the loans, which subjects us to additional risks". Immediately prior to this offering, the Loan Assets will be held in MOF I BDC LLC ("MOF I BDC"), a recently formed Delaware LLC, which will become a wholly owned subsidiary of the Company.

We may use debt in modest amounts within the levels permitted by the Investment Company Act of 1940, as amended, which we refer to as the 1940 Act, when the terms and conditions available are favorable to long-term investing and well-aligned with our investment strategy and portfolio composition. In determining whether to borrow money, we will analyze the maturity, covenant package and rate structure of the proposed borrowings, as well as the risks of such borrowings within the context of our investment outlook. We may use leverage to fund new transactions, alleviating the timing challenges of raising new equity capital through follow-on offerings, and to enhance shareholder returns.

MCC Advisors

Our investment activities are managed by our investment adviser, MCC Advisors. MCC Advisors is an affiliate of Medley Capital LLC and has offices in New York and San Francisco. MCC Advisors will be responsible for sourcing investment opportunities, conducting industry research, performing diligence on potential investments, structuring our investments and monitoring our portfolio companies on an ongoing basis. MCC Advisors' team will draw on its expertise in lending to predominantly privately-held borrowers in a range of sectors, including industrials and transportation, energy and natural resources, financials and real estate. In addition, MCC Advisors will seek to diversify our portfolio of loans by company type, asset type, transaction size, industry and geography.

The Principals of MCC Advisors have worked together for the past seven years, during which time they have focused on implementing their private debt strategy. A diversified portfolio of secured private debt investments combined with rigorous asset management have allowed Medley Capital, which the Principals of the Adviser manage and operate, to successfully navigate the challenging market that began in 2007. We believe that MCC Advisors' disciplined and consistent approach to origination, portfolio construction and risk management should allow it to continue to achieve compelling risk-adjusted returns for us.

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

Portfolio Composition

The loans underlying the Loan Assets were originated by Medley Capital and were selected from the portfolio investments of MOF LP and MOF LTD to be contributed to us because they are secured

loans and similar to the investments we intend to make going forward. They had a weighted average yield to maturity of approximately 15.5% at September 30, 2010, of which approximately 13.3% was current cash pay. In addition, the weighted average loan to value ratio, or LTV, of our Loan Assets as of September 30, 2010 was approximately 29.1%. As we discuss below, the LTV ratio of a Loan Asset is one useful indicator of the risk associated with that Loan Asset. The LTV ratio is the amount of our loan divided by the total assets or enterprise value of the portfolio company in which we are investing. The determination of these calculations is more fully described in the section entitled "Portfolio Companies" elsewhere in this prospectus.

Investment Strategy

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

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

Attractive Yield Opportunity. We believe our ability to work directly with borrowers to create customized financing solutions enables us to deliver attractive yields to investors while eliminating intermediaries who extract fees for their services. Addressing complex situations that are generally underserved by traditional lenders enables us to generate excess returns. Private debt transactions have either a fixed or variable coupon payment due periodically, typically monthly or quarterly, and usually include (but are not limited to) exit fees, warrants, and payment-in-kind ("PIK") interest. We intend to target investments with an annual gross internal rate of return of 16-23% on an unleveraged basis.

Downside Protection. We will generally structure our transactions as secured loans supported by a security interest in the portfolio company's assets, as well as a pledge of the portfolio company's equity. We believe our secured debt position and corresponding covenant package should provide priority of return and also control over any asset sales, capital raises, dividend distributions, insurance proceeds and restructuring processes. We believe that the current supply and demand imbalance in the private debt market will enable providers of credit to take less risk on new loans.

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

Market Opportunity

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

Reduced Competition Leads to Higher Quality Deal Flow. Traditional sources of liquidity have declined considerably. Commercial banks and other leveraged financial institutions have curtailed their lending activities in the current environment. Similarly, hedge funds and other opportunistic leverage providers' access to capital have decreased substantially, thus reducing

their ability to provide capital. Finally, we believe continuing bank consolidation has resulted in larger financial institutions that have shifted product offerings away from the middle-market in favor of larger corporate clients. We believe that the relative absence of competition will facilitate higher quality deal flow and allow for greater selectivity throughout the investment process.

Lack of Liquidity Creates Attractive Pricing. We believe that a meaningful gap exists between public and private market debt spreads, primarily due to the fact that liquidity has not been returning to the private lending markets in the same way it has been returning to the public debt markets. As such, we believe that lenders to private middle-market companies in particular will continue to benefit from attractive pricing.

Lower Leverage and Lower LTV Ratios Result in More Conservative Transaction Structures. Lenders in the current environment are requiring lower leverage, increased equity commitments and stricter covenant packages. Reduced leverage and reduced purchase price multiples provide further cushion for borrowers to meet debt service obligations.

Specialized Lending Needs and Unfunded Private Equity Commitments Drive Demand for Debt Capital. Lending to private middle-market companies requires in-depth diligence, credit expertise, restructuring experience and active portfolio management. As such, we believe that, of the U.S. financial institutions that are not liquidity constrained, few are capable of pursuing a private lending strategy successfully. We believe this creates a significant supply/demand imbalance for private credit. Adding to this imbalance is the vast sum of unused private equity capital raised from 2006-2008, which will require debt financing in the coming years.

Competitive Advantages

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

Successful Track Record. MOF LP and MOF LTD have deployed in excess of $1.2 billion in 41 transactions. Of these, 12 portfolio investments have been fully realized. As of September 30, 2010, approximately $543 million of principal and interest has been returned to MOF LP and MOF LTD. Medley Capital's portfolio risk management during the challenging market that began in 2007 has enabled it to deliver consistent returns while protecting capital for investors. Combining the total returns of MOF LP and MOF LTD, from 2006 to 2009, and the total returns of CN Opportunity Fund, from 2003 to 2005, the Principals of the Adviser have delivered a total average annual return of 14.8% (unleveraged), net of fees and expenses in their private debt strategy. The track record and achievements of the Principals of the Adviser are not necessarily indicative of future results that our investment adviser will achieve in the future.

Experienced Team. The Principals of the Adviser bring a combined 54 years of experience in principal finance, investment sourcing, credit analysis, transaction structuring, due diligence and investing. Other members of the Adviser's investment and asset management team include 10 professionals with extensive experience in transaction sourcing, investment underwriting, credit analysis, account monitoring and restructuring at firms such as JP Morgan, Morgan Stanley, GE Capital and Bank of America. The Adviser's investment and asset management team has executed, as a group, 41 transactions to date for a total value of $1.2 billion.

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

Extensive Deal Flow Sourcing Network and National Presence. Medley Capital's experience and reputation in the market has enabled it to consistently generate attractive private debt opportunities. As a seasoned provider of private debt, Medley Capital is often sought out as a preferred partner, both by portfolio companies and other financing providers. Generally, as much as half of Medley Capital's annual origination volume comes from repeat and referral channels. Medley Capital seeks to avoid broadly marketed and syndicated deals. We will leverage Medley Capital's offices on both coasts to maximize our national origination capabilities and direct calling efforts. Medley Capital filters through as many as 1,000 transactions annually through its origination efforts and targets between 25 and 35 transactions for execution. As of September 30, 2010, Medley Capital had an attractive pipeline of transactions consisting of $539 million of deal volume across 26 investments in a range of sectors, including industrials and transportation, energy and natural resources, financials and real estate. Finally, Medley Capital has a broad network of relationships with national, regional and local bankers, lawyers, accountants and consultants that plays an important role in the origination process.

Proven Risk Management. We will continue the successful asset management process employed by Medley Capital over the last seven years. In particular, our investment transactions will be diversified by company type, asset type, transaction size, industry and geography. We will utilize a systematic underwriting process involving rigorous due diligence, third-party reports and multiple investment committee (discussed below) approvals. Following the closing of each transaction, the Adviser will implement a proprietary, dynamic monitoring system for regularly updating issuer financial, legal, industry and exit analysis, along with other relevant information. At the same time, checks and balances to the asset management process will be provided by third parties, including, as applicable, the following: forensic accountants, valuation specialists, legal counsel, fund administrators and loan servicers.

Restructuring and Workout Experience. The Principals of the Adviser and the Adviser's investment team combined have worked on over 100 restructurings, liquidations and bankruptcies prior to Medley Capital. This experience provides valuable assistance to the Company in the initial structuring of transactions and throughout the asset management process.

Summary of Formation Transaction

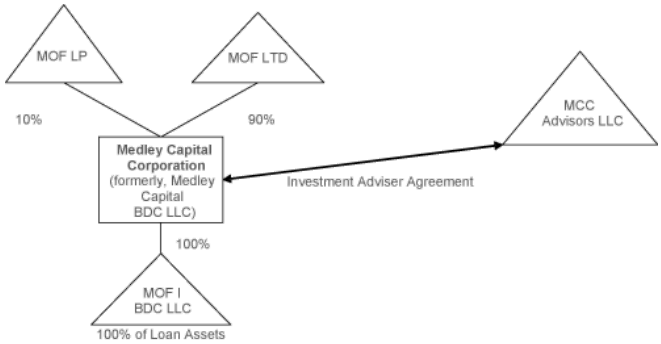
MOF LP and MOF LTD have transferred all of their respective interests in the Loan Assets to MOF I BDC in exchange for membership interests in MOF I BDC. As a result, MOF LTD owns approximately 90% of the outstanding MOF I BDC membership interests and MOF LP owns approximately 10% of the outstanding MOF I BDC membership interests. In addition, MOF I BDC has a 100% interest in the Loan Assets. Each of MOF LTD and MOF LP will then, immediately prior to the completion of this offering, contribute their respective MOF I BDC membership interests to Medley Capital BDC LLC, a second newly formed Delaware limited liability company, in exchange for Medley Capital BDC LLC membership interests. MOF I BDC will, thereafter, be a wholly-owned subsidiary of Medley Capital BDC LLC. Medley Capital BDC LLC will then convert into Medley Capital Corporation, a Delaware corporation, immediately prior to the completion of this offering. These transactions will hereinafter be referred to as the "BDC Formation". For more information regarding the BDC Formation, see "Formation".

After the completion of the Formation Transaction, MOF LP and MOF LTD will own equity interests in the Company, but only to the extent permitted by the 1940 Act. MOF LP and MOF LTD will distribute equity interests in the Company in excess of those permitted to be owned by them, if any, to their respective limited partners. MOF LP and MOF LTD's interests will be valued at the initial public offering price.

For purposes of determining net asset value ("NAV") for the transfer of the five initial loan participations to the Company, we engaged independent third-party valuation firms to establish the fair value ("Transfer Value") for the Loan Assets as of May 31, 2010 ("Valuation Date"). The Transfer Value

will be approved by our board of directors (which will include a majority of independent directors). Between the Valuation Date and the date that MOF LTD and MOF LP contribute their respective MOF I BDC membership interests to Medley Capital BDC LLC ("Transfer Date"), which will be immediately prior to consummation of the initial public offering, the consideration paid will be adjusted to reflect any interim period interest accrued, net of actual cash payments received, subsequent to the Valuation Date in respect of the Loan Assets, consistent with GAAP accounting recognition of accrued interest. There will be a valuation bring down ("Bring Down") on the Transfer Date that will be conducted by the independent third-party valuation firms to ensure that there have been no material event(s) that have caused a change in the Transfer Value of the Loan Assets to be different than the previously determined NAV on the Valuation Date as adjusted for the interim period accrued interest, net of actual cash payments received.

Set forth below is a diagram showing the final structure of the Company immediately prior to the completion of this offering.



SBIC License

The Principals of Medley Capital LLC have applied for a license to form a Small Business Investment Company, or SBIC. If the application is approved and the SBA so permits, the SBIC license will be transferred to a wholly-owned subsidiary of ours, or the "SBIC subsidiary". The SBIC subsidiary will be able to rely on an exclusion from the definition of "investment company" under the 1940 Act. As such, this SBIC subsidiary will not elect to be treated as a business development company, nor registered as an investment company under the 1940 Act. If this application is approved, the SBIC subsidiary will have an investment objective substantially similar to ours and will make similar types of investments in accordance with SBIC regulations.

To the extent that we, through the wholly-owned subsidiary, have an SBIC license, the SBIC subsidiary will be allowed to issue SBA-guaranteed debentures, subject to the required capitalization of the SBIC subsidiary. SBA guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under the regulations applicable to SBICs, an SBIC may have outstanding debentures guaranteed by the SBA generally in an amount of up to twice its regulatory capital, which generally equates to the amount of its equity capital. The SBIC regulations currently limit the amount that an SBIC subsidiary may borrow to a maximum of $150 million, assuming that it has at least $75 million of equity capital. In addition, if we are able to obtain financing under the SBIC program, our SBIC subsidiary will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants.

Operating and Regulatory Structure

We are a newly organized, externally-managed, non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company, or BDC, under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Our investment activities are managed by MCC Advisors and supervised by our board of directors, a majority of whom are independent of MCC Advisors and its affiliates. As a BDC, we are required to comply with certain regulatory requirements. See “Regulation”.

Conflicts of Interest

The 1940 Act prohibits us from making certain negotiated co-investments with affiliates unless we receive an order from the SEC permitting us to do so. Subject to this restriction on co-investments with affiliates, MCC Advisors will offer us the right to participate in all investment opportunities that it determines are appropriate for us in view of our investment objective, policies and strategies and other relevant factors. These offers will be subject to the exception that, in accordance with MCC Advisors’ allocation policies, we might not participate in each individual opportunity, but will, on an overall basis, be entitled to participate equitably with other entities managed by MCC Advisors and its affiliates.

To the extent that we compete with entities managed by MCC Advisors or any of its affiliates for a particular investment opportunity, MCC Advisors will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) its internal conflict-resolution and allocation policies, (2) the requirements of the Investment Advisers Act of 1940, as amended, or the Advisers Act, and (3) certain restrictions under the 1940 Act regarding co-investments with affiliates. MCC Advisors’ allocation policies are intended to ensure that we may generally share equitably with other investment funds managed by MCC Advisors or its affiliates in investment opportunities, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer which may be suitable for us and such other investment funds.

The Principals of MCC Advisors have historically managed investment vehicles with similar or overlapping investment strategies and have put in place an investment allocation policy that addresses the co-investment restrictions set forth under the 1940 Act. In the absence of receiving exemptive relief from the SEC that would permit greater flexibility relating to co-investments, MCC Advisors will apply the investment allocation policy. MCC Advisors’ policies are designed to manage and mitigate the conflicts of interest associated with the allocation of investment opportunities when we are able to co-invest with other accounts managed by our investment adviser and its affiliates without receiving exemptive relief from the SEC. When we engage in such permitted co-investments, we will do so in a manner consistent with MCC Advisors’ allocation policy. Generally, under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by MCC Advisors and approved by our board of directors, including all of our independent directors. The allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on each account’s capital available for investment, as determined by our board of directors, including our independent directors. It is our policy to base our determinations as to the amount of capital available for investment on such factors as: the amount of cash on-hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations and allocations will be made similarly for other accounts. MCC Advisors seeks to treat all clients reasonably in light of the factors relevant to managing client accounts, however, in some instances, especially in instances of limited liquidity, the factors may not result in pro-rata allocations or in situations where certain accounts receive allocations where others do not. In situations where co-investment with other entities managed by MCC Advisors or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, MCC Advisors will need to decide whether we or

such other entity or entities will proceed with the investment. MCC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time.

We and MCC Advisors have submitted an exemptive application to the SEC to permit us to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by MCC Advisors or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. See "Certain Relationships and Related Party Transactions".

Affiliates of MCC Advisors currently, and may in the future, have other clients with similar or competing investment objectives, including private funds and managed accounts that are continuing to seek capital commitments and will pursue an investment strategy similar to our strategy. In serving these clients, MCC Advisors and its affiliates may have obligations to other clients or investors in those entities. Our investment objective may overlap with such affiliated investment funds, accounts or other investment vehicles. MCC Advisors' allocation procedures are designed to allocate investment opportunities among the investment vehicles managed by MCC Advisors and its affiliates in a manner consistent with its obligations under the Advisers Act. If two or more investment vehicles with similar investment strategies are actively investing, MCC Advisors will seek to allocate investment opportunities among eligible accounts on an alternating basis that is fair and equitable over time and consistent with its allocation policy. See "Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns" and " — Conflict related to obligations MCC Advisors' investment committee, MCC Advisors or its affiliates have to other clients". Additionally, under our incentive fee structure, MCC Advisors may benefit when we recognize capital gains and, because MCC Advisors determines when a holding is sold, MCC Advisors controls the timing of the recognition of capital gains. See "Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns" and " — Our incentive fee structure may create incentives for MCC Advisors that are not fully aligned with the interests of our stockholders". In addition, because the base management fee that we will pay to MCC Advisors is based on our average adjusted gross assets, MCC Advisors may benefit when we incur indebtedness.

In addition, certain private investment funds managed by the Principals of MCC Advisors hold controlling or minority equity interests, or have the right to acquire such equity interests, in certain of the portfolio companies in which we will hold a debt investment immediately following the completion of the offering. To the extent that we deem that MCC Advisors, our senior management team or investment teams, or members of MCC Advisors' investment committee have interests that differ from those of our stockholders with respect to these investments, such as in the case of granting loan waivers or concessions, our board of directors will be informed of, and will provide input with respect to any material actions we take to alter the terms or conditions of these investments.

Company Information

Our administrative and executive offices are located at 375 Park Avenue, Suite 3304, New York, NY 10152, and our telephone number is (212) 759-0777. We maintain a website at *http://www.medleycapital.com*. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

Risks

Investing in us involves a high degree of risk. See "Risks" beginning on page 16 of this prospectus for a more detailed discussion of the material risks you should carefully consider before deciding to invest in our common stock.

THE OFFERING

The offering	We are offering 13,066,667 shares of our common stock through a group of underwriters (the "underwriters"). To the extent that the underwriters sell more than 13,066,667 shares of our common stock, the underwriters have the option to purchase up to an additional 1,960,000 shares of our common stock at the initial public offering price, less the sales load, within 30 days of the date of this prospectus. We are concurrently offering 266,667 shares of our common stock at the initial public offering price directly to affiliates of MCC Advisors and some of their employees pursuant to this prospectus. These shares are included in the shares being sold pursuant to this prospectus. Since these shares are being sold directly by us and not through the underwriters, no underwriting discount or commission will be paid to the underwriters for shares purchased by affiliates of MCC Advisors and these employees. Consequently, the entire amount of the proceeds from such sales will be paid directly to us.
Common stock outstanding after this offering	18,275,012 shares, excluding 1,960,000 shares of common stock issuable pursuant to the option to purchase additional shares granted to the underwriters.
New York Stock Exchange symbol	"MCC"
Use of proceeds	The net proceeds of the offering are estimated to be approximately $184.9 million (approximately $212.2 million if the underwriters exercise their option to purchase additional shares in full), in each case assuming an initial public offering price of $15.00 per share (the mid-point of the range set forth on the cover page of the prospectus), after deducting the underwriting discounts and commissions and estimated offering and organizational expenses payable by us. The shares that are being sold by us directly to affiliates of MCC Advisors and their employees are not subject to any underwriting discount or commission, and therefore, we will receive the entire purchase price proceeds for the sale of those shares. The affiliates of MCC Advisors and their employees have submitted non-binding indication of interests to purchase $4 million of shares of the common stock in connection with this offering directly from us. As a result, the estimated net proceeds to be received by us from the offering set forth above assumes the receipt of such purchase price for such shares in this offering without deducting any underwriting discounts and commission therefrom. We intend to use the net proceeds to provide debt financing to portfolio companies in accordance with our investment objective and for general corporate purposes. Pending such use, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less. These securities may have lower yields than the types of investments we would typically make in accordance with our investment objective and, accordingly,

	may result in lower distributions, if any, during such period. See “Use of Proceeds”.
Investment management agreement	We have entered into an investment management agreement with MCC Advisors, under which MCC Advisors, subject to the overall supervision of our board of directors, manages our day-to-day operations and provides investment advisory services to us. For providing these services, MCC Advisors receives a base management fee from us at an annual rate of 2.0% of our gross assets, including any assets acquired with the proceeds of leverage. The investment management agreement also provides that MCC Advisors will be entitled to an incentive fee of 20.0%. MCC Advisors agreed to waive the base management fee payable to MCC Advisors with respect to cash and cash equivalents held by us through June 30, 2011. The incentive fee consists of two parts: (1) the first component, which is payable quarterly in arrears, will equal 20.0% of the excess, if any, of the “Pre-Incentive Fee Net Investment Income” over a hurdle rate (2.0% quarterly) and subject to a ‘‘catch-up” provision measured as of the end of each calendar quarter; and (2) the second component, which will be payable in arrears at the end of each calendar year (or upon termination of the investment management agreement, as of the termination date), commencing with the year ending December 31, 2010, will equal 20.0% of the “Incentive Fee Capital Gains”, if any, which will equal the realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. As discussed under “The Adviser — Investment Management Agreement”, if we receive SEC exemptive relief, as to which there can be no assurance, and any required approval by our stockholders, we have agreed to pay 50% of the net after-tax incentive fee earned by MCC Advisors in the form of shares of our common stock, which will be issued at their then current market price. Until such exemptive relief is granted we will pay the entire fee in cash. See “Risks — Risks relating to this offering — Our ability to pay 50% of the net after-tax incentive fee to the Adviser in shares of our common stock is contingent on our receipt of exemptive relief from the SEC.” The investment management agreement also provides that we will reimburse MCC Advisors for certain costs and expenses incurred by MCC Advisors. See “The Adviser — Investment Management Agreement”.
Distributions	We intend to distribute quarterly dividends to stockholders out of profits legally available for distribution. Our quarterly distributions, if any, will be determined by our board of directors.
Taxation	We intend to elect 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 (the "Code"). As a RIC, we generally will not have to pay corporate-level federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See "Distributions" and "Tax Matters".
Custodian and Transfer Agent	U.S. Bank National Association, serves as our Custodian and American Stock Transfer & Trust Company, serves as our Transfer Agent. See "Custodian and Transfer Agent".
Borrowing	We may borrow money or issue debt securities within the levels permitted by the 1940 Act when the terms and conditions available are favorable to long-term investing and well-aligned with our investment strategy and portfolio composition in an effort to increase returns to our common stockholders. Borrowing involves significant risks. See "Risks".
Trading at a discount	Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV. The possibility that our shares may trade at a discount to our NAV is separate and distinct from the risk that our NAV per share may decline. Our NAV immediately following this offering will reflect reductions resulting from the sales load and the amount of our organization and offering expenses. This risk may have a greater effect on investors expecting to sell their shares soon after completion of the public offering, and our shares may be more appropriate for long-term investors than for investors with shorter investment horizons. We cannot predict whether our shares will trade above, at or below NAV.
Dilution	Purchasers in this offering will experience immediate dilution, which, at an initial public offering price of $15.00 per share (the mid-point of the initial public offering price set forth on the cover page of this prospectus), will be approximately $0.82 per share. See "Dilution" herein for more information.
Dividend reinvestment plan	We are adopting a dividend reinvestment plan for our stockholders. This will be an "opt out" dividend reinvestment plan. As a result, if we declare a cash dividend or other cash 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. See "Dividend Reinvestment Plan".
Anti-takeover provisions	Our certificate of incorporation and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These

	anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See “Description of Shares”.
Lock-up agreement	We, MCC Advisors, the Principals of MCC Advisors, our officers, directors, and holders of substantially all of our common stock will be subject to a 180-day lock-up agreement with the underwriters of this offering. Any shares purchased in the offering by our employees or affiliates also shall be subject to a 180-day lock-up period. See “Shares Eligible for Future Sale — Lock-up agreement” and “Underwriting”.
Administrator	Under a separate administration agreement, MCC Advisors will also serve as our administrator. As administrator, MCC Advisors will oversee our financial records, prepare reports to our stockholders and reports filed with the SEC, lease office space to us, provide us with equipment and office services and generally monitor the payment of our expenses and the performance of administrative and professional services rendered to us by others. We will reimburse MCC Advisors for its costs in providing these services.
License Arrangements	We have entered into a license agreement with Medley Capital LLC, under which Medley Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name “Medley”. For a description of the license agreement, see “The Adviser — License Agreement”.
Risks	An investment in our common stock is subject to risks. Certain of these risks are referenced below. • Capital markets are currently in a period of disruption and instability, which could have a negative impact on our business and operations. • There are numerous risks relating to our business, including credit losses on our investments, the risk of loss associated with leverage if we determine at some point to use leverage, illiquidity and valuation uncertainties in our investments, possible lack of appropriate investments, the lack of experience of our investment adviser and our dependence on such investment adviser. • There are also numerous risks relating to our investments, including the risky nature of the securities in which we invest, our potential lack of control over our portfolio companies, our limited ability to invest in public companies and the potential incentives in our investment adviser to invest more speculatively than it would if it did not have an opportunity to earn incentive fees. • We also have various risks relating to our status as a BDC, including limitations on raising additional capital, failure to qualify as a BDC and loss of tax status as a RIC.

	• There are also risks relating to this offering, including volatility in our stock price, the dilution resulting from this offering and the anti-takeover effect of certain provisions in our certificate of incorporation.
	See "Risks" beginning on page 16 of this prospectus for a more detailed discussion of these and other material risks you should carefully consider before deciding to invest in shares of our common stock.
Available information	We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, or the Securities Act, which contains additional information about us and the shares of our common stock being offered by this prospectus. After completion of this offering, we will be obligated to file periodic reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room in Washington, D.C. and on the SEC's website at *http://www.sec.gov*.
	We maintain a website at *http://www.medleycapital.com* and intend to make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. You may also obtain such information by contacting us at 375 Park Avenue, Suite 3304, New York, NY 10152, or by calling us at (212) 759-0777. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. **The following table and example should not be considered a representation of our future expenses. Actual expenses may be greater or less than those shown below.** Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in the Company.

Stockholder Transaction Expenses

Sales Load (as a percentage of offering price)	7.00%(1)
Offering Expenses (as a percentage of offering price)	0.69%(2)
Dividend Reinvestment Plan Fees	None (3)
Total Stockholder Transaction Expenses (as a percentage of offering price)	7.69%
Estimated Annual Expenses (as a Percentage of Net Assets Attributable to Common Shares)	
Base Management Fees	2.00%(4)
Incentive Fees Payable Under the Investment Management Agreement	1.29%(5)
Interest Payments on Borrowed Funds	1.04%(6)
Other Expenses	1.08%(7)
Total Annual Expenses (estimated)	5.41%

(1) The underwriting discount and commission with respect to shares sold in this offering, which are one-time fees to the underwriters in connection with this offering, are the only sales load being paid in connection with this offering. Shares sold in this offering to affiliates of MCC Advisors and some of their employees will be sold at the initial public offering price directly by us pursuant to this prospectus.

(2) Amount reflects estimated offering expenses of approximately $1.3 million.

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

(4) Our base management fee under the investment management agreement is based on our gross assets. The term "gross assets" includes any assets acquired with the proceeds of leverage. MCC Advisors agreed to waive the base management fee payable to MCC Advisors with respect to cash and cash equivalents held by us through June 30, 2011. See "The Adviser — Investment Management Agreement." The base management fee assumes borrowings to fund investments of $70.8 million at the end of our first 12 months of operations.

(5) Based on our current business plan, we anticipate that substantially all of the net proceeds of this offering will be used within six to 12 months in accordance with our investment objective. We expect that during this period we will not have any capital gains and that the amount of our interest income will not exceed the quarterly minimum hurdle rate discussed below. As a result, we do not anticipate paying any incentive fees in the first year after the completion of this offering.

The incentive fee consists of two components:

The first component, which is payable quarterly in arrears, will equal 20.0% of the excess, if any, of our "Pre-Incentive Fee Net Investment Income" over a 2.0% quarterly (8.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. 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 a

hurdle rate did not apply. The first component of the incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash. Since the hurdle rate is fixed, as interest rates rise, it will be easier for the Adviser to surpass the hurdle rate and receive an incentive fee based on net investment income.

The second component of the incentive fee will equal 20.0% of our "Incentive Fee Capital Gains", if any, which will equal our realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second component of the incentive fee will be payable, in arrears, at the end of each calendar year (or upon termination of the investment management agreement, as of the termination date), commencing with the year ending December 31, 2010. For a more detailed discussion of the calculation of this fee, see "The Adviser — Investment Management Agreement".

As previously disclosed, subject to receipt of exemptive relief, we have agreed to pay 50% of the net after-tax incentive fee earned by MCC Advisors in the form of shares of our common stock issued at their then current market price.

(6) We do not plan to incur significant leverage, or to pay significant interest in respect thereof, until after most of the proceeds of this offering are invested in accordance with our investment objective and do not intend to incur leverage during our first year of operations in excess of 25% of our average total assets after giving effect to such leverage. The table assumes: (i) that we borrow for investment purposes up to an amount equal to 25% of our average total assets (average borrowing of $47.1 million out of average total assets of $307.3 million) and (ii) that the interest expense, the unused fee and the one-year portion of the aggregate structuring fee is $3.2 million.

(7) Includes estimated organizational expenses and our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overheard and other expenses incurred by our administrator in performing its obligations under the administration agreement. See "The Adviser — Administration Agreement".

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our outstanding indebtedness and annual operating expenses remain at the levels set forth in the table above.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 131	$ 229	$ 326	$ 563

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under our investment management agreement is unlikely to be significant assuming a 5% annual return and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. In addition, while the example assumes reinvestment of all cash dividends and other cash distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the greater of (i) NAV per share, and (ii) 95% of the market price per share of our common stock at the close of regular trading on the New York Stock Exchange on the payment date fixed by our board of directors for such distribution. The market price per share on that date shall be the closing price for such shares on the New York Stock Exchange or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

RISKS

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

Certain Risks in the Current Environment

Capital markets are currently in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States and abroad, which could have a negative impact on our business and operations.

In 2007, the global capital markets entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of debt and equity capital for the market as a whole and financial services firms in particular. While recent indicators suggest modest improvement in the capital markets, these conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may be required to, or may choose to, seek access to alternative markets for debt and equity capital. Equity capital may be difficult to raise because, subject to some limited exceptions, we will not generally be able to issue and sell our common stock at a price below NAV per share. In addition, the debt capital that will be available, if at all, may be at a higher cost, and on less favorable terms and conditions in the future. Conversely, the portfolio companies in which we will invest may not be able to service or refinance their debt, which could materially and adversely affect our financial condition as we would experience reduced income or even experience losses. The inability to raise capital and the risk of portfolio company defaults may have a negative effect on our business, financial condition and results of operations.

Risks Related to Our Business

We may suffer credit losses.

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

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

We may borrow money, including through the issuance of debt securities or preferred stock, to leverage our capital structure, which is generally considered a speculative investment technique. As a result:

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

- if we do not appropriately match the assets and liabilities of our business, adverse changes in interest rates could reduce or eliminate the incremental income we make with the proceeds of any leverage;
- our ability to pay dividends on our common stock may be restricted if our asset coverage ratio, as provided in the 1940 Act, is not at least 200% and any amounts used to service indebtedness or preferred stock would not be available for such dividends;
- any credit facility would be subject to periodic renewal by our lenders, whose continued participation cannot be guaranteed;
- such securities would be governed by an indenture or other instrument containing covenants restricting our operating flexibility;
- we, and indirectly our stockholders, bear the cost of issuing and paying interest or dividends on such securities; and
- any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our common shares.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt securities or preferred stock and/or borrow money from banks and other financial institutions, which we collectively refer to as “senior securities”, only in amounts such that our asset coverage ratio equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test and we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our securities at a time when such sales may be disadvantageous.

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

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

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

The debt and equity securities in which we invest for which market quotations are not readily available will be valued at fair value as determined in good faith by or under the direction of our board of directors. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such investments.

We have not yet identified the portfolio company investments we intend to acquire using the proceeds of this offering.

We have not yet identified the potential investments for our portfolio that we will purchase following this offering. As a result, you will only be able to evaluate the initial portfolio company

investments contributed to us by MOF LP and MOF LTD prior to purchasing shares of our common stock. Additionally, MCC Advisors will select our investments subsequent to the closing of this offering, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our common stock.

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

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

Initially, our portfolio will be concentrated in a limited number of portfolio companies; this concentration will subject us to a risk of significant loss if any of these companies defaults on its obligations.

Initially, our portfolio will consist of investments in loan participations in secured loans to five portfolio companies. The number of portfolio companies may be higher or lower depending on the amount of our assets under management at any given time, market conditions and the extent to which we employ leverage, and will likely fluctuate over time. A consequence of this limited number of investments is that the aggregate returns we realize may be materially and adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond our income tax diversification requirements under Subchapter M of the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Several of the investments in which our portfolio is most concentrated generate PIK interest. As a result of the PIK interest generated by these investments, the principal balances of the investments increases over time, which may result in an increase in our portfolio's concentration in these specific investments.

In addition, investments in our portfolio are not rated by any rating agency. Debt in which we intend to invest in the future is typically not rated by any rating agency. We believe that if such investments were rated, the vast majority would be rated below investment grade due to speculative characteristics of the issuer's capacity to pay interest and repay principal. Our investments may result in an amount of risk, volatility or potential loss of principal that is greater than that of alternative investments. In addition, to the extent interest payments associated with such debt are deferred, such debt will be subject to greater fluctuations in value based on changes in interest rates, such debt could subject us to phantom income, and since we will generally not receive any cash prior to maturity of the debt, the investment will be of greater risk.

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

Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments

we hold which earn fixed interest rates and also could increase our interest expense, thereby decreasing our net income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

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

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

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

We may experience fluctuations in our periodic operating results.

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

Our income may be substantially lower than when our portfolio is fully invested and therefore our ability to make distributions may be limited because we are a new company with no operating history.

We were formed in April 2010 and have not yet commenced operations. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. We anticipate that it will take us between six and 12 months to invest substantially all of the net proceeds of this offering in accordance with our investment objective. During this period, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objective. As a result, any distributions we make during this period may be substantially lower than the distributions that we expect to pay when our portfolio is fully invested.

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

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

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

For federal income tax purposes, we may include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in

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

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to raise cash from other sources, we may fail to qualify as a RIC and thus become subject to corporate-level income tax. See “Tax Matters — Taxation of the company”.

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

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

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

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 cash dividends or year-to-year increases in cash dividends. Our ability to pay dividends might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay dividends. All dividends will be paid at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our stockholders in the future.

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

A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas in which they have not traditionally invested. As a result of these new entrants, competition for investment opportunities intensified in recent years and may intensify further in the future. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions and valuation requirements that the 1940 Act imposes on us as a BDC and the tax consequences of qualifying as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial

condition and results of operations. Also, as a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

The lack of experience of our investment adviser and its management in operating under the constraints imposed on us as a BDC may hinder the achievement of our investment objectives.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets primarily in securities of private companies or U.S. public companies with market capitalizations of less than $250 million, cash, cash equivalents, U.S. Government securities and other high quality debt instruments that mature in one year or less. In addition, qualification for taxation as a RIC requires satisfaction of source-of-income, diversification and distribution requirements. MCC Advisors does not have experience investing under these constraints. These constraints, among others, may hinder MCC Advisors' ability to take advantage of attractive investment opportunities and to achieve our investment objective.

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

We depend on the members of senior management of MCC Advisors, particularly Brook Taube, one of its managing partners and its chief investment officer, Seth Taube, one of its managing partners, and Andrew Fentress, one of its managing partners, as well as other key investment personnel for the identification, final selection, structuring, closing and monitoring of our investments. These members of MCC Advisors' senior management and investment teams are integral to its asset management activities and have critical industry experience and relationships that we will rely on to implement our business plan. Our future success depends on their continued service to MCC Advisors. The departure of any of the members of MCC Advisors' senior management or a significant number of the members of its investment team could have a material adverse effect on our ability to achieve our investment objective. As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer. In addition, we can offer no assurance that MCC Advisors will remain our investment adviser or our administrator.

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

We intend to elect to be taxed for federal income tax purposes as a RIC under Subchapter M of the Code. If we meet certain requirements, including source-of-income, asset diversification and distribution requirements, and if we continue to be regulated as a BDC, we will qualify to be a RIC under the Code and will not have to pay corporate-level taxes on income we distribute to our stockholders as dividends, allowing us to substantially reduce or eliminate our corporate-level tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200% at the time we issue any debt or preferred stock. This requirement limits the amount of

our leverage. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or issuing preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue common stock priced below NAV without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our NAV could decline.

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

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

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

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

There may be conflicts related to obligations MCC Advisors' senior management and investment teams, and members of its investment committee have to other clients.

The members of the senior management and investment teams, and the investment committee of MCC Advisors serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by MCC Advisors or its affiliates. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in our best interests or in the best interest of our stockholders. For example, Brook Taube, Seth Taube and Andrew Fentress, have and, following this offering, will continue to have management responsibilities for other investment funds, accounts or other investment vehicles managed by affiliates of MCC Advisors. Our investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. For example, affiliates of MCC Advisors currently manage private funds and managed accounts that are seeking new capital commitments and will pursue an investment strategy similar to our strategy, and we may compete with these and other entities managed by affiliates of MCC Advisors for capital and investment opportunities. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by principals of, or affiliated with, MCC Advisors. MCC Advisors will seek to allocate investment opportunities among eligible accounts on an alternating basis that is fair and equitable over time and

consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. MCC Advisors has agreed with our board of directors that when we are able to co-invest with other investment funds managed by affiliates of MCC Advisors allocations among us and other investment funds will generally be made based on capital available for investment in the asset class being allocated. We expect that available capital for our investments will be determined based on the amount of cash on-hand, existing commitments and reserves, if any, the targeted leverage level, targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or as imposed by applicable laws, rules, regulations or interpretations. In situations where we cannot co-invest with other investment funds managed by affiliates of MCC Advisors, the investment policies and procedures of MCC Advisors generally require that such opportunities be offered to us and such other investment funds on an alternating basis. However, there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

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

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

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

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

The part of the incentive fee payable to MCC Advisors that relates to our net investment income will be computed and paid on income that may include interest income that has been accrued but not yet received in cash. This fee structure may be considered to involve a conflict of interest for MCC Advisors to the extent that it may encourage MCC Advisors to favor debt financings that provide for deferred interest, rather than current cash payments of interest. MCC Advisors may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because MCC Advisors is not obligated to reimburse us for any incentive fees received

even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued.

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

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

Conflicts related to other arrangements with MCC Advisors.

We will rent office space from MCC Advisors and pay to MCC Advisors our allocable portion of overhead and other expenses incurred by MCC Advisors in performing its obligations under the administration agreement, such as our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. This will create conflicts of interest that our board of directors must monitor. See "Certain Relationships and Related Party Transactions".

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

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

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

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

We may, however, co-invest with our investment adviser and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may co-invest with such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our investment adviser, acting on our

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

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

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company regulations governing transactions with affiliates to prohibit certain "joint transactions" between entities that share a common investment adviser.

We and MCC Advisors intend to seek exemptive relief from the SEC to permit us to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by MCC Advisors or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We believe that co-investment by us and other funds managed by MCC Advisors and its affiliates may afford us additional investment opportunities and an ability to achieve greater diversification. Accordingly, our application for exemptive relief will seek an exemptive order permitting us to invest with funds managed by MCC Advisors or its affiliates in the same portfolio companies under circumstances in which such investments would otherwise not be permitted by the 1940 Act. There can be no assurance that we will obtain exemptive relief or that if we do obtain such relief it will be obtained on the terms we have outlined in our request. We expect that such exemptive relief permitting co-investments, if granted, would apply only if our independent directors review and approve each co-investment.

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

We may be considered affiliates with respect to certain of our portfolio companies, as discussed under "Portfolio Companies". Certain private funds advised by the Principals of the Adviser also hold interests in these portfolio companies and as such these interests may be considered a joint enterprise under applicable regulations. To the extent that our interests in these portfolio companies may need to be restructured in the future or to the extent that we choose to exit certain of these

transactions, our ability to do so will be limited. We intend to seek exemptive relief in relation to certain joint transactions, however, there is no assurance that we will obtain relief that would permit us to negotiate future restructurings or other transactions that may be considered a joint enterprise.

Our investment adviser may not be able to achieve the same or similar returns as those achieved by our senior management and investment teams while they were employed at prior positions.

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

Risks Related to Our Investments

We may not realize gains from our equity investments.

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

Our investments are very risky and highly speculative.

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

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

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

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

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

Investments in private middle-market companies involve a number of significant risks. Generally, little public information exists about these companies, and we are required to rely on the ability of MCC Advisors' investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about

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

Economic recessions or downturns could impair the ability of our portfolio companies to repay loans, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and harm our operating results, which would have an adverse effect on our results of operations.

Many of our portfolio companies are and may be susceptible to economic slowdowns or recessions, including the current economic conditions, and may be unable to repay our loans during such periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during such periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

We may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

We do not generally intend to take controlling equity positions in our portfolio companies. To the extent that we do not hold a controlling equity interest in a portfolio company, we are subject to the risk that such portfolio company may make business decisions with which we disagree, and the stockholders and management of such portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

Our portfolio companies may incur debt that ranks above or equally with our investments in such companies.

We intend to invest primarily in secured debt issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks above or equally with the debt securities in which we invest. In the case of debt ranking above debt securities in which we invest, we would be subordinate to such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company and therefore the holders of debt

instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

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

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

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

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

Our current investment portfolio is comprised of indirect interests in five loans rather than direct interests in the loans, which subjects us to additional risks.

As part of the Formation Transaction, MOF LP and MOF LTD will transfer to us their respective interests in loan participations in five loans held by an affiliate of Medley Capital. By holding loan participations in these five loans (as opposed to direct interests in the loans by way of assignment from the affiliate of Medley Capital), we are assuming the credit risk of not only each borrower of the loans, but also the credit risk of the affiliate of Medley Capital given that it remains the legal owner of record of the loans. In the event of the insolvency of the affiliate of Medley Capital, we, by virtue of holding participation interests in the loans, may be treated as its general unsecured creditor. In addition, although we have certain contractual rights under the loan participations that require the

affiliate of Medley Capital to obtain our consent prior to taking various actions relating to the loans, the Principals of the Adviser may face conflicts of interests in connection with determining whether to consent to such actions on our behalf given that MOF LP and MOF LTD hold controlling or minority equity interests, or have the right to acquire such equity interests, in each of the borrowers of these loans and the Principals of the Adviser also act as an investment adviser to MOF LP and MOF LTD. See "Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns".

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

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

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

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

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

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

The incentive fee payable by us to MCC Advisors may create an incentive for MCC Advisors to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to MCC Advisors is determined, which is calculated separately in two components as a percentage of the interest and other ordinary income in excess of a quarterly minimum hurdle rate and as a percentage of the realized gain on invested capital, may encourage MCC Advisors to use leverage or take additional risk to increase the return on our investments. The use of leverage may magnify the potential for gain or loss on amounts invested. The use of leverage is considered a speculative technique. If we borrow from banks or other lenders, we would expect that such lenders will seek

recovery against our assets in the event of a default and these lenders likely will have claims on our assets that are superior to those of our equity holders. In addition, MCC Advisors receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no minimum level of gain applicable to the portion of the incentive fee based on net capital gains. As a result, MCC Advisors may have an incentive to invest more in investments that are likely to result in capital gains as compared to income producing securities. This practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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

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

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

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

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

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

Hedging transactions may expose us to additional risks.

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

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

The disposition of our investments may result in contingent liabilities.

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

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

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

Risks Related to Our Operations as a BDC and a RIC

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

Our business will in the future require a substantial amount of capital in addition to the proceeds of this offering. We may acquire additional capital from the issuance of senior securities (including

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

- ***Senior Securities.*** As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities, such securities would rank "senior" to common stock in our capital structure, resulting in preferred stockholders having separate voting rights and possibly rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.
- ***Additional Common Stock.*** Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below NAV without first obtaining required approvals from our stockholders and our independent directors. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our board of directors, closely approximates the market value of such securities at the relevant time. We may also make rights offerings to our stockholders at prices per share less than the NAV per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and such stockholders may experience dilution.

Efforts to comply with Section 404 of the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.

Under current SEC rules, beginning with our fiscal year ending September 30, 2012, we will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. As a result, we expect to incur additional expenses in the near term that may negatively impact our financial performance and our ability to make distributions. This process also will result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, we and the market price of our common stock may be adversely affected.

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

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our

cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and may be subject to civil fines and criminal penalties.

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

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

We will become subject to corporate-level income tax if we are unable to qualify as a regulated investment company under Subchapter M of the Code.

Although we intend to elect to be treated as a RIC under Subchapter M of the Code for 2010 and succeeding tax years, no assurance can be given that we will be able to qualify for and maintain RIC status. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because we may use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.
- The income source requirement will be satisfied if we obtain at least 90% of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

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

Risks Relating to This Offering

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following the offering.

Prior to this offering, there has been no public trading market for our common stock and we cannot assure you that one will develop or be sustained after this offering. We cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock was determined through negotiations among us and the underwriters, and may not bear any relationship to the market price at which it will trade after this offering or to any other established criteria of our value. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. Therefore, our common stock may be more appropriate for long-term investors than for investors with shorter term investment horizons and should not be treated as a trading vehicle.

Investors in this offering will experience immediate dilution upon the closing of the offering.

If you purchase shares of our common stock in this offering, you will experience immediate dilution of approximately $0.82 per share because the price that you pay will be greater than the pro forma NAV per share of the shares you acquire. This dilution is in large part due to the expenses incurred by us in connection with the consummation of this offering. Accordingly, investors in this offering will pay a price per share that exceeds our net asset value per share after the closing of the offering. See “Dilution.”

Subject to receipt of exemptive relief, we have agreed pursuant to the investment management agreement with our adviser to pay 50% of the net after-tax incentive fee in the form of shares of our stock at the then current market price, which may be below our NAV; this may affect the market price of our stock and may result in dilution to existing stockholders.

As we describe under “The Adviser”, pursuant to the investment management agreement with our adviser, subject to receipt of exemptive relief from the SEC, we have agreed to pay 50% of the net after-tax incentive fee in the form of shares of our stock at their then current market price. This may result in the issuance of shares to our adviser at a price that is below our then current NAV (if our market price is below our NAV on the issuance date of the shares). Any issuances below NAV may have a negative effect on our stock price. In addition, the interests of existing stockholders may be diluted. The extent of the dilution that may be incurred is not calculable.

The 1940 Act prohibits us from selling shares of our common stock at a price below the current NAV of such stock, with certain exceptions. One such exception would permit us to sell or otherwise issue shares of our common stock during the next year at a price below our then current NAV if our stockholders approve such a sale and our directors make certain determinations. At our next annual shareholders’ meeting, we will seek approval to continue this arrangement.

Our ability to pay 50% of the net after-tax incentive fee to the Adviser in shares of our common stock is contingent on our receipt of exemptive relief from the SEC.

Pursuant to our investment management agreement with the Adviser, we have agreed, to the extent permissible, to pay 50% of the net after-tax incentive fee in shares of our common stock at their then current market price. In addition to the restriction on the issuance of shares of our common stock, including shares issued as compensation to the Adviser, at a price below our then current NAV as described in the risk factor above, under the 1940 Act we are also prohibited from issuing shares of our common stock for services rendered unless and until we obtain from the SEC an exemptive order permitting such practice. We will apply for an exemptive order from the SEC to permit us to pay 50% of the net after-tax incentive fee to the Adviser by issuing shares of our common stock to the Adviser. The SEC is not obligated to grant an exemptive order to allow this practice and will do so only if it

determines that such practice is consistent with stockholder interests and does not involve overreaching by our management or board of directors. In the event that we do not receive such exemptive relief, we will pay the entire incentive fee in cash, which could have an adverse effect on us.

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms in the time frame contemplated by this prospectus.

Delays in investing the net proceeds of this offering may cause our performance to be worse than that of other investment vehicles pursuing similar investment strategies. We may not be able to identify investments that meet our investment objective or ensure that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We currently anticipate that, depending on market conditions, it may take us up to one year to invest all of the net proceeds of this offering in accordance with our investment objective. During this period, we expect to invest any unused portion of the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt instruments maturing in one year or less from the time of investment, which may produce returns that are significantly lower than the returns that we anticipate receiving on our portfolio investments. As a result, we may not be able to pay any distributions during this period or, if we are able to do so, such distributions may be substantially lower than the distributions that we expect to pay when our portfolio is fully invested in accordance with our investment objective. In addition, until such time as the net proceeds of this offering are fully invested in accordance with our investment objective, the market price for our common stock may decline, such that the initial return on your investment may be lower than when, if ever, our portfolio is fully invested.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis 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 make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions.

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

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

Our common stock price may be volatile and may fluctuate substantially.

As with any stock, the price of our common stock will fluctuate with market conditions and other factors. If you sell shares, the price you receive may be more or less than your original investment. NAV will be reduced immediately following our initial offering by the amount of the sales load and selling expenses paid by us. Our common stock is intended for long-term investors and should not be treated as a trading vehicle. Shares of closed-end management investment companies, which are structured similarly to us, frequently trade at a discount from their NAV. Our shares may trade at a price that is less than the offering price. This risk may be greater for investors who sell their shares in a relatively short period of time after completion of the offering.

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

- significant volatility in the market price and trading volume of securities of BDCs or other companies in the sector in which we operate, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to BDCs or RICs;
- loss of RIC status;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of key personnel from our investment adviser;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

We may allocate the net proceeds from this offering in ways with which you may disagree.

We will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may disagree or for purposes other than those contemplated at the time of the offering.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to factors previously identified elsewhere in this prospectus, including the “Risks” section of this prospectus, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- the introduction, withdrawal, success and timing of business initiatives and strategies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes in the value of our assets;
- the relative and absolute investment performance and operations of our investment adviser;
- the impact of increased competition;
- the impact of future acquisitions and divestitures;
- our business prospects and the prospects of our portfolio companies;
- 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.

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

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

USE OF PROCEEDS

The net proceeds of the offering are estimated to be approximately $184.9 million (approximately $212.2 million if the underwriters exercise their option to purchase additional shares in full), in each case assuming an initial public offering price of $15.00 per share (the mid-point of the range set forth on the cover page of the prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses of approximately $1.3 million payable by us. We are concurrently offering shares of our common stock at the initial public offering price directly to affiliates of MCC Advisors and some of their employees pursuant to this prospectus. Since these shares are being sold directly by us and not through the underwriters, no underwriting discount or commission will be paid to the underwriters for shares purchased by affiliates of MCC Advisors and these employees. Consequently, the entire amount of the proceeds from the sale of these shares will be paid directly to us. The affiliates of MCC Advisors and their employees have submitted non-binding indication of interests to purchase $4 million of shares of the common stock in connection with this offering directly from us. As a result, the estimated net proceeds to be received by us from this offering assumes the receipt of such purchase price for such shares in this offering without deducting any underwriting discounts and commission therefrom.

We intend to use the net proceeds to make investments in portfolio companies in accordance with our investment objective and for general corporate purposes. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within six to 12 months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you that we will achieve our targeted investment pace. In order to enhance our income in comparison to the income from cash equivalents and other short-term securities, during the period following this offering in which we are originating our initial portfolio of secured debt, we may invest a significant portion of the net proceeds from this offering in additional secured loans that are available in the secondary market.

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

DISTRIBUTIONS

We intend to make quarterly distributions to our stockholders commencing the first full calendar quarter following the quarter in which this offering is contemplated. The timing and amount of our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. To obtain RIC tax benefits, we must 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, out of our assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our net ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) 98% of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for the one-year period generally ending on October 31 of the calendar year and (3) certain undistributed amounts from previous years on which we paid no U.S. federal income tax. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are as described under “Tax Matters”. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, the 1940 Act asset coverage requirements or the terms of our senior securities may prevent us from making distributions.

We intend to maintain 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. See “Dividend Reinvestment Plan”.

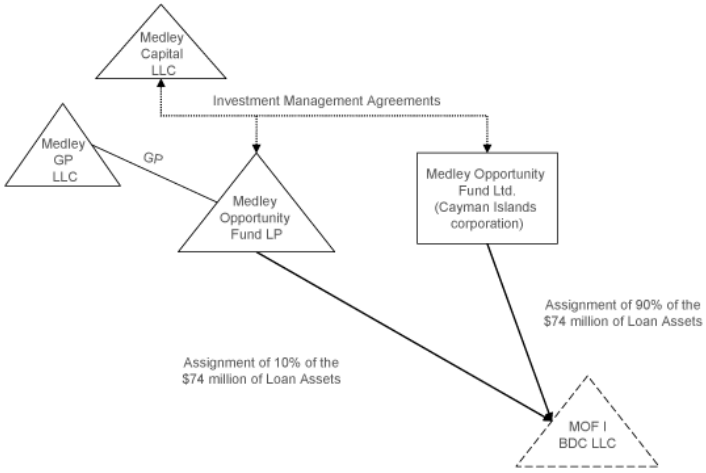
FORMATION

The MCC Advisors team manages two private funds, MOF LP, a Delaware limited partnership, and MOF LTD, a Cayman Islands limited company treated as a corporation for U.S. federal income tax purposes.

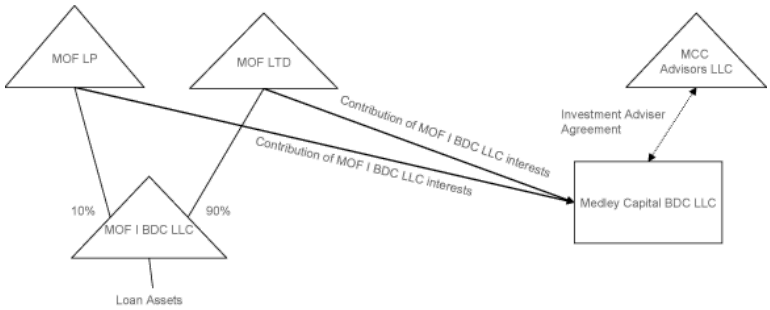
MOF LTD and MOF LP have transferred all of their respective interests in the Loan Assets to MOF I BDC in exchange for membership interests in MOF I BDC. As a result, MOF LTD owns approximately 90% of the outstanding MOF I BDC membership interests and MOF LP owns approximately 10% of the outstanding MOF I BDC membership interests. In addition, MOF I BDC has a 100% interest in the Loan Assets. Each of MOF LTD and MOF LP will then, immediately prior to the completion of this offering, contribute their respective MOF I BDC membership interests to Medley Capital BDC LLC, a second newly formed Delaware limited liability company, in exchange for Medley Capital BDC LLC membership interests. MOF I BDC will, thereafter, be a wholly-owned subsidiary of Medley Capital BDC LLC. Medley Capital BDC LLC will then convert into Medley Capital Corporation, a Delaware corporation, immediately prior to the completion of this offering. For more information regarding the Loan Assets, see “Portfolio Companies”.

For purposes of determining NAV for the transfer of the five initial loan participations to the Company, we engaged independent third-party valuation firms to establish the Transfer Value for the Loan Assets as of the Valuation Date. The Transfer Value will be approved by our board of directors (which will include a majority of independent directors). Between the Valuation Date and the Transfer Date, which will be immediately prior to consummation of the initial public offering, the consideration paid will be adjusted to reflect any interim period interest accrued, net of actual cash payments received, subsequent to the Valuation Date in respect of the Loan Assets, consistent with GAAP accounting recognition of accrued interest. There will be a valuation Bring Down on the Transfer Date that will be conducted by the independent third-party valuation firms to ensure that there have been no material event(s) that have caused a change in the Transfer Value of the Loan Assets to be different than the previously determined NAV on the Valuation Date as adjusted for the interim period accrued interest, net of actual cash payments received.

Set forth below is a diagram showing how the assignment of the Loan Assets to MOF I BDC was effected.



Set forth below is a diagram showing how the assignment of the contribution interests of MOF I BDC to Medley Capital BDC LLC will be effected.



CAPITALIZATION

The following table sets forth:

- The actual capitalization of Medley Capital BDC LLC at September 30, 2010.
- The pro forma capitalization of Medley Capital Corporation giving effect to the completion of the BDC Formation, including the conversion of all outstanding limited liability company interests in Medley Capital BDC LLC into shares of common stock of Medley Capital Corporation.
- The pro forma capitalization of Medley Capital Corporation as adjusted to reflect (a) the sale of 13,066,667 shares of our common stock in this offering at an assumed public offering price of $15.00 per share (the mid-point of the initial public offering price set forth on the cover page of this prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses of approximately $1.3 million payable by us; and (b) the concurrent sale of 266,667 shares of our common stock directly by us to affiliates of MCC Advisors and some of their employees in this offering at the initial public offering price of $15 per share (the mid-point of the initial public offering price set forth on the cover page of this prospectus).

	As of September 30, 2010 (Unaudited)		
	Medley Capital BDC LLC	Medley Capital Corporation	
	Actual	Pro Forma(1)	Pro Forma as Adjusted(2)
Assets:			
Cash and cash equivalents	$ 15,190	$ 15,190	$ 184,842,200
Investments at fair value	—	73,493,886	73,493,886
Interest receivable	—	723,333	723,333
Other assets	49,760	49,760	—
Total assets	$ 64,950	$ 74,282,169	$ 259,059,419
Liabilities:			
Other liabilities	$ 157,000	$ 157,000	$ —
Total liabilities	$ 157,000	$ 157,000	$ —
Stockholders' equity			
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 0 shares issued and outstanding, actual; 4,941,678 shares issued and outstanding, pro forma; and 18,275,012 shares issued and outstanding, pro forma as adjusted	—	$ 4,942	$ 18,275
Capital in excess of par	—	74,212,277	259,133,194
Accumulated loss	(92,050)	(92,050)	(92,050)
Total stockholders' equity	(92,050)	74,125,169	259,059,419
Pro forma NAV per share	—	$ 15.00	$ 14.18

(1) Reflects the completion of the BDC Formation, including the conversion of 1,000 outstanding limited liability company interests of Medley Capital BDC LLC into 4,941,678 shares of common stock of Medley Capital Corporation, immediately prior to the date of this prospectus, at the mid-point of the initial public offering price of $15.00 per share. The pro forma capitalization reflects adjustments related to the recapitalization of one of the portfolio companies, Geneva Wood Fuels LLC, which was effective as of October 1, 2010. The pro forma capitalization may change subject to the final Bring Down on the Transfer Date and as a result of accrued and unpaid interest on the Loan Assets during the period from September 30, 2010 to the date hereof. See "Formation".

(2) Adjusts the pro forma information to give effect to this offering (assuming no exercise of the underwriters' option to purchase additional shares).

DILUTION

The dilution to investors in this offering is represented by the difference between the offering price per share and the pro forma NAV per share after this offering. NAV per share is determined by dividing our NAV, which is our total tangible assets less total liabilities, by the number of outstanding shares of common stock.

After giving pro forma effect to the BDC Formation our NAV was $74.1 million, or approximately $15.00 per share of common stock. After giving effect to the sale of the shares to be sold in this offering, including 266,667 shares sold to affiliates of MCC Advisors and some of their employees directly by us (as to which no underwriting discount or commission will be paid) and the deduction of underwriting discounts and commissions and estimated organizational and offering expenses, our pro forma NAV would have been approximately $259.1 million, or $14.18 per share, representing an immediate decrease in NAV of $0.82 per share, or 5.5%, to shares sold in this offering.

The following table illustrates the dilution to the shares on a per share basis:

Assumed initial public offering price per share	$ 15.00
NAV upon completion of the BDC Formation	$ 15.00
Increase in NAV attributable to this offering	$ 0.00
Pro forma NAV after this offering	$ 14.18
Dilution to new stockholders (without exercise of the underwriters' option to purchase additional shares)	$ 0.82

The following table sets forth information with respect to the shares prior to and following this offering (without exercise of the underwriters' option to purchase additional shares):

	Shares Purchased		Total Consideration		Average Price
	Number	%	Amount	%	Per Share
Shares outstanding upon completion of the BDC Formation	4,941,678	27.04%	74,125,169	27.04%	$ 15.00
Shares to be sold in this offering	13,066,667	71.50%	196,000,005	71.50%	$ 15.00
Shares to be sold in this offering to affiliates of MCC Advisors and their employees	266,667	1.46%	4,000,005	1.46%	$ 15.00
Total	18,275,012	100%	274,125,179	100%	

The pro forma NAV upon completion of this offering (without exercise of the underwriters' option to purchase additional shares) is calculated as follows:

Numerator:	
NAV upon completion of the BDC Formation	$ 74,125,169
Assumed proceeds from this offering (after deduction of certain estimated offering and organizational expenses as described in Use of Proceeds)	$ 184,934,250
Denominator:	
Shares outstanding upon completion of the BDC Formation	4,941,678
Shares included in this offering	13,333,334

THE COMPANY

General

We are a direct lender targeting private debt transactions ranging in size from $10 to $50 million to borrowers principally located in North America. We will seek to deliver equity-like returns to our investors on investments with the risk profile of secured debt. Our private debt transactions are generally structured to combine elements of both equity and fixed-income investments. Although our objective is to deliver a targeted total return to investors on average of 15% over time, this is not a guaranteed return. There can be no assurance that we will achieve our targeted returns as this information is subject to many risks, uncertainties and other factors some of which are beyond our control, including market conditions. We will provide customized financing solutions, typically in the form of secured loans to corporate and asset-based borrowers, and may utilize structures such as sale leaseback transactions, direct asset purchases or other hybrid structures that we believe replicate the economics and risk profile of secured loans. We may also selectively make subordinated debt and equity investments in borrowers to which we have extended secured debt financing. We believe that the current lending environment presents a significant opportunity for our strategy, as the recent financial crisis has reduced competition in the lending industry while demand for credit among private borrowers has increased. We believe that as a result of these supply and demand dynamics, private debt providers can earn wider spreads and increased equity upside while taking less risk than in recent business cycles.

The members of our management, Brook Taube, Seth Taube and Andrew Fentress, also serve as the Principals of the Adviser, and each brings 18 years of experience in finance, transaction sourcing, credit analysis, transaction structuring, due diligence and investing. Brook and Seth Taube began working together professionally in 1996 and teamed up with Andrew Fentress in 2003 to manage the CN Opportunity Fund, which deployed approximately $325 million in 20 transactions with a private debt strategy similar to the strategy we are pursuing. At the end of 2005, the members of our management formed Medley Capital LLC, a private investment management firm.

Our management team also currently manages MOF LP, a Delaware limited partnership, and MOF LTD, a Cayman Islands limited company. MOF LP and MOF LTD are sister funds dedicated to the same private debt strategy we are pursuing. Since their formation in 2006, MOF LP and MOF LTD have deployed in excess of $1.2 billion in 41 transactions. Of these, 12 portfolio investments have been fully realized. As of September 30, 2010, approximately $543 million of principal and interest has been returned to MOF LP and MOF LTD. Combining the total returns of MOF LP and MOF LTD, from 2006 to 2009, and the total returns of CN Opportunity Fund, from 2003 to 2005, the Principals of the Adviser have delivered a total average annual return of 14.8% (unleveraged), net of fees and expenses in their private debt strategy. The track record and achievements of the Principals of the Adviser are not necessarily indicative of future results that we will achieve in the future.

As part of the formation transaction described in more detail elsewhere in this prospectus, MOF LP and MOF LTD will contribute the Loan Assets with a combined fair value of approximately $74 million in exchange for 4,941,678 shares of our common stock. These participation interests were acquired by MOF LP and MOF LTD from the affiliate of Medley Capital, and represent an economic interest in the related secured loan held by the affiliate of Medley Capital. Because we will hold participation interests in these secured loans, we will have a contractual relationship only with the affiliate of Medley Capital and not with these middle market companies. However, we will have certain contractual rights under the loan participations that require an affiliate of Medley Capital to obtain our consent prior to taking various actions relating to the loans. See “Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns” and “Risks — Risks related to our investments — Our current investment portfolio is comprised of indirect interests in five loans rather than direct interests in the loans, which subjects us to additional risks”. Immediately prior to this offering, the Loan Assets will be held in MOF I BDC, a recently formed Delaware LLC, which will become a wholly owned subsidiary of the Company.

We may use debt in modest amounts within the levels permitted by the Investment Company Act of 1940, as amended, which we refer to as the 1940 Act, when the terms and conditions available are favorable to long-term investing and well-aligned with our investment strategy and portfolio composition. In determining whether to borrow money, we will analyze the maturity, covenant package and rate structure of the proposed borrowings, as well as the risks of such borrowings within the context of our investment outlook. We may use leverage to fund new transactions, alleviating the timing challenges of raising new equity capital through follow-on offerings, and to enhance shareholder returns.

MCC Advisors

Our investment activities are managed by our investment adviser, MCC Advisors. MCC Advisors is an affiliate of Medley Capital LLC and has offices in New York and San Francisco. MCC Advisors will be responsible for sourcing investment opportunities, conducting industry research, performing diligence on potential investments, structuring our investments and monitoring our portfolio companies on an ongoing basis. MCC Advisors' team will draw on its expertise in lending to predominantly privately-held borrowers in a range of sectors, including industrials and transportation, energy and natural resources, financials and real estate. In addition, MCC Advisors will seek to diversify our portfolio of loans by company type, asset type, transaction size, industry and geography.

The Principals of MCC Advisors have worked together for the past seven years, during which time they have focused on implementing their private debt strategy. A diversified portfolio of secured private debt investments combined with rigorous asset management have allowed Medley Capital, which the Principals of the Adviser manage and operate, to successfully navigate the challenging market that began in 2007. We believe that MCC Advisors' disciplined and consistent approach to origination, portfolio construction and risk management should allow it to continue to achieve compelling risk-adjusted returns for us.

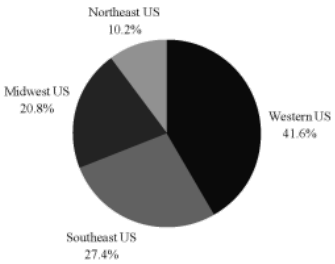
MCC Advisors also serves as our administrator, leases office space to us and provides us with equipment and office services. The responsibilities of our administrator include overseeing our financial records, preparing reports to our stockholders and reports filed with the SEC and generally monitoring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

Portfolio Composition

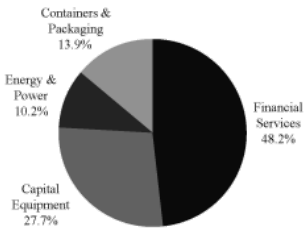
The loans underlying the Loan Assets contributed were originated by Medley Capital and were selected from the portfolio investments of MOF LP and MOF LTD to be contributed to us because they are secured loans and similar to the investments we intend to make going forward. They had a weighted average yield to maturity of approximately 15.5% at September 30, 2010, of which approximately 13.3% was current cash pay. In addition, the weighted average LTV of our Loan Assets as September 30, 2010 was approximately 29.1%. As we discuss below, the LTV ratio of a Loan Asset is one useful indicator of the risk associated with that Loan Asset. The LTV ratio is the amount of our loan divided by the total assets or enterprise value of the portfolio company in which we are investing. The determination of these calculations is more fully described in the section entitled "Portfolio Companies" elsewhere in this prospectus.

Set forth below are two charts, one showing the geographic diversification of the Loan Assets and the other showing the industry diversification of the Loan Assets.

Geographic Diversification



Industry Diversification



Investment Strategy

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

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

Attractive Yield Opportunity. We believe our ability to work directly with borrowers to create customized financing solutions enables us to deliver attractive yields to investors while eliminating intermediaries who extract fees for their services. Addressing complex situations that are generally underserved by traditional lenders enables us to generate excess returns. Private debt transactions have either a fixed or variable coupon payment due periodically, typically monthly or quarterly, and usually include (but are not limited to) exit fees, warrants, and PIK interest. We intend to target investments with an annual gross internal rate of return of 16-23% on an unleveraged basis. The components of the gross internal rate of return include (1) contractual returns of approximately 12-16%, consisting of approximately 11-12% cash interest with an additional 4% of PIK interest; and (2) upside return of as much as 2-7% or more over time, consisting of warrants or other forms of upside participation. Furthermore, while equity holders typically receive no cash or other periodic payments on their investments until a liquidity event occurs, regular interest payments on private debt transactions, combined with amortization payments, reduce the overall level of risk for the investor.

Downside Protection. We will generally structure our transactions as secured loans supported by a security interest in the portfolio company's assets, as well as a pledge of the portfolio company's equity. We believe our secured debt position and corresponding covenant package should provide priority of return and also control over any asset sales, capital raises, dividend distributions, insurance proceeds and restructuring processes. We believe that the current supply and demand imbalance in the private debt market will enable providers of credit to take less risk on new loans. Risk metrics are expressed through lower first-lien debt/EBITDA ratios, lower LTV ratios and higher coverage ratios, which we believe will further reduce the risk of principal loss. We will target first-lien debt/EBITDA ratios of less than 3.5x, LTVs of lower than 65% and interest coverage ratios of 1.5x and higher. To the extent we invest in subordinate debt

or equity securities of a portfolio company, these ratios will be higher, but we believe in such cases the upside opportunity will compensate for the incremental risk. We intend to continue the proven asset management strategy focused primarily on private debt that our management has successfully executed over the last seven years in this private debt strategy. We believe that our management's proven process of thorough origination, due diligence and structuring, combined with careful account monitoring and diversification, have enabled Medley Capital to consistently protect investor capital.

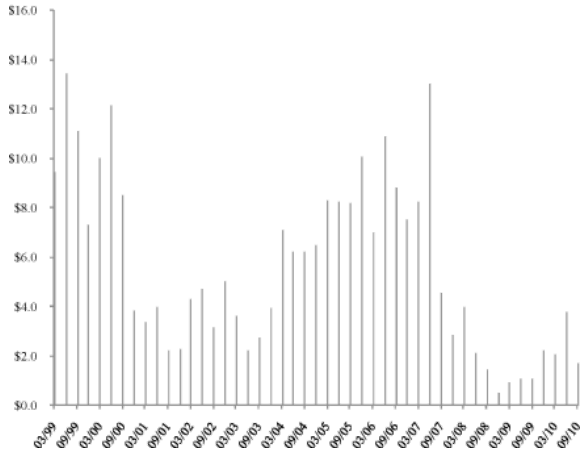
Predictability of Returns. We will develop potential exit strategies upon origination of each transaction and will continually monitor potential exits throughout the life of the transaction. We intend to structure our transactions as secured loans with a covenant package that will provide for repayment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

Market Opportunity

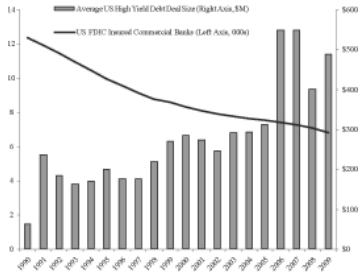
We believe the credit crises that began in 2007 and the subsequent exit of traditional lending sources have created a compelling opportunity for skilled debt providers in the middle-market. We expect to take advantage of the following favorable trends in private lending:

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

Quarterly Leveraged Loan Issuance Volume(1)
($ in billions)



U.S. Bank Consolidation(2) and Average US High Yield Debt Deal Size(3)



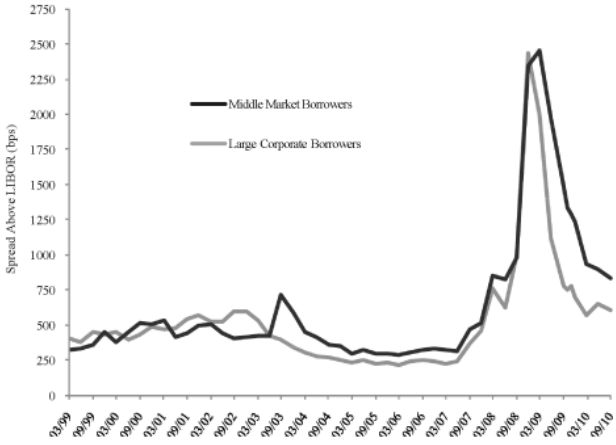
(1) Source: S&P LCD, as of 9/30/10. Includes issuers with $50M or less of EBITDA.

(2) Source: Federal Deposit Insurance Corporation. Represents number of commercial banking institutions insured by the FDIC as of 12/31/09.

(3) Source: Thomson Financial as of 12/31/09.

Lack of Liquidity Creates Attractive Pricing. We believe that a meaningful gap exists between public and private market debt spreads, primarily due to the fact that liquidity has not been returning to the private lending markets in the same way it has been returning to the public debt markets. As such, we believe that lenders to private middle-market companies in particular will continue to benefit from attractive pricing. We believe that gross internal rates of return of 16-23% are available for private debt investments in the current market via cash interest, PIK interest and equity participations. Conventional lending has been returning for public companies as evidenced by tightening spreads throughout 2009 and early 2010. Despite the general normalization of spreads, the graph below shows that middle-market issuers of public debt still face meaningfully higher debt costs than larger corporate borrowers. We believe this is even more pronounced for middle-market private companies.

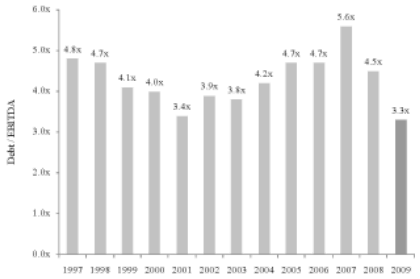
Average Discounted Spread of Leveraged Loans



Source: S&P's LCD and S&P/LSTA Leveraged Loan Index, as of 9/30/10. Represents spreads over LIBOR.
Excludes all facilities in default and assumes that discount from par is amortized over a three-year life.
"Large Corporate Borrowers" means all issuers with annual EBITDA greater than or equal to $50M.
"Middle-Market Borrowers" means all issuers with annual EBITDA less than $50M.

Lower Leverage and Lower LTV Ratios Result in More Conservative Transaction Structures. Lenders in the current environment are requiring lower leverage, increased equity commitments and stricter covenant packages. Reduced leverage and reduced purchase price multiples provide further cushion for borrowers to meet debt service obligations. Accompanying the decline in leverage are lower LTV ratios. Lower LTV ratios result in additional asset coverage and more favorable liquidation outcomes, further mitigating downside risk. The following chart illustrates the 41% decline in total leverage multiples from the peak of the market in 2007.

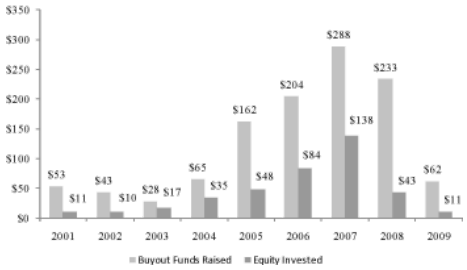
Average Total Leverage Multiples on Middle-Market Loans



Source: S&P LCD, as of 12/31/09. Includes issuers with less than $50M in EBITDA. Leverage multiples represent calendar year-end figures.

Specialized Lending Needs and Unfunded Private Equity Commitments Drive Demand for Debt Capital. Lending to private middle-market companies requires in-depth diligence, credit expertise, restructuring experience and active portfolio management. As such, we believe that, of the U.S. financial institutions that are not liquidity constrained, few are capable of pursuing a private lending strategy successfully. We believe this creates a significant supply/demand imbalance for private credit. Adding to this imbalance is the vast sum of unused private equity capital raised from 2006-2008, which will require debt financing in the coming years. As depicted in the chart below, over $740 billion of unfunded private equity commitments were outstanding as of December 31, 2009.

Private Equity Commitments and Invested Capital ($ in billions)



Source: Buyouts Magazine (U.S. Buyout Fund Commitments) / Standard & Poor's Leveraged Commentary Data (Equity Invested in U.S. Sponsored Transactions), as of 12/31/09.

Competitive Advantages

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

Successful Track Record. MOF LP and MOF LTD have deployed in excess of $1.2 billion in 41 transactions. Of these, 12 portfolio investments have been fully realized. As of

September 30, 2010, approximately $543 million of principal and interest has been returned to MOF LP and MOF LTD. Medley Capital's portfolio risk management during the challenging market that began in 2007 has enabled it to deliver consistent returns while protecting capital for investors. Combining the total returns of MOF LP and MOF LTD, from 2006 to 2009, and the total returns of CN Opportunity Fund, from 2003 to 2005, the Principals of the Adviser have delivered a total average annual return of 14.8% (unleveraged), net of fees and expenses in their private debt strategy. The track record and achievements of the Principals of the Adviser are not necessarily indicative of future results that our investment adviser will achieve in the future.

Experienced Team. The Principals of the Adviser bring a combined 54 years of experience in principal finance, investment sourcing, credit analysis, transaction structuring, due diligence and investing. Other members of the Adviser's investment and asset management team include 10 professionals with extensive experience in transaction sourcing, investment underwriting, credit analysis, account monitoring and restructuring at firms such as JP Morgan, Morgan Stanley, GE Capital and Bank of America. The Adviser's investment and asset management team has executed, as a group, 41 transactions to date for a total value of $1.2 billion.

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

Extensive Deal Flow Sourcing Network and National Presence. Medley Capital's experience and reputation in the market has enabled it to consistently generate attractive private debt opportunities. As a seasoned provider of private debt, Medley Capital is often sought out as a preferred partner, both by portfolio companies and other financing providers. Generally, as much as half of Medley Capital's annual origination volume comes from repeat and referral channels. Medley Capital seeks to avoid broadly marketed and syndicated deals. We will leverage Medley Capital's offices on both coasts to maximize our national origination capabilities and direct calling efforts. Medley Capital filters through as many as 1,000 transactions annually through its origination efforts and targets between 25 and 35 transactions for execution. As of September 30, 2010, Medley Capital had an attractive pipeline of transactions consisting of $539 million of deal volume across 26 investments in a range of sectors, including industrials and transportation, energy and natural resources, financials and real estate. Finally, Medley Capital has a broad network of relationships with national, regional and local bankers, lawyers, accountants and consultants that plays an important role in the origination process.

Proven Risk Management. We will continue the successful asset management process employed by Medley Capital over the last seven years. In particular, our investment transactions will be diversified by company type, asset type, transaction size, industry and geography. We will utilize a systematic underwriting process involving rigorous due diligence, third-party reports and multiple investment committee (discussed below) approvals. Following the closing of each transaction, the Adviser will implement a proprietary, dynamic monitoring system for regularly updating issuer financial, legal, industry and exit analysis, along with other relevant information. At the same time, checks and balances to the asset management process will be provided by third parties, including, as applicable, the following: forensic accountants, valuation specialists, legal counsel, fund administrators and loan servicers.

Restructuring and Workout Experience. The Principals of the Adviser and the Adviser's investment team combined have worked on over 100 restructurings, liquidations and

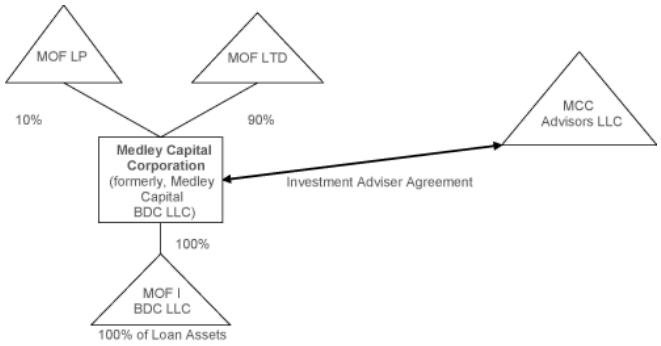
bankruptcies prior to Medley Capital. This experience provides valuable assistance to the Company in the initial structuring of transactions and throughout the asset management process.

Summary of Formation Transaction

MOF LP and MOF LTD have transferred all of their respective interests in the Loan Assets to MOF I BDC in exchange for membership interests in MOF I BDC. As a result, MOF LTD owns approximately 90% of the outstanding MOF I BDC membership interests and MOF LP owns approximately 10% of the outstanding MOF I BDC membership interests. In addition, MOF I BDC has a 100% interest in the Loan Assets. Each of MOF LTD and MOF LP will then, immediately prior to the completion of this offering, contribute their respective MOF I BDC membership interests to Medley Capital BDC LLC, a second newly formed Delaware limited liability company, in exchange for Medley Capital BDC LLC membership interests. MOF I BDC will, thereafter, be a wholly-owned subsidiary of Medley Capital BDC LLC. Medley Capital BDC LLC will then convert into Medley Capital Corporation, a Delaware corporation, immediately prior to the completion of this offering. These transactions will hereinafter be referred to as the "BDC Formation". For more information regarding the BDC Formation, see "Formation".

For purposes of determining NAV for the transfer of the five initial loan participations to the Company, we engaged independent third-party valuation firms to establish the Transfer Value for the Loan Assets as of the Valuation Date. The Transfer Value will be approved by our board of directors (which will include a majority of independent directors). Between the Valuation Date and the Transfer Date, which will be immediately prior to consummation of the initial public offering, the consideration paid will be adjusted to reflect any interim period interest accrued, net of actual cash payments received, subsequent to the Valuation Date in respect of the Loan Assets, consistent with GAAP accounting recognition of accrued interest. There will be a valuation Bring Down on the Transfer Date that will be conducted by the independent third-party valuation firms to ensure that there have been no material event(s) that have caused a change in the Transfer Value of the Loan Assets to be different than the previously determined NAV on the Valuation Date as adjusted for the interim period accrued interest, net of actual cash payments received.

Set forth below is a diagram showing the final structure of the Company immediately prior to the completion of this offering.



SBIC License

The Principals of Medley Capital LLC have applied for a license to form a Small Business Investment Company, or SBIC. If the application is approved and the SBA so permits, the SBIC

license will be transferred to a wholly-owned subsidiary of ours, or the “SBIC subsidiary”. The SBIC subsidiary will be able to rely on an exclusion from the definition of “investment company” under the 1940 Act. As such, this SBIC subsidiary will not elect to be treated as a business development company, nor registered as an investment company under the 1940 Act. If this application is approved, the SBIC subsidiary will have an investment objective substantially similar to ours and will make similar types of investments in accordance with SBIC regulations.

To the extent that we, through the wholly-owned subsidiary, have an SBIC license, the SBIC subsidiary will be allowed to issue SBA-guaranteed debentures, subject to the required capitalization of the SBIC subsidiary. SBA guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under the regulations applicable to SBICs, an SBIC may have outstanding debentures guaranteed by the SBA generally in an amount of up to twice its regulatory capital, which generally equates to the amount of its equity capital. The SBIC regulations currently limit the amount that an SBIC subsidiary may borrow to a maximum of $150 million, assuming that it has at least $75 million of equity capital. In addition, if we are able to obtain financing under the SBIC program, our SBIC subsidiary will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants.

Operating and Regulatory Structure

We are a newly organized, externally-managed, non-diversified closed-end management investment company that intends to file an election to be regulated as a business development company, or BDC, under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Our investment activities are managed by MCC Advisors and supervised by our board of directors, a majority of whom are independent of MCC Advisors and its affiliates. As a BDC, we are required to comply with certain regulatory requirements. See “Regulation”.

Target Market

MCC Advisors will target private debt transactions in portfolio companies using its deal-sourcing network. MCC Advisors plans to invest assets in a variety of situations, including growth and acquisition capital along with re-financings. MCC Advisors will seek to provide growth capital to asset-rich businesses with proven and properly incentivized management teams.

Typically, MCC Advisors will lend money to companies with stable or growing businesses, where the team’s rigorous analytical and structuring expertise can identify and capture attractive returns while minimizing risk. Many of these Portfolio Companies will choose MCC Advisors’ form of private debt capital in order to avoid the heavier dilution associated with equity-only investments. Often, target Portfolio Companies cannot access more traditional bank loans because they face size constraints, balance sheet restructuring issues and/or other complexities. MCC Advisors seeks to create a partnership in working with its borrowers to create customized financing solutions and work closely with management teams to address the many dynamic situations and opportunities that present themselves through the life of a relationship. This approach enables MCC Advisors to address opportunities that other lenders may not be able to exploit and offer solutions that others may not have the ability to deliver.

We may purchase securities associated with special situations, including bankruptcies and restructurings, where we believe such securities are undervalued. These situations may include: (1) companies in out-of-favor sectors where we may acquire securities at significant discounts to our estimates of the fundamental values of their underlying cash flows or assets; (2) companies undergoing, or considered likely to undergo, reorganizations under bankruptcy law; (3) companies initiating a debt restructuring, reorganization or liquidation outside of bankruptcy; and (4) companies facing a

broad range of liquidity issues. Members of our investment team have direct experience in bankruptcy situations on both the creditor and debtor sides.

We expect to focus our investment activities on portfolio companies in the following sectors:

Industrials and Transportation: capital equipment, manufacturing, marine assets, rolling stock and logistics.

Energy and Natural Resources: oil and gas services, exploration and production, power generation, minerals, metals, timber, agriculture and water rights.

Financials: leasing, receivables, insurance, non-performing loans and specialty finance.

Real Estate: hard money transactions, first mortgage lending and distressed opportunities.

We expect to invest our assets primarily in privately held companies with enterprise or asset values between $25 million and $250 million and will 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.

Target Capital Structure

We generally will structure our private debt transactions as secured loans. The seniority of our investments in a portfolio company's capital structure should ensure a high-priority return of capital. Our position as secured lender should permit us to lead and manage any restructuring or asset sale necessary to recover principal that may become at risk. We believe this combination of seniority in repayment and control creates attractive downside protection for investments. We may utilize structures such as sale leaseback transactions, direct asset purchases, or other hybrid structures that we believe replicate the economics and risk profile of senior secured loans. However, we may invest at other levels of a portfolio company's capital structure (including equity and subordinated debt investments) on an opportunistic basis where we believe the investment presents a compelling risk/reward profile.

We may make debt investments in portfolio companies in any one of three ways: (i) a direct investment as the initial lender; (ii) a direct investment by purchasing an assignment of part or all of a loan; or (iii) an indirect investment by purchasing a participation interest in a loan.

While we intend to use the proceeds of this offering to make direct investments in portfolio companies in accordance with our investment objective, our portfolio currently consists of loan participations in loans originated by an affiliate of Medley Capital. Participation interests are interests sold by a lender, or other holders of participation interests, which usually represent a fractional economic interest in a loan. In contrast to a direct loan, which will be our focus going forward, a participation interest will not create a direct contractual relationship with the borrower. Rather, as result of the formation transaction described in more detail elsewhere in this prospectus, we have established a direct contractual relationship with an affiliate of Medley Capital, the seller of the participation interests, and not with any of our current portfolio companies. Consequently, we are subject to the credit risk of the affiliate of Medley Capital in addition to the usual credit risk of our portfolio companies. See, "Risks — Risks related to our investments — Our current investment portfolio is comprised of indirect interests in five loans rather than direct interests in the loans, which subjects us to additional risks".

Target Portfolio Structure

We intend to use the same portfolio-construction strategies that the Principals of the Adviser have successfully deployed over the last seven years. The Adviser's investment team will seek to structure individual investments to optimally balance current yield, equity appreciation and downside protection. We also will attempt to limit overall portfolio risk by diversifying our average investment size, asset type, and industry and geographic concentration.

We will seek to generate gross internal rates of return on investments of 16-23% and multiples of invested capital of 2.0-2.5x through cash interest, PIK interest, and upside-participation. Origination fees, restructuring fees and other borrower related payments are also included in these return objectives. The combination of interest and amortization payments over an average investment horizon of three to five years provides high visibility for return of and return on investor capital.

Investment Process

We have a disciplined and repeatable process for executing, monitoring, restructuring and exiting investments.

Identification and Sourcing. The Adviser's investment team's experience and reputation in private debt have allowed it to generate a substantial and continuous flow of attractive investment opportunities. In many cases, the Principals of MCC Advisors attract significant repeat and referral deal flow, as well as other non-auctioned transactions. We believe that MCC Advisors' breadth and depth of experience across strategies and asset classes, coupled with its significant relationships built over the last 20 years, make it particularly qualified to uncover, evaluate and aggressively pursue more complicated, under-researched and unique investment opportunities. We will avoid broadly marketed and syndicated transactions. Leveraging its proven deal-flow network, the Principals of MCC Advisors have compiled a robust current pipeline of transactions ready for possible inclusion in our portfolio.

Analysis and Due Diligence. Our investment team believes that its expertise in underwriting, financial analysis and enterprise valuation enables it to identify compelling private debt transactions among the numerous opportunities in the private market. Typically, a Principal of the Adviser will lead a transaction and work closely with other MCC Advisors investment professionals on the various aspects of the due diligence process.

MCC Advisors maintains a rigorous due diligence process. Prior to making each investment, MCC Advisors subjects each potential portfolio company to an extensive credit review process, including analysis of market and operational dynamics as well as both historical and projected financial analysis. Liquidity, margin trend, leverage, free cash flow and fixed charge coverage statistics as well as their relation to industry metrics are closely scrutinized. Sensitivity analysis is performed on borrower projections with a focus on downside scenarios involving liquidations and asset sales. Areas of additional focus include management or sponsor experience, management compensation, competitive landscape, regulatory threats, pricing power, defensibility of market share and tangible asset values. Background checks and tax compliance checks are required on all portfolio company management teams and influential operators. Our investment team personally contacts customers, suppliers and competitors and performs on-site, primary and in-depth due diligence to prove or disprove its investment theses.

MCC Advisors routinely uses third parties to corroborate valuation, audit and industry specific diligence. Reputable and experienced legal counsel is engaged to evaluate and mitigate any security, regulatory, insurance, tax or other company-specific risk. In reviewing each investment, one or more of the Principals will actively participate in conducting site visits to portfolio companies and their various assets, analyzing corporate documents and reviewing any and all relevant contracts. Finally, multiple investment committee approvals, each requiring a unanimous decision on the part of the Principals, are necessary to close and fund a transaction.

Structuring. MCC Advisors strives to negotiate an optimal combination of current and deferred interest payments, equity participation and prepayment penalties, along with suitable covenants and creditor rights which will generally be greater than the rights normally obtained by institutional investors in comparable transactions and may include such provisions as: specific rights to consult with and advise management, the right to inspect company books, records or facilities, as well as the right to review balance sheets and/or statements of income and cash flows of the company. MCC Advisors determines whether the investment structure, particularly the amount of debt, is appropriate for the portfolio company's business, sometimes reassessing the investment's risk/return profile and

adjusting pricing and other terms as necessary. Our investment team has in-depth restructuring, liquidation and bankruptcy experience which is vital to success as a direct lender over market cycles.

Investment Approval. After MCC Advisors completes its final due diligence, each proposed investment is presented to the investment committee and subjected to extensive discussion and follow-up analysis, if necessary. A formal memorandum, which includes the results of business due diligence, multi-scenario financial analysis, risk-management assessment, results of third-party consulting work, background checks and structuring proposals is prepared for the investment committee. The investment committee will be comprised of Andrew Fentress, Brook Taube and Seth Taube. Approval of an investment requires a unanimous vote of the investment committee.

Investment Monitoring and Exit. We believe in an active approach to asset management. In total, 13 investment professionals, each with deep restructuring and workout experience, will support our portfolio-monitoring effort. The monitoring process includes frequent interaction with management, attending board of directors' meetings, consulting with industry experts, working with third-party consultants and developing portfolio company strategy with equity investors. Our investment team also evaluates monthly financial reporting packages from portfolio companies that detail operational and financial performance. Monthly data is entered into MCC Advisors' proprietary, centralized electronic database. Additionally, this information is reviewed monthly as part of our portfolio monitoring process. To further support this process, our investment team conducts regular third-party valuation analyses and continually monitors future liquidity and covenant compliance. We believe this hands-on approach helps in the early identification of any potential problems.

Risk Management

Broad Diversification. We intend to diversify our transactions by company type, asset type, investment size, industry and geography.

Careful Structuring. Our goal in structuring each investment will be to obtain from the portfolio company such conditions and commitments as we deem necessary to effectively exercise our rights and to protect our investment. This will be accomplished primarily by complying with the requirements of the Uniform Commercial Code, and implementing lien filings, cash-control agreements, guarantee agreements, equity and other asset pledges, financial covenants, business covenants and insurance.

Rigorous Due Diligence. Our systematic underwriting process will involve exhaustive in-house due diligence, third-party consulting reports and multiple stages of investment approval, ensuring risk mitigation during and after transaction execution.

Asset Management. We will employ the same asset management process used by our investment team in managing private funds. MCC Advisors' proprietary asset management system ("AMS") creates a centralized, dynamic electronic reporting system which houses, organizes and archives all portfolio data by investment. AMS generates comprehensive, standardized reports which aggregate operational updates, portfolio company financial performance, asset valuations, macro trends, management call notes, restructuring activities and account history. Additionally, both paper and electronic copies of portfolio company financials, industry reports, consulting reports and covenant compliance certificates are readily available and updated frequently. AMS will enable our investment team to have real-time access to the most recent information regarding our investment portfolio, thus promoting well-informed business decisions for each investment in the context of the entire portfolio. As such, AMS will facilitate the early identification of any potential portfolio issues and provides our investment team the opportunity to give timely advice to portfolio companies to influence changes within the company or review its capital structure.

Additionally, MCC Advisors will utilize various third parties to provide checks and balances throughout the asset management process. Independent valuation firms will be engaged to provide appraisals of asset and collateral values. External forensic accounting groups will be engaged to verify portfolio company financial reporting and identify any non-compliance. Reputable and experienced outside legal counsel will be engaged on each investment to ensure proper transaction structuring and

enforcement of our rights. Our loan servicer, Deutsche Bank Loan Servicing ("DB"), will manage the notification and receipt of all incoming interest payments as well as principal amortization. DB will also manage the collection of portfolio company financial reporting, annual audits, bank statements, insurance and covenant compliance. DB's independence will ensure accountability and careful recording of portfolio company payment and reporting obligations.

We believe that MCC Advisors' proven asset management process, supported by third-party analysis and oversight, significantly enhances downside protection and provides a high level of transparency to investors.

Investment Committee

The purpose of the investment committee is to evaluate and approve all investments by MCC Advisors. The committee process is intended to bring the diverse experience and perspectives of the committee members to the analysis and consideration of every investment. The committee also serves to provide investment consistency and adherence to MCC Advisors' investment philosophies and policies. The investment committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

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

Each transaction is presented to the investment committee in a formal written report. The investment committee currently consists of Brook Taube, Seth Taube and Andrew Fentress. To approve a new investment, or to exit or sell an existing investment, the unanimous consent of the members of the committee is required.

Managerial Assistance

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

Competition

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

BDCs also have become more popular recently due to the lack of traditional sources of capital from commercial banks, other secured lenders and private equity funds for private and middle-market companies. The lack of capital also has been exacerbated by the current distressed market and economy, forcing companies seeking capital to turn to alternative sources. The recent popularity of BDCs

also is due to the fact that BDCs allow investors the same degree of liquidity as other publicly traded investments, provide access to public markets and provide mezzanine financing opportunities, as well as provide investment advisers with greater flexibility with respect to management fee arrangements.

Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are currently located at 375 Park Avenue, Suite 3304, New York, NY 10152. Our administrator furnishes us office space and we reimburse it for such costs on an allocated basis.

Legal Proceedings

Neither we nor MCC Advisors are currently subject to any material legal proceedings.

PORTFOLIO COMPANIES

The following table sets forth certain information as of September 30, 2010 for each portfolio company in which we had an investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance that we provide upon request and the board observer or participation rights we may receive in connection with our investment. We do not "control" any of our portfolio companies, as defined in the 1940 Act. However, as we discuss below the table, affiliates of Medley Capital own equity interests in four of our five portfolio companies. See "Risks — Risks related to our business — Our ability to sell or otherwise exit investments in which affiliates of MCC Advisors also have an investment may be restricted". In general, under the 1940 Act, we would "control" a portfolio company if we owned more than 25.0% of its voting securities and would be an "affiliate" of a portfolio company if we owned 5.0% or more of its voting securities. As of September 30, 2010, we held no seats on any of our portfolio companies' board of directors. However, our affiliates have board representation on one of our portfolio companies.

The loans underlying the Loan Assets in our current portfolio were originated by Medley Capital and its affiliates, and were selected from the portfolio investments of MOF LP and MOF LTD to be contributed to us because they are senior secured participation interests and are similar to the investments we intend make going forward. There are no material differences in the underwriting standards that were used to originate the loans underlying the Loan Assets and the underwriting standards described in this prospectus that we expect to implement. As of September 30, 2010, we held 100% of each class of the loan underlying the Loan Assets for each of the portfolio companies set forth below, except for Water Capital USA, Inc. As of the Transfer Date, we will hold 74.5% of the class of the loan underlying our loan participation in Water Capital USA, Inc.

Set forth below is a brief description of our portfolio companies and the loans underlying the loan participations we held as of September 30, 2010. For more information regarding the risks associated with holding participation interests in loans rather than the underlying loans, see "Risks — Risks related to our investments — Our current investment portfolio is comprised of indirect interests in five loans rather than direct interests in the loans, which subjects us to additional risks."

Name of Portfolio Company and Address	Sector	Security Owned by Us(1)	Terms		Principal Due At Maturity	Fair Value(5)	LTV	Percentage of Total Portfolio Investments at Fair Value
			Maturity	Interest Rate(2)				
Allied Cash Holdings LLC 200 SE 1st Street, Suite 800 Miami, Florida 33131	Financial Services	Senior Secured Term Loan	6/30/2013	15.00%	$20,000,000	$20,117,006	38.39%	27.37%
Bennu Glass, Inc. 600 Montgomery Street, 39th Floor San Francisco, CA 94111	Containers & Packaging	Senior Secured Term Loan	4/30/2013	15.00%	$10,000,000	$10,218,293	13.27%	13.90%
Geneva Wood Fuels LLC 2246 N. Burling Chicago, IL 60614	Energy & Power	Senior Secured Term Loan(3)	12/31/2012	15.50% (LIBOR + 13.00%, 2.50% LIBOR Floor)	$7,500,000	$7,500,000	56.05%	10.21%
Velum Global Credit Management LLC 2200 E. Devon Avenue, Suite 250 Des Plaines, IL 60018	Financial Services	Senior Secured Term Loan	3/31/2014	15.00%	$15,000,000	$15,304,765	19.60%	20.82%
Water Capital USA, Inc. 101 California Street, Suite 2800 San Francisco, California 94111	Capital Equipment	Senior Secured Term Loan	1/9/2013	14.00% (7.00% Cash, 7.00% PIK)	$20,353,822	$20,353,822	25.28%	27.70%
Total Portfolio Investments					**$72,853,822**	**$73,493,886**	**29.1%(4)**	**100.00%**

(1) Affiliates own certain equity interests as discussed below.

(2) All interest is payable in cash and all LIBOR represents 30-day LIBOR unless otherwise indicated. For each debt investment we have provided the current interest rate as of September 30, 2010.

(3) Geneva Wood Fuels LLC senior secured loan reflects the recapitalization which was effective as of October 1, 2010. See "— Recent Developments."

(4) Weighted average LTV.

(5) Fair value does not include $723,333 of accrued interest which is comprised of accrued interest for Water Capital USA, Inc.

The weighted average yield to maturity for the portfolio of loans shown above as of September 30, 2010 is approximately 15.5%. This was determined by iteratively solving for the discount rate at which the present value of all payments of principal, interest accruals and original issue discount ("OID") accretions, paid on the relevant maturity dates, and cash interest, paid on the relevant interest payment dates, for all of the loans in the portfolio was equal to the aggregate contributed value of the portfolio of loans. All loan interest and all discount factors were determined using an Actual/360 day count convention, which is the contractual convention for every one of the loans in the portfolio. Each floating rate loan uses LIBOR as its floating rate index. For each floating rate loan, the projected fixed-rate equivalent coupon rate used to forecast the interest cash flows was calculated by adding the interest rate spread specified in the relevant loan document to the fixed-rate equivalent LIBOR rate, duration-matched to the specific loan, adjusted by the LIBOR floor and/or cap in place on that loan. The LIBOR spot rates used to interpolate the duration-matched fixed-rate equivalent LIBOR rate for each loan were observed on September 30, 2010 on Bloomberg, page ICVS23.

The current cash yield to maturity for the portfolio of loans shown above as of September 30, 2010 is approximately 13.3%. This "current cash yield to maturity" is defined as the portion of the yield delivered in cash through time, rather than the portion which is accrued and/or accreted and paid, along with principal, at maturity. It is calculated in exactly the same manner as the yield to maturity, described in the preceding paragraph, except that the interest accruals and OID accretions are subtracted from the amounts to be paid at maturity, such that only the principal balance is assumed to be paid at maturity.

We believe that the LTV ratio for a Loan Asset is a useful indicator of the riskiness of the Loan Asset, or its likelihood of default. As part of our investment strategy we seek to structure transactions with downside protection and seek LTVs of lower than 65%. We regularly evaluate the LTV of our Loan Assets and believe that LTV is a useful indicator for management and investors. The weighted average LTV of our Loan Assets as of September 30, 2010 was approximately 29.1%. LTV calculations for our Loan Assets were based on independent third-party valuations that are consistent with the Transfer Value of the Loan Assets as of September 30, 2010. As more fully described in the section entitled "Formation" elsewhere in this prospectus, the Transfer Value will be approved by our board of directors (which will include a majority of independent directors) and will be consistent with the beginning balance sheet that will be audited by our auditors. As part of the investment process, as more fully described in the section entitled "The Company — Investment Process" elsewhere in this prospectus, the LTV will be determined at origination based on independent third-party appraisals and will be reviewed and approved by our Adviser's investment committee consistent with our underwriting policies and procedures.

Following the closing of each investment, the ongoing calculation and monitoring of each investment's LTV is done consistent with our Adviser's monitoring process more fully described in the section entitled "The Company — Investment Process" elsewhere in this prospectus, and is also consistent with our ongoing quarterly calculation of net asset value as more fully described in the section entitled "Determination of Net Asset Value" elsewhere in this prospectus.

Recent Developments

In September 2010, the Geneva Wood Fuels sponsor group identified a capital project that would improve the operating margins of the company. Additional equity capital was invested, resulting in a stronger capital structure. The resulting $7.5 million senior secured loan participation that will be contributed as part of the Formation Transaction has a current cash yield of 15.5%.

Overview of Portfolio Companies

Set forth below is a brief description of the business of our portfolio companies as of September 30, 2010.

Portfolio Company	Brief Description of Portfolio Company
Allied Cash Holdings LLC	Allied Cash is one of the leading private providers of payday and title lending services in the United States with 185 stores in California, Texas, Arizona, Michigan, Indiana, Virginia, New Mexico, Louisiana, Idaho and Colorado.
Bennu Glass, Inc.	Bennu owns and operates a glass bottling facility in Kalama, WA, capable of producing nine million cases of high quality wine bottles per year for wineries in Oregon, Washington and California.
Geneva Wood Fuels LLC	Geneva is one of the largest wood pellet manufacturers in New England. It owns and operates a 119,000 ton per year facility that produces high quality wood pellets distributed to residential customers in Maine, New Hampshire, Vermont and Massachusetts.
Velum Global Credit Management, LLC	Velum is a global purchaser and servicer of non-performing consumer debt with operations in Illinois and Sao Paulo, Brazil. Velum owns over five million consumer accounts with a face value of just under $2 billion.
Water Capital USA, Inc.	Water Capital operates a capital equipment leasing and a receivables financing business.

As of September 30, 2010, an affiliate of Medley Capital, MOF LP and/or MOF LTD own equity interests as follows:

- Allied Cash Holdings LLC is 60% owned by 4-3 Payday LLC, which is 100% owned by PP Equity Holdings LLC, which is 8% owned by MOF LP and 92% owned by MOF LTD.
- Bennu Glass, Inc. is 10% owned by MOF LP and 90% owned by Bennu Glass Holdings Ltd., which is owned 100% by MOF LTD;
- An affiliate of the Medley Capital entities owns warrants to purchase 20% of the common equity of Geneva Wood Fuels LLC;
- MOF LP owns 100% of 3304 Holdings LLC, which owns 100% of Velum Global Credit Management, LLC.

As disclosed, and absent exemptive relief, given that we may be deemed affiliates of these four portfolio companies, we may be subject to restrictions regarding a restructuring of our investments in these portfolio companies or in relation to exiting our investments in these portfolio companies. See “Risks — Risks related to our business — Our ability to sell or otherwise exit investments in which affiliates of MCC Advisors also have an investment may be restricted” and “Risks — Risks related to our investments — Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio; our ability to make follow-on investments in certain portfolio companies may be restricted”.

MANAGEMENT OF THE COMPANY

Our business and affairs are managed under the direction of our board of directors. The responsibilities of the board of directors include, among other things, the oversight of our investment activities, the quarterly valuation of our assets, oversight of our financing arrangements and corporate governance activities. Our board of directors will consist of seven members, four of whom will not be "interested persons" of our company or of MCC Advisors as defined in Section 2(a)(19) of the 1940 Act and are "independent", as determined by our board of directors, consistent with the rules of the New York Stock Exchange. We refer to these individuals as our independent directors. Our board of directors elects our executive officers, who serve at the discretion of the board of directors.

Board of Directors

Under our charter, our directors will be divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Directors

Information regarding the board of directors is as follows:

Name	Age	Position	Director Since	Expiration of Term
Interested Directors:				
Andrew Fentress	40	Director	2010	2011
Brook Taube	40	Director, Chairman of the Board, Chief Executive Officer	2010	2013
Seth Taube	40	Director	2010	2012
Independent Directors: (1)				
Louis Burnett	66	Director	2010	2011
Karin Hirtler-Garvey	53	Director	2010	2013
John E. Mack	61	Director	2010	2013
Guy Rounsaville, Jr.	66	Director	2010	2012

(1) The persons identified below have agreed to serve as directors of our company.

The address for each director is c/o Medley Capital Corporation, 375 Park Avenue, Suite 3304, New York, NY 10152.

Executive Officers Who are not Directors

Information regarding our executive officers who are not directors is as follows:

Name	Age	Position
Richard T. Allorto, Jr.	38	Chief Financial Officer Chief Compliance Officer

The address for each executive officer is c/o Medley Capital Corporation, 375 Park Avenue, Suite 3304, New York, NY 10152.

Biographical Information

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

Interested Director

Andrew Fentress is a Managing Partner of MCC Advisors and Senior Portfolio Manager for MOF LP and MOF LTD (together, the “Medley Opportunity Funds”). Mr. Fentress formed Medley Capital in 2006. Prior to forming Medley Capital, Mr. Fentress was a Partner at CN Opportunity Fund, from 2003 to 2005, where he was Portfolio Manager of the firm’s global investment fund. Prior to CN Opportunity Fund, Mr. Fentress was a Partner and Portfolio Manager at CQ Partners, a global investment fund. Mr. Fentress began his investment career with Morgan Stanley & Co. where his last role was Principal in the Institutional Equity Division, where he managed a global trading business. Mr. Fentress received a B.A. from Boston College and an M.B.A. from the Kenan-Flagler School of Business at the University of North Carolina, Chapel Hill.

Brook Taube is Chairman and CEO of the Company. Mr. Taube also is a Managing Partner and Chief Investment Officer of MCC Advisors. Mr. Taube formed Medley Capital in 2006. Prior to forming Medley Capital, Mr. Taube was a Partner with CN Opportunity Fund, from 2003 to 2005, where he was Portfolio Manager for the firm’s global investment fund. Prior to CN Opportunity Fund, Mr. Taube founded T3 Group, a principal and advisory firm focused on distressed asset and credit investments. Before T3, Mr. Taube was a Partner with Griphon Capital Management. Mr. Taube began his career at Bankers Trust in 1992, where his last role was Vice President in Structured Finance and Capital Markets. Mr. Taube received a B.A. from Harvard University and currently serves as a Board member for both the New Amsterdam Symphony Orchestra and the New York Philharmonic.

Seth Taube is a Managing Partner of MCC Advisors and Senior Portfolio Manager of the Medley Opportunity Funds. Mr. Taube formed Medley Capital in 2006. Prior to forming Medley Capital, Mr. Taube was a Partner with CN Opportunity Fund, from 2003 to 2005, where he was Portfolio Manager for the firm’s global investment fund. Before CN Opportunity Fund, Mr. Taube co-founded T3 Group, a principal and advisory firm focused on distressed asset and credit investments. Prior to T3, Mr. Taube worked with Griphon Capital Management, serving as Managing Director of the firm’s private investment activities. Before Griphon, Mr. Taube was a Vice President with Tiger Management, and held positions with Morgan Stanley & Co. in the Investment Banking and Institutional Equity Divisions. Mr. Taube received a B.A. from Harvard University, an M.Litt. in Economics from St. Andrew’s University in Great Britain, where he was a Rotary Foundation Fellow, and an M.B.A. from the Wharton School at the University of Pennsylvania.

Independent Directors

The persons identified below have agreed to serve as our directors and have agreed to be named below.

Louis Burnett has over 20 years of experience in commercial banking with Wells Fargo Bank and Union Bank. Since 2007, Mr. Burnett has served as founder and managing partner of Burnett Partners LLC, a consulting firm. From 1992 to 2007, Mr. Burnett served as co-founder and managing partner of Secura Burnett Company, an international executive search firm specializing in financial services. In addition, Mr. Burnett is a founding partner of Korfmann Burnett AG and serves on the board. Mr. Burnett has served on boards of The Hertz Corporation, Exigen, A&A Actienbank, The Secura Group, the Landmine Survivors Network and the National Childhood Cancer Foundation. Mr. Burnett earned his B.A. from Fresno State and also attended Stanford Graduate School of Credit and Financial Management and Wilton Park, a foreign policy school in England.

Karin Hirtler-Garvey has extensive knowledge of financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of a public company. Ms. Hirtler-Garvey is the Chief Risk Executive for GMAC Financial Services, commencing in May 2009. From March 2005 to December 2008, Ms. Hirtler-Garvey was a principal in a start-up real estate development venture based in New Jersey. Prior to that, Ms. Hirtler-Garvey was Chief Operating Officer, Global Markets for Bank of America (formerly NationsBank). Ms. Hirtler-Garvey joined Bank of America in September 1995 and held various senior management positions within the organization until March 2005. Prior to becoming Chief Operating Officer, Global Markets, from April to October 2004, Ms. Hirtler-Garvey held the position of President of Trust and Credit Banking Products. From June 2001 to March 2004, Ms. Hirtler-Garvey held the position of Chief Financial Officer/Chief Operating Officer for the Wealth and Investment Management division. Ms. Hirtler-Garvey is a certified public accountant. Ms. Hirtler-Garvey has served as a director of Aeropostale Inc. (NYSE: ARO) since August 2005, where she is the lead independent director and serves as a member of the Nominating and Corporate Governance Committee and Chairperson of the Audit Committee. Ms. Hirtler-Garvey is also a director of one privately held corporation where she serves as chairperson of the Audit Committee and chairperson of the Pension Committee. Ms. Hirtler-Garvey earned a B.S. in Accounting from Fairleigh Dickinson University.

John E. Mack has over 30 years of international banking, financial business management and mergers and acquisitions experience. From November 2002 through September 2005, Mr. Mack served as Senior Managing Executive Officer and Chief Financial Officer of Shinsei Bank, Limited of Tokyo, Japan. Prior to joining Shinsei Bank and for more than twenty-five years Mr. Mack served in senior management positions at Bank of America and its predecessor companies, including twelve years as Corporate Treasurer. Mr. Mack is also a member of the Board of Directors of Flowers National Bank, Incapital Holdings LLC, New Generation Biofuels Holdings, Inc. (NASDAQ: NGBF), Wilson TurboPower, Inc. and is Vice-Chairman and a director of Islandsbanki hf. Mr. Mack holds an MBA from the University of Virginia and received his bachelor's degree in economics from Davidson College.

Guy Rounsaville, Jr. has over 30 years of experience in senior executive positions at global financial institutions. Currently, Mr. Rounsaville practices law at Allen, Matkins, Leck, Gamble, Mallory & Natsis LLP. From November 2006 through October 2007, Mr. Rounsaville served as Executive Vice President, General Counsel and Corporate Secretary of LaSalle Bank Corporation and ABN AMRO's North American Region. From 2001 through October 2006, Mr. Rounsaville was Executive Vice President, General Counsel, Corporate Secretary and Compliance Officer for Visa International. From 1969 to 1998, Mr. Rounsaville served in various positions at Wells Fargo Bank, N.A. and Wells Fargo & Company, including General Counsel and Corporate Secretary. Mr. Rounsaville is a frequent speaker at various legal and financial forums and has served on a variety of corporate, civic and philanthropical boards. Mr. Rounsaville earned a B.A. from Stanford University and a J.D. from Hastings College of Law.

Executive Officers Who are not Directors

Richard T. Allorto Jr. is the Chief Financial Officer and Chief Compliance Officer of the Company. Mr. Allorto is also the Chief Financial Officer of MCC Advisors and is responsible for the financial operations of the Advisor as well as the various private funds managed by Medley Capital. Prior to joining Medley Capital in July 2010, Mr. Allorto held various positions at GSC Group, Inc., including, most recently as Chief Financial Officer of GSC Investment Corporation, where he was responsible for all aspects of the accounting and financial operations. Mr. Allorto is a licensed C.P.A. and received a B.S. in Accounting from Seton Hall University.

Committees of the Board of Directors

Our board of directors currently has three committees: an audit committee, a governance committee and a compensation committee.

Audit Committee. The audit committee operates pursuant to a charter approved by our board of directors. The charter sets forth the responsibilities of the audit committee. The primary function of the audit committee is to serve as an independent and objective party to assist the board of directors in fulfilling its responsibilities for overseeing and monitoring the quality and integrity of our financial statements, the adequacy of our system of internal controls, the review of the independence, qualifications and performance of our registered public accounting firm, and the performance of our internal audit function. The audit committee is presently composed of three persons, including John E. Mack (Chairperson), Guy Rounsaville, Jr. and Karin Hirtler-Garvey, all of whom are considered independent for purposes of the 1940 Act and the New York Stock Exchange corporate governance listing standards. Our board of directors has determined that both Karin Hirtler-Garvey and John E. Mack qualify as an "audit committee financial expert" as defined under Item 407 of Regulation S-K of the Securities Exchange Act of 1934. Each of the members of the audit committee meet the current independence and experience requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and, in addition, is not an "interested person" of the Company or of MCC Advisors as defined in Section 2(a)(19) of the 1940 Act.

Nominating and Corporate Governance Committee. The governance committee operates pursuant to a charter approved by our board of directors. The charter sets forth the responsibilities of the governance committee, including making nominations for the appointment or election of independent directors, retirement policies and personnel training policies and administering the provisions of the code of ethics applicable to the independent directors. The governance committee consists of Louis Burnett (Chairperson), Karin Hirtler-Garvey and Guy Rounsaville, Jr. all of whom are considered independent for purposes of the 1940 Act and the New York Stock Exchange corporate governance listing standards.

Compensation Committee. The compensation committee operates pursuant to a charter approved by our board of directors. The compensation committee is responsible for reviewing and approving the reimbursement by us of the compensation of our chief financial officer and chief compliance officer, and their respective staffs. The compensation committee consists of Karin Hirtler-Garvey (Chairperson), Louis Burnett and John E. Mack, all of whom are considered independent for purposes of the 1940 Act and the New York Stock Exchange corporate governance listing standards.

Compensation of Directors

As compensation for serving on our board of directors, each independent director receives an annual fee of $35,000. Independent directors also receive $7,500 ($1,500 for telephonic attendance) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive $2,500 ($1,500 for telephonic attendance) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the Chairperson of the audit committee receives an annual fee of $25,000 and each chairperson of any other committee receives an annual fee of $10,000 and other members of the audit committee and any other standing committee receive an annual fee of $12,500 and $6,000, respectively, for their additional services in these capacities. In addition, we purchase directors' and officers' liability insurance on behalf of our directors and officers.

Staffing

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by individuals who are employees of MCC Advisors, pursuant to the terms of the investment management agreement and the administration agreement. Each of our executive officers described under "Management" is an employee of MCC Advisors. Our day-to-day investment operations are managed by our investment adviser. The services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by MCC Advisors. MCC Advisors' investment professionals focus on origination and transaction development and the ongoing monitoring of our investments. See "The Adviser — Investment Management Agreement". In addition, we reimburse MCC Advisors for our allocable portion of

expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our officers and their respective staffs. See “The Adviser — Administration Agreement”.

Compensation of Executive Officers

None of our officers will receive direct compensation from us. The compensation of our chief financial officer and chief compliance officer will be paid by our administrator, subject to reimbursement by us of an allocable portion of such compensation for services rendered by him to us. To the extent that our administrator outsources any of its functions we will pay the fees associated with such functions on a direct basis without profit to our administrator.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have entered into agreements with MCC Advisors, in which our senior management and members of MCC Advisors' investment committee have ownership and financial interests. Members of our senior management and members of the investment committee also serve as principals of other investment managers affiliated with MCC Advisors that do and may in the future manage investment funds, accounts or other investment vehicles with investment objectives similar to ours. Our senior management team holds equity interests in MCC Advisors. In addition, our executive officers and directors and the members of MCC Advisors and members of the investment committee serve or may serve as officers, directors or principals of entities that operate in the same, or related, line of business as we do or of investment funds, accounts or other investment vehicles managed by our affiliates. These investment funds, accounts or other investment vehicles may have investment objectives similar to our investment objective. For example, MCC Advisors currently manages private funds and managed accounts that are seeking new capital commitments and will pursue an investment strategy similar to our strategy. We may compete with entities managed by MCC Advisors and its affiliates for capital and investment opportunities. As a result, we may not be given the opportunity to participate in certain investments made by investment funds, accounts or other investment vehicles managed by MCC Advisors or its affiliates or by members of the investment committee. However, in order to fulfill its fiduciary duties to each of its clients, MCC Advisors intends to allocate investment opportunities on an alternating basis in a manner that is fair and equitable over time and is consistent with MCC Advisors' allocation policy, investment objective and strategies so that we are not disadvantaged in relation to any other client. See "Risks — Risks related to our business — There are significant potential conflicts of interest that could affect our investment returns". MCC Advisors has agreed with our board of directors that allocations among us and other investment funds affiliated with MCC Advisors will be made based on capital available for investment in the asset class being allocated. We expect that our available capital for investments will be determined based on the amount of cash on-hand, existing commitments and reserves, if any, and the targeted leverage level and targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or as imposed by applicable laws, rules, regulations or interpretations.

Polices and Procedures for Managing Conflicts

MCC Advisors and its affiliates have both subjective and objective procedures and policies in place designed to manage the potential conflicts of interest between MCC Advisors' fiduciary obligations to us and its similar fiduciary obligations to other clients. For example, such policies and procedures are designed to ensure that investment opportunities are allocated on an alternating basis that is fair and equitable among us and their other clients. An investment opportunity that is suitable for multiple clients of MCC Advisors and its affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that MCC Advisors' or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected to be resolved in our favor.

The Principals of MCC Advisors have managed and the Principals currently manage investment vehicles with similar or overlapping investment strategies. In order to address these issues, MCC Advisors has put in place an investment allocation policy that addresses the co-investment restrictions set forth under the 1940 Act and seeks to ensure the equitable allocation of investment opportunities when we are able to co-invest with other accounts managed by our adviser and its affiliates. In the absence of receiving exemptive relief from the SEC that would permit greater flexibility relating to co-investments, MCC Advisors will apply the investment allocation policy. When we engage in such permitted co-investments, we will do so in a manner consistent with MCC Advisors' allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically

determined by MCC Advisors and approved by our board of directors, including all of our independent directors. The allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by our board of directors, including our independent directors. It is our policy to base our determinations as to the amount of capital available for investment on such factors as: the amount of cash on-hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts. In situations where co-investment with other entities managed by MCC Advisors or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, MCC Advisors will need to decide whether we or such other entity or entities will proceed with the investment. MCC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time.

Co-Investment Opportunities

We expect in the future to co-invest on a concurrent basis with other affiliates, unless doing so is impermissible with existing regulatory guidance, applicable regulations and our allocation procedures. Certain types of negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance that we will obtain any such order. See "Regulation". We and MCC Advisors have submitted an exemptive application to the SEC to permit us to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by MCC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors.

Material Nonpublic Information

Our senior management, members of MCC Advisors' investment committee and other investment professionals from MCC Advisors may serve as directors of, or in a similar capacity with, companies in which we invest or in which we are considering making an investment. Through these and other relationships with a company, these individuals may obtain material non-public information that might restrict our ability to buy or sell the securities of such company under the policies of the company or applicable law.

Investment Management Agreement

We have entered into an investment management agreement with MCC Advisors and will pay MCC Advisors a management fee and incentive fee. The incentive fee will be computed and paid on income that we may not have yet received in cash. This fee structure may create an incentive for MCC Advisors to invest in certain types of securities that may have a high degree of risk. Additionally, we rely on investment professionals from MCC Advisors to assist our board of directors with the valuation of our portfolio investments. MCC Advisors' management fee and incentive fee are based on the value of our investments and there may be a conflict of interest when personnel of MCC Advisors are involved in the valuation process for our portfolio investments.

License Agreement

We have entered into a license agreement with Medley Capital LLC under which Medley Capital LLC has agreed to grant us a non-exclusive, royalty-free license to use the name "Medley" for specified purposes in our business. Under this agreement, we will have a right to use the "Medley" name, subject to certain conditions, for so long as MCC Advisors or one of its affiliates remains our

investment adviser. Other than with respect to this limited license, we will have no legal right to the “Medley” name.

Administration Agreement

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

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth, as of , 2010, information with respect to the beneficial ownership of our common stock by:

- each person known to us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors and each executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. There is no common stock subject to options that are currently exercisable or exercisable within 60 days of the offering. Percentage of beneficial ownership is based on 18,275,012 shares of common stock outstanding as of , 2010.

	Shares Beneficially Owned Immediately After this Offering(1)	
Name	**Number**	**Percentage**
Medley Opportunity Fund LP(3) 375 Park Avenue, Suite 3304 New York, New York 10152	494,168	2.70%
Medley Opportunity Fund LTD c/o Ogier Fiduciary Services (Cayman) Limited 89 Nexus Way Camana Bay Grand Cayman KY1- 9007 Cayman Islands	4,447,510	24.34%
Executive Officers:(2)		
Richard T. Allorto, Jr.	—	0.00%
Interested Directors:(2)(4)		
Brook Taube	88,889	*%
Seth Taube	88,889	*%
Andrew Fentress	88,889	*%
Independent Directors:(2)		
Karin Hirtler-Garvey	—	0.00%
John E. Mack	—	0.00%
Guy Rounsaville, Jr.	—	0.00%
Louis Burnett	—	0.00%
All officers and directors as a group (eight persons)(8)	**266,667**	***%**

* Represents less than 1%.

(1) Assumes issuance of the 18,275,012 shares offered hereby. Does not reflect shares of common stock reserved for issuance upon exercise of the underwriters' option to purchase up to an additional 1,960,000 shares.

(2) The address for all officers and directors is c/o Medley Capital Corporation, 375 Park Avenue, Suite 3304, New York, NY 10152.

(3) Brook Taube, Seth Taube and Andrew Fentress, 375 Park Avenue, Suite 3304, New York, NY 10152, exercise dispositive power with respect to the shares of common stock held by the fund.

(4) Attributes beneficial ownership of the shares of common stock owned by affiliates of MCC Advisors to Brook Taube, Seth Taube and Andrew Fentress, who exercise dispositive power with respect to such shares.

The following table sets forth, as of the date of the completion of this offering, the dollar range of our equity securities that is expected to be beneficially owned by each of our directors.

	Dollar Range of Equity Securities Beneficially Owned(1)(2)(3)
Interested Directors:	
Brook Taube	$1,000,000 or over
Seth Taube	$1,000,000 or over
Andrew Fentress	$1,000,000 or over
Independent Directors:	
Karin Hirtler-Garvey	none
John E. Mack	none
Guy Rounsaville, Jr.	none
Louis Burnett	none

(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Securities Exchange Act of 1934, or the "Exchange Act".

(2) The dollar range of equities securities beneficially owned by our directors is based on the mid-point of the initial public offering price of $15.00 per share.

(3) The dollar range of equity securities beneficially owned are: none, $1 — $10,000, $10,001 — $50,000, $50,001 — $100,000, $100,001 — $500,000, $500,001 — $1,000,000 or over $1,000,000.

THE ADVISER

MCC Advisors will serve as our investment adviser. MCC Advisors is registered as an investment adviser under the Investment Advisers Act of 1940. Subject to the overall supervision of our board of directors, MCC Advisors will manage the day-to-day operations of, and provide investment advisory and management services to, Medley Capital Corporation.

Investment and Asset Management Team

The members of MCC Advisors' investment committee are Brook Taube, Seth Taube and Andrew Fentress. Biographical information with respect to Brook Taube, Seth Taube and Andrew Fentress is set forth under "Management of the Company — Biographical information".

The compensation of the members of the investment committee paid by MCC Advisors includes an annual base salary, in certain cases an annual bonus based on an assessment of short-term and long-term performance, and a portion of the incentive fee, if any, paid to MCC Advisors determined on the same basis as the annual bonus. In addition, the investment committee members have equity interests in MCC Advisors and may receive distributions of profits in respect of those interests.

The investment and asset management team also includes Joseph Schmuckler, Brian Cavanaugh, Bryan Boches, David DeSantis, Mac McAulay, William Parizek, Tom Quimby, Jon Schroeder, Brian O'Reilly, Jason Wong and Frank Cupido, who focus on the origination, transaction development and ongoing monitoring of our investments:

Joseph Schmuckler is a Managing Partner with MCC Advisors and is responsible for fundraising, investors relations and strategic initiatives. Prior to joining Medley Capital, from September 2007 to April 2010, Mr. Schmuckler was a Senior Executive Officer of Mitsubishi UFJ Securities Co., Ltd., the Tokyo based global investment banking and securities subsidiary of the Mitsubishi Financial Group (NYSE: MTU). From 1991 to September 2007, Mr. Schmuckler served in various positions at Nomura, including Chief Operating Officer and member of the Board of Directors of Nomura Holding America, Inc., the U.S. based holding company for The Nomura Group (NYSE: NMR), Tokyo. Mr. Schmuckler also previously served as a partner at Kidder Peabody & Co. Inc. Mr. Schmuckler has served as Campaign Treasurer and Chief Financial Officer for John McCain 2008, Inc. and on the Board of Directors of the Securities Industry Association, on the Board of Governors of the Boston Stock Exchange, on the Board of Directors of the International Republican Institute, on the Board of Trustees of the Hudson Institute, on the Board of Directors and Executive Committee of Empower America, and on the Board of Directors of The Reform Institute. Mr. Schmuckler earned a B.S. in Finance from the University of Delaware and an MBA in Finance from New York University.

Brian Cavanaugh is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2002 to 2006, Mr. Cavanaugh was a Managing Director at Tersigni Consulting and Cavanaugh Consulting, where he advised debtors and creditor committees in large corporate restructurings. Mr. Cavanaugh has served as the Chief Financial Officer of numerous portfolio companies of private equity firms, raising capital, improving financial management and, in some cases, leading business turnarounds. Prior to consulting, Mr. Cavanaugh was a Director in BT Alex Brown's Investment Banking and Corporate Capital Markets groups. Mr. Cavanaugh started his finance career at JP Morgan, where he was a Vice President in the Debt Capital Markets and Fixed Income Trading groups. Mr. Cavanaugh received a B.A. from the College of Wooster and an M.B.A. from the Johnson School of Management at Cornell University.

Bryan Boches is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, Mr. Boches was a Managing Director at EB Capital Group which combined with Latitude Capital Group (acquired by Cowen & Co.), a middle-market investment bank specializing in private placements

and cross border mergers and acquisitions from 2002 to 2007. Mr. Boches' prior experience includes work in project and corporate finance and venture investing with Morgan Stanley between 1994 and 2001 in Hong Kong, New York and Menlo Park. Mr. Boches was a member of the founding team from Morgan Stanley that developed China International Capital Corporation in Beijing and served as the Operating Officer of CICC. Mr. Boches is a co-founder of Coremetrics and a private equity exchange fund. Mr. Boches graduated summa cum laude in Business Economics and Accounting from the University of California, Santa Barbara and earned an M.B.A. from the Wharton School at the University of Pennsylvania.

David DeSantis is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 1999 to 2007, Mr. DeSantis was a Vice President at General Electric Capital Corporation in the Global Sponsor Finance Group, originating and underwriting hundreds of LBO transactions for private equity sponsors in a wide variety of industries including industrial, financial services, healthcare, energy, media and business services, ranging in size from $20 million to $10 billion. Mr. DeSantis is a graduate of the Financial Management Program at GE Capital. Mr. DeSantis received a B.S. magna cum laude from the Carroll School of Management at Boston College and an M.B.A. from the Kellogg School of Management at Northwestern University.

Mac McAulay is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2000 to 2006, Mr. McAulay worked in several positions at Banc of America Securities LLC, including High Yield Research, Capital Markets Origination for financial institutions and Fixed Income Product Development, a capital solutions group focused on investment grade companies. Mr. McAulay received a B.A. in Economics from the University of North Carolina at Chapel Hill and a Minor in Business Administration from its Kenan-Flagler Business School in 2000.

William Parizek is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2005 to 2008, Mr. Parizek was a partner in Church Mortgage Acceptance Co., a specialty finance company that provided commercial mortgage lending to churches throughout the United States. Mr. Parizek has more than 20 years of experience in the corporate, structured and real estate finance business. For nearly six years, Mr. Parizek operated an independent corporate finance advisory practice focusing principally on M&A and turnaround assignments. Mr. Parizek formerly worked in the structured finance group at Banc One Capital in Columbus and Koch Industries in Wichita. Mr. Parizek started his career as a CPA with Peat Marwick Mitchell in Chicago. Mr. Parizek graduated with B.S. in Accounting from the University of Illinois in 1983.

Tom Quimby is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2005 to 2006, Mr. Quimby was a founding team member and Vice President of COVA Capital, leading the sourcing, underwriting and account management of mezzanine transactions in a variety of industries. Prior to COVA Capital, from 2000 to 2005, Mr. Quimby was a Vice President at General Electric Capital Corporation in the Global Sponsor Finance Group. Mr. Quimby is a graduate of the Financial Management Program at GE Capital, and received a B.S. in Business Administration from the Whitemore School of Business at the University of New Hampshire.

Jon Schroeder is a Principal with MCC Advisors and is responsible for transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2001 to 2006, Mr. Schroeder worked in several positions at General Electric Capital Corporation, most recently as an Assistant Vice President in the Global Sponsor Finance Group, underwriting hundreds of LBO transactions, ranging in size from $30 million to $500 million, in a wide variety of industries. Mr. Schroeder is a graduate of the Financial Management Program at GE Capital, and received a B.S. in Business Administration from the Grainger School of Business at the University of Wisconsin.

Brian O'Reilly is a Vice President with MCC Advisors and supports transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2006 to 2007, Mr. O'Reilly served as an associate with Brown Gibbons Lang & Company (BGL), a boutique investment bank where he worked on M&A, restructurings and capital raises for middle-market businesses. Previously, from 2000 to 2004, Mr. O'Reilly held several positions at General Electric Capital Corporation, including analyst and associate positions in the Global Sponsor Finance Group, where he performed extensive due diligence, valuation analyses and portfolio company monitoring for senior investments. Mr. O'Reilly received a B.A. in Economics from Boston College, an M.B.A. from the Fuqua School of Business at Duke University and graduated from the Financial Management Program at GE Capital.

Jason Wong, CPA is a Vice President and Controller for MCC Advisors, is responsible for the financial operations and reporting for the Medley Opportunity Funds, including accounting budgeting and tax planning. Prior to joining Medley Capital, from 2003 to 2007, Mr. Wong was a Tax Manager at Deloitte Touche Tohmatsu. Mr. Wong has a B.S. degree in accounting from St. John's University and M.S. degree in Taxation from Long Island University.

Frank Cupido is a Vice President with MCC Advisors and supports transaction origination and execution for the Medley Opportunity Funds. Prior to joining Medley Capital, from 2005 to 2007, Mr. Cupido was an analyst in the Investment Banking Group at Merriman Curhan Ford & Co. where he worked on a variety of public and private financings as well as M&A advisory assignments for companies in the technology, healthcare and alternative energy sectors. Mr. Cupido received a B.S.E. in Mechanical Engineering and Applied Mechanics with Minors in Economics and Math from the University of Pennsylvania in 2005.

Investment Management Agreement

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

- determine the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- close, monitor and administer 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 will pay MCC Advisors a fee for investment advisory and management services consisting of a base management fee and a two-part incentive fee.

Management Fee. The base management fee will be calculated at an annual rate of 2.0% of our gross assets payable quarterly in arrears. For purposes of calculating the base management fee, the term "gross assets" includes any assets acquired with the proceeds of leverage. The Adviser will benefit when we incur debt or use leverage. For services rendered under the investment management agreement, the base management fee will be payable quarterly in arrears. For the first quarter of our operations, the base management fee will be calculated based on the initial value of our gross assets. Subsequently, the base management fee will be calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters. Base management fees for any partial quarter will be appropriately prorated. MCC Advisors agreed to waive the base management fee payable to MCC Advisors with respect to cash and cash equivalents held by us through June 30, 2011.

Incentive Fee. The incentive fee will have two components, as follows:

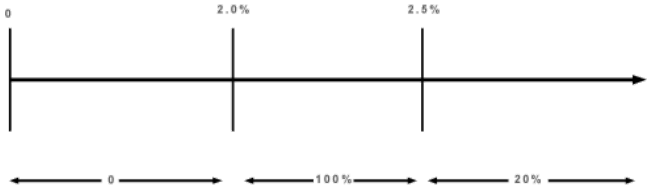
One component will be calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter and will be 20.0% of the amount, if any, by which our pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds 2.0% (which is 8.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. 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 a 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 (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Since the hurdle rate is fixed, as interest rates rise, it will be easier for the Adviser to surpass the hurdle rate and receive an incentive fee based on net investment income.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the quarterly minimum hurdle rate, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses. Our net investment income used to calculate this component of the incentive fee is also included in the amount of our gross assets used to calculate the 2.0% base management fee. These calculations will be appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

Quarterly Incentive Fee Based on Net Investment Income

Pre-incentive Fee Net Investment Income
(expressed as a percentage of the value of net assets)



Percentage of Pre-Incentive Fee Net Investment Income Allocated to First Component of Incentive Fee

The second component of the incentive fee will be 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), commencing on December 31, 2010, and will equal 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.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee:

Assumptions

- Hurdle rate(1) = 2.0%
- Management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%

Alternative 1

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 1.25%
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.0%
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = 2.3%

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

Incentive fee = (100% x "Catch-Up") + (the greater of 0% **AND** (20% x (pre-incentive fee net investment income – 2.5%)))

= (100.0% x (pre-incentive fee net investment income – 2.0%)) + 0%

= (100.0% x (2.3% – 2.0%))

= 100.0% x 0.30%

= 0.30%

Alternative 3

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.50%
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = 2.8%

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

Incentive Fee = (100% x "Catch-Up") + (the greater of 0% **AND** (20% x (pre-incentive fee net investment income – 2.5%)))

= (100% x (2.5% – 2.0%)) + (20% x (2.8% – 2.5%))

= .50% + (20% x .30%)

= .50% + .06%

= 0.56%

(1) Represents 8.0% annualized hurdle rate.

(2) Represents 2.0% annualized management fee.

(3) Excludes organizational and offering expenses.

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

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

The capital gains portion of the incentive fee would be:

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

Alternative 2

Assumptions

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

- ***Year 5:*** Investment B sold for $20 million

The capital gains portion of the incentive fee would be:

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

Payment of Incentive Fee in Stock

Pursuant to the investment management agreement, and subject to receipt of exemptive relief, as to which there can be no assurance, we have agreed to pay 50% of the net after-tax incentive fee (calculated as described above) to our Adviser in the form of shares of our common stock at the market price at the time of issuance. This may result in the issuance of shares to our Adviser at a price that is below our then NAV (if the market price of our shares of common stock is below our NAV on the issuance date of the shares). The 1940 Act prohibits us from selling shares of our common stock at a price below the current NAV of such stock, with certain exceptions. One such exception would permit us to sell or otherwise issue shares of our common stock during the next year at a price below our then current NAV if our stockholders were to approve such a sale and our directors were to make certain determinations. Annually, at our shareholders' meeting, we will seek approval to continue this arrangement. To the extent that we are not granted the exemptive relief described above and our shareholders do not approve payment of the incentive fee to our Adviser in stock (which may include stock issued at an issuance price that is below our NAV), we will pay the incentive fee in cash.

The shares of stock issued to our Adviser as part of its incentive fee (referred to as the "Incentive Shares") will be subject to securities law and contractual restrictions on transfer. The Incentive Shares will be issued in a private placement, and, as a result, will not be freely transferable under the Securities Act. For the benefit of the Adviser, we have agreed to register the resale of the Incentive Shares for sale by the Adviser and its affiliates. We have granted the Adviser a demand right, as well as piggyback registration rights. In addition to these securities law restrictions, the Incentive Shares also will be subject to contractual restrictions on transfer and disposition. Each of the Adviser and its affiliates has agreed that one-third of the Incentive Shares received by it or them each year will become freely saleable that year. To the extent that the investment management agreement is terminated by us at any time, all of the Incentive Shares will become freely saleable immediately.

Payment of Our Expenses

All investment professionals and staff of MCC Advisors, when, and to the extent, engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by MCC Advisors. We will bear all other costs and expenses of our operations and transactions, including those relating to:

- our organization;
- calculating our NAV (including the cost and expenses of any independent valuation firms);

- expenses, including travel expense, incurred by MCC Advisors or payable to third parties performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of this and all future offerings of common shares and other securities, if any;
- the base management fee and any incentive management fee;
- distributions on our shares;
- administration fees payable under our administration agreement;
- the allocated costs incurred by MCC Advisors as our administrator in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, making investments;
- transfer agent and custodial fees;
- registration fees;
- listing fees;
- taxes;
- independent director fees and expenses;
- costs of preparing and filing reports or other documents with the SEC;
- 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 our administrator in connection with administering our business, such as the allocable portion of overhead under our administration agreement, including rent and other allocable portions of the cost of certain of our officers and their respective staffs.

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

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

Limitation of Liability and Indemnification

The investment management agreement provides that MCC Advisors and its officers, directors, employees and affiliates are not liable to us or any of our stockholders for any act or omission by it or its employees in the supervision or management of our investment activities or for any loss sustained by us or our stockholders, except that the foregoing exculpation does not extend to any act or omission constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations under the investment management agreement. The investment management agreement

also provides for indemnification by us of MCC Advisors' members, directors, officers, employees, agents and control persons for liabilities incurred by it in connection with their services to us, subject to the same limitations and to certain conditions.

Board Approval of the Investment Management Agreement

Our board of directors held an in-person meeting on November 3, 2010, in order to consider and approve our investment management agreement. In its consideration of the investment management agreement, the board of directors focused on information it had received relating to, among other things: (a) the nature, quality and extent of the advisory and other services to be provided to us by our investment adviser, MCC Advisors; (b) comparative data with respect to advisory fees or similar expenses paid by other business development companies with similar investment objectives; (c) our projected operating expenses and expense ratio compared to business development companies with similar investment objectives; (d) any existing and potential sources of indirect income to MCC Advisors from their relationships with us and the profitability of those relationships; (e) information about the services to be performed and the personnel performing such services under the investment management agreement; (f) the organizational capability and financial condition of MCC Advisors and its affiliates; (g) MCC Advisors' practices regarding the selection and compensation of brokers that may execute our portfolio transactions and the brokers' provision of brokerage and research services to our investment adviser; (h) the possibility of obtaining similar services from other third party service providers or through an internally managed structure; and (i) the alignment of incentives of the Adviser and our stockholders to be achieved by paying the incentive fee in shares of our common stock.

Based on the information reviewed and the discussions, the board of directors, including a majority of the non-interested directors, concluded that the investment management fee rates are reasonable in relation to the services to be provided.

Duration and Termination

The investment management agreement was approved by our board of directors on November 3, 2010. Unless terminated earlier as described below, it will continue in effect for a period of two years from its effective date. It will remain in effect from year to year thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. As required by applicable regulations, we will seek stockholder approval annually for the payment of the portion of the incentive fee due to the Adviser in shares of our common stock at their then market price, which may be at a price that is less than our then NAV per share. To the extent this potential issuance of our stock at a price below our NAV is not approved, we will pay the incentive fee in cash. The investment management agreement will automatically terminate in the event of its assignment. The investment management agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risks−Risks related to our business and structure — We are dependent upon senior management personnel of our investment adviser for our future success, and if our investment adviser is unable to retain qualified personnel or if our investment adviser loses any member of its senior management team, our ability to achieve our investment objective could be significantly harmed".

Administration Agreement

We have entered into an administration agreement with our administrator, which we refer to as the "administration agreement", under which our administrator provides administrative services to us. For providing these services, facilities and personnel, we reimburse our administrator for our allocable portion of overhead and other expenses incurred by our administrator in performing its obligations under the administration agreement, including rent and our allocable portion of the cost of certain of our officers and their respective staffs.

From time to time, our administrator may pay amounts owed by us to third-party providers of goods or services. We will subsequently reimburse our administrator for such amounts paid on our behalf.

License Agreement

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

DETERMINATION OF NET ASSET VALUE

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

In calculating the value of our total assets, investments for which market quotations are readily available are valued at such market quotations, which are generally obtained from an independent pricing service or one or more broker-dealers or market makers. However, debt investments with remaining maturities within 60 days that are not credit impaired are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Debt and equity securities for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Because we expect that there will not be a readily available market value for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith under the direction of our board of directors in accordance with a documented valuation policy that has been reviewed and approved by our board of directors. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

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

- our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- preliminary valuation conclusions are then documented and discussed with senior management;
- investments for which market quotations are not readily available will be valued by independent valuation firms, one third per quarter on a rotating quarterly basis on non fiscal year-end quarters, such that each of these investments will be valued by independent valuation firms at least twice per annum when combined with the annual review of all of the investments by independent valuation firms;

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

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

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

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Determinations in Connection with Offerings

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

- the NAV of our common stock most recently disclosed by us in the most recent periodic report that we filed with the SEC;
- our management's assessment of whether any material change in the NAV of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed NAV of our common stock and ending two days prior to the date of the sale of our common stock; and
- the magnitude of the difference between the NAV of our common stock most recently disclosed by us and our management's assessment of any material change in the NAV of our common stock since that determination, and the offering price of the shares of our common stock in the proposed offering.

This determination will not require that we calculate the NAV of our common stock in connection with each offering of shares of our common stock, but instead it will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current NAV of our common stock at the time at which the sale is made or otherwise in violation of the 1940 Act. As discussed under "The Adviser — Investment Management Agreement", we have agreed, pursuant to the terms of the investment management agreement, subject to the receipt of SEC exemptive relief and any required approval by our stockholders, to pay 50% of the net after-tax incentive fee to the Adviser in the form of shares of our common stock at the then current market price, which may be at a price below the NAV.

DIVIDEND REINVESTMENT PLAN

We are adopting an "opt out" dividend reinvestment plan. 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.

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

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

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

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

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

Stockholders who receive dividends in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received

in a dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at *www.amstock.com*, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator at the address below.

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

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

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

DESCRIPTION OF SHARES

General

Under the terms of our certificate of incorporation, our authorized capital stock will consist solely of 100,000,000 shares of common stock, par value $0.001 per share, of which no shares were outstanding as of September 30, 2010, and 100,000,000 shares of preferred stock, par value $0.001 per share, of which no shares were outstanding as of September 30, 2010. There is currently no market for our common stock, and we can offer no assurance that a market for our shares will develop in the future. Our common stock have been approved for listing on the New York Stock Exchange under the ticker symbol “MCC”, subject to notice of issuance.

Common Stock

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

Preferred Stock

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

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

We are subject to the provisions of Section 203 of the General Corporation Law of Delaware. In general, the statute prohibits a publicly held Delaware corporation from engaging in a “business combination” with “interested stockholders” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes certain mergers, asset sales and other

transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions (including an exception for our Adviser and certain of its affiliates), an "interested stockholder" is a person who, together with his affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. Our certificate of incorporation and bylaws provide that:

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

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

Delaware's corporation law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws requires a greater percentage. Our certificate of incorporation permits our board of directors to amend or repeal our bylaws. Our bylaws generally can be amended by approval of at least $66^{2}/_{3}\%$ of the total number of authorized directors subject to certain exceptions, including provisions relating to the size of our board, and certain actions requiring board approval, which provisions will require the vote of 75% of our board of directors to be amended. The affirmative vote of the holders of at least $66^{2}/_{3}\%$ of the shares of our capital stock entitled to vote is required to amend or repeal any of the provisions of our bylaws.

Limitations of Liability and Indemnification

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

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

We have obtained liability insurance for our officers and directors.

Anti-Takeover Provisions

Our certificate of incorporation includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of us or to change the composition of our board of directors. This could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control

over us. Such attempts could have the effect of increasing our expenses and disrupting our normal operation. One of these provisions is that our board of directors will be divided into three classes, with the term of one class expiring at each annual meeting of stockholders. At each annual meeting, one class of directors is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the board of directors. A director may be removed from office by a vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective director.

In addition, our certificate of incorporation requires the favorable vote of a majority of our board of directors followed by the favorable vote of the holders of at least 75% of our outstanding shares of each affected class or series, voting separately as a class or series, to approve, adopt or authorize certain transactions with 5% or greater holders of a class or series of shares and their associates, unless the transaction has been approved by at least 80% of our directors, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) will be required. For purposes of these provisions, a 5% or greater holder of a class or series of shares, or a principal stockholder, refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of our voting securities.

The 5% holder transactions subject to these special approval requirements are: the merger or consolidation of us or any subsidiary of ours with or into any principal stockholder; the issuance of any of our securities to any principal stockholder for cash, except pursuant to any automatic dividend reinvestment plan or rights offering in which the holder does not increase its percentage of voting securities; the sale, lease or exchange of all or any substantial part of our assets to any principal stockholder, except assets having an aggregate fair market value of less than 5% of our total assets, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period; or the sale, lease or exchange to us or any subsidiary of ours, in exchange for our securities, of any assets of any principal stockholder, except assets having an aggregate fair market value of less than 5% of our total assets, aggregating for purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period.

To convert us to an open-end investment company, to merge or consolidate us with any entity or sell all or substantially all of our assets to any entity in a transaction as a result of which the governing documents of the surviving entity do not contain substantially the same anti-takeover provisions as are provided in our certificate of incorporation, to liquidate and dissolve us other than in connection with a qualifying merger, consolidation or sale of assets or to amend any of the provisions discussed herein, our certificate of incorporation requires the favorable vote of a majority of our board of directors followed by the favorable vote of the holders of at least 75% of our outstanding shares of each affected class or series of our shares, voting separately as a class or series, unless such amendment has been approved by at least 80% of our directors, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) shall be required. If approved in the foregoing manner, our conversion to an open-end investment company could not occur until 90 days after the stockholders meeting at which such conversion was approved and would also require at least 30 days prior notice to all stockholders. As part of any such conversion to an open-end investment company, substantially all of our investment policies and strategies and portfolio would have to be modified to assure the degree of portfolio liquidity required for open-end investment companies. In the event of conversion, the common shares would cease to be listed on any national securities exchange or market system. Stockholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their NAV, less such redemption charge, if any, as might be in effect at the time of a redemption. You should assume that it is not likely that our board of directors would vote to convert us to an open-end fund.

The 1940 Act defines "a majority of the outstanding voting securities" as the lesser of a majority of the outstanding shares and 67% of a quorum of a majority of the outstanding shares. For the

purposes of calculating “a majority of the outstanding voting securities” under our certificate of incorporation, each class and series of our shares will vote together as a single class, except to the extent required by the 1940 Act or our certificate of incorporation, with respect to any class or series of shares. If a separate class vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required.

Our board of directors has determined that provisions with respect to the board of directors and the stockholder voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of stockholders generally. Reference should be made to our certificate of incorporation on file with the SEC for the full text of these provisions.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, 18,275,012 shares of our common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares. Of these shares, 13,333,334 shares of our common stock sold in this offering will be freely tradeable without restriction or limitation under the Securities Act, less that number of shares purchased by our affiliates. Any shares purchased in this offering by our affiliates will be subject to the public information, manner of sale and volume limitations of Rule 144 under the Securities Act. The remaining outstanding shares of common stock that are not sold in this offering, or 4,941,678 shares, will be deemed "restricted securities" as that term is defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under the Securities Act, such as under Rule 144 under the Securities Act, which are summarized below.

In general, under Rule 144 under the Securities Act, as currently in effect , a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock for at least six months would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available and, after one year, an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the total number of securities then outstanding; or
- the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates also are subject to certain manner of sale provisions, notice requirements and the availability of current public information about us.

No assurance can be given as to (1) the likelihood that an active market for our common stock will develop, (2) the liquidity of any such market, (3) the ability of our stockholders to sell our securities or (4) the prices that stockholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sales, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices of our common stock. See "Risks — Risks relating to this offering".

Lock-Up Agreements

During the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, we, MCC Advisors, the Principals of MCC Advisors, our officers and directors and our other stockholders have agreed with Goldman, Sachs & Co., Citigroup Global Markets Inc. and UBS Securities LLC subject to certain exceptions, not to:

(1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock, whether now owned or hereafter acquired, or

(2) enter into any swap or other agreement, arrangement or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any common stock or any securities convertible into or exercisable or exchangeable for any common stock.

Moreover, the 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, the company announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event unless Goldman, Sachs & Co., Citigroup Global Markets Inc. and UBS Securities LLC waive in writing, such extension.

REGULATION

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

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

Qualifying Assets

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

- Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:
  - is organized under the laws of, and has its principal place of business in, the United States;
  - is not an investment company (other than a small business investment company wholly owned by the Company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - satisfies either of the following:
    - has a market capitalization of less than $250 million or does not have any class of securities listed on a national securities exchange; or
    - is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result thereof, the BDC has an affiliated person who is a director of the eligible portfolio company.
- Securities of any eligible portfolio company which we control.
- Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

- Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
- Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.
- Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

Managerial Assistance to Portfolio Companies

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

Temporary Investments

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

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any preferred stock or publicly traded debt securities are outstanding, we may be prohibited from making distributions to our stockholders or the repurchasing of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risks".

Code of Ethics

We and MCC Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, the code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov*. You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Proxy Voting Policies and Procedures

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

Introduction

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

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

Proxy Policies

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

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

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

Proxy Voting Records

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

Chief Compliance Officer
Medley Capital Corporation
375 Park Avenue, Suite 3304
New York, NY 10152

Other

We are not generally able to issue and sell our common stock at a price below NAV per share. We may, however, issue and sell our common stock, at a price below the current NAV of the common stock, or issue and sell warrants, options or rights to acquire such common stock, at a price below the current NAV of the common stock if our board of directors determines that such sale is in our best interest and in the best interests of our stockholders, and our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities. As discussed under "The Adviser — Investment Management Agreement", we have agreed, pursuant to the terms of the investment management agreement, if we receive SEC exemptive relief, as to which there can be no assurance, and any required approval by our stockholders, to pay 50% of the net after-tax incentive fee to the Adviser in the form of shares of our common stock at the then current market price, which may be at a price below the NAV. See "Risks — Risks relating to this offering — Our ability to pay 50% of the net after-tax incentive fee to the Adviser in shares of our common stock is contingent on our receipt of exemptive relief from the SEC."

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

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

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

We and MCC Advisors are adopting and implementing written policies and procedures reasonably designed to prevent violation of the federal securities laws, and will review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We and MCC Advisors have designated an interim chief compliance officer to be responsible for administering the policies and procedures.

BROKERAGE ALLOCATIONS AND OTHER PRACTICES

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

TAX MATTERS

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

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

Taxation of the Company

We intend to elect and to qualify to be taxed as a RIC under Subchapter M of the Code. To qualify as a RIC, we must, among other things, (a) qualify to be treated as a business development company under the 1940 Act at all times during each taxable year; (b) derive in each taxable year at least 90 percent of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, other income (including but not limited to gain from options, futures and forward contracts) derived with respect to our business of investing in stock, securities or currencies, or net income derived from an interest in a “qualified publicly traded partnership” (a “QPTP”); and (c) diversify our holdings so that, at the end of each quarter of each taxable year (i) at least 50 percent of the market value of our total assets is represented by cash and cash items, U.S. Government securities, the securities of

other regulated investment companies and other securities, with other securities limited, in respect of any one issuer, to an amount not greater than five percent of the value of our total assets and not more than 10 percent of the outstanding voting securities of such issuer (subject to the exception described below), and (ii) not more than 25 percent of the market value of our total assets is invested in the securities of any issuer (other than U.S. Government securities and the securities of other regulated investment companies), the securities of any two or more issuers that we control and that are determined to be engaged in the same business or similar or related trades or businesses, or the securities of one or more QPTPs. We may generate certain income that might not qualify as qualifying income for purposes of the 90% annual gross income requirement described above.

As a RIC, in any fiscal year with respect to which we distribute at least 90 percent of the sum of our (i) investment company taxable income (which is generally our 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 and distributions paid and (ii) net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) (the "Annual Distribution Requirement"), 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. 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 percent of our ordinary income (not taking into account any capital gains or losses) for the calendar year;

(2) at least 98 percent of the amount by which our capital gains exceed our capital losses (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made by us to use our taxable year); and

(3) income realized, but not distributed, in preceding years (the "Excise Tax Avoidance Requirement").

While we intend to distribute any income and capital gains in the manner necessary to minimize imposition of the 4% 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.

If we use debt financing, we may be prevented by financial covenants from declaring and paying dividends in certain circumstances. Limits on our payment of dividends may prevent us from satisfying the Annual Distribution Requirement, and, therefore, may jeopardize our qualification for taxation as a RIC, and could subject us to the 4% federal excise tax.

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

If, in any particular taxable year, we do not satisfy the Annual Distribution Requirement or otherwise were to fail to qualify as a RIC (for example, because we fail the 90% annual gross income requirement described above), all of our taxable income (including our net capital gains) will be subject to tax at regular corporate rates without any deduction for distributions to stockholders, and distributions generally will be taxable to the stockholders as ordinary dividends to the extent of our current and accumulated earnings and profits.

We may decide to be taxed as a regular corporation even if we would otherwise qualify as a RIC if we determine that treatment as a corporation for a particular year would be in our best interests.

Company Investments

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

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

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

If we purchase shares in a “passive foreign investment company” (a “PFIC”), we may be subject to federal income tax on a portion of any “excess distribution” or gain from the disposition of such shares even if such income is distributed as a taxable dividend by us to our stockholders. Additional charges in the nature of interest may be imposed on us in respect of deferred taxes arising from such distributions or gains. If we invest in a PFIC and elect to treat the PFIC as a “qualified electing fund” under the Code (a “QEF”), in lieu of the foregoing requirements, we will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to us. Alternatively, we can elect to mark-to-market at the end of each taxable year our shares in a PFIC; in this case, we will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not

exceed prior increases included in income. Under either election, we may be required to recognize in a year income in excess of our distributions from PFICs and our proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% excise tax. See "— Taxation of the Company" above.

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

Taxation of U.S. Stockholders

Distributions we pay to you from our net ordinary income or from an excess of realized net short-term capital gains over realized net long-term capital losses (together referred to hereinafter as "ordinary income dividends") are generally taxable to you as ordinary income to the extent of our earnings and profits. Due to our expected investments, in general, distributions will not be eligible for the dividends received deduction allowed to corporate stockholders and will not qualify for the reduced rates of tax for qualified dividend income allowed to individuals. Distributions made to you from an excess of realized net long-term capital gains over realized net short-term capital losses ("capital gain dividends"), including capital gain dividends credited to you but retained by us, are taxable to you as long-term capital gains if they have been properly designated by us, regardless of the length of time you have owned our shares. Distributions in excess of our earnings and profits will first reduce the adjusted tax basis of your shares and, after the adjusted tax basis is reduced to zero, will constitute capital gains to you (assuming the shares are held as a capital asset). The maximum U.S. federal tax rate on long-term capital gains of individuals is generally 15 percent (5 percent for individuals in lower brackets) for such gains realized on or before December 31, 2010. For non-corporate taxpayers, ordinary income dividends will currently be taxed at a maximum rate of 35 percent, while capital gain dividends generally will be currently taxed at a maximum U.S. federal income tax rate of 15 percent. For corporate taxpayers, both ordinary income dividends and capital gain dividends are currently taxed at a maximum U.S. federal income tax rate of 35 percent. In addition, for taxable years beginning after December 31, 2012, individuals with income in excess of $200,000 ($250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their "net investment income," which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses). Present law also taxes both long-term and short-term capital gains of corporations at the rates applicable to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., net capital losses in excess of net capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years, subject to certain limitations, as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

In the event that we retain any net capital gains, we may designate the retained amounts as undistributed capital gains in a notice to our stockholders. If a designation is made, stockholders would include in income, as long-term capital gains, their proportionate share of the undistributed amounts, but would be allowed a credit or refund, as the case may be, for their proportionate share of the corporate tax paid by us. In addition, the tax basis of shares owned by a stockholder would be increased by an amount equal to the difference between (i) the amount included in the stockholder's income as long-term capital gains and (ii) the stockholder's proportionate share of the corporate tax paid by us.

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

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 15% maximum rate). Dividends paid by us generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because our income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

As a RIC, we will be subject to alternative minimum tax, also referred to as "AMT," but any items that are treated differently for AMT purposes must be apportioned between us and our U.S. stockholders and this may affect the U.S. stockholders' AMT liabilities. Although regulations explaining the precise method of apportionment have not yet been issued, such items will generally be apportioned in the same proportion that dividends paid to each U.S. stockholder bear to our taxable income (determined without regard to the dividends paid deduction), unless a different method for particular item is warranted under the circumstances.

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

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

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

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

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

Taxation of Non-U.S. Stockholders

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

Distributions of ordinary income dividends to non-U.S. stockholders, subject to the discussion below, will generally be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits. Different tax consequences may result if the non-U.S. stockholder is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

Under a provision that expired for taxable years beginning after December 31, 2009, properly designated dividends received by a non-U.S. stockholder are generally exempt from U.S. federal withholding tax when they (1) are paid in respect of our "qualified net interest income" (generally, our U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (2) were paid in connection with our "qualified short-term capital gains" (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). If such provision is renewed by the U.S. Congress, depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or an acceptable substitute or successor form). In the case of shares held through an intermediary, the intermediary could withhold even if we designate the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts. As discussed above, this exemption from withholding for interest-related and short term capital gain dividends has expired for tax years beginning after December 31, 2009. It is unclear whether such exemption will be renewed and, even if renewed, it may again be subject to expiration.

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

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

Backup Withholding. A non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and

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

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

Recently proposed legislation would limit the ability of non-U.S. investors to claim relief from U.S. withholding tax with respect to dividends paid on the shares, if such investors hold the shares through a non-U.S. intermediary that is not a "qualified intermediary". Proposed legislation also would limit the ability of certain non-U.S. entities to claim relief from U.S. withholding tax in respect of dividends paid to such non-U.S. entities unless those entities have provided documentation of their beneficial owners to the withholding agent. Another proposal would impose a 20% withholding tax on the gross proceeds of the sale of shares effected through a non-U.S. intermediary that is not a qualified intermediary and that is not located in a jurisdiction with which the United States has a comprehensive income tax treaty having a satisfactory exchange of information provision. A non-U.S. investor generally would be permitted to claim a refund to the extent any tax withheld exceeded the investor's actual tax liability. It is unclear whether, or in what form, these proposals may be enacted. Non-U.S. stockholders are encouraged to consult with their tax advisors regarding the possible implications of these proposals on their investment in respect of the shares of our common stock.

Foreign Account Tax Compliance Act

Legislation was enacted on March 18, 2010 that will, effective for payments made after December 31, 2012, impose a 30% U.S. withholding tax on dividends paid by U.S. issuers and on the gross proceeds from the disposition of stock paid to a foreign financial institution, unless such institution enters into an agreement with the U.S. Treasury Department ("Treasury") to collect and provide to Treasury substantial information regarding U.S. account holders, including certain account holders that are foreign entities with U.S. owners, with such institution. The legislation also generally imposes a withholding tax of 30% on dividends paid by U.S. issuers and on the gross proceeds from the disposition of stock paid to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. Investors are urged to consult with their own tax advisors regarding the possible implications of this recently enacted legislation on their investment in shares of our common stock.

UNDERWRITING

The Company and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered, except for those being sold directly by us as described below. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Citigroup Global Markets Inc. and UBS Securities LLC are the representatives of the underwriters.

Underwriters	Number of Shares(1)
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Stifel, Nicolaus & Company, Incorporated	
RBC Capital Markets Corporation	
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	
Janney Montgomery Scott LLC	
JMP Securities LLC	
Gilford Securities Incorporated	
Total	13,066,667

(1) Assumes the sale of 266,667 shares of our common stock directly by us to affiliates of MCC Advisors and their employees in a concurrent offering.

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares being sold directly by us and those covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 1,960,000 shares from the Company. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by the Company. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	No Exercise(1)	Full Exercise(1)
Per Share	$	$
Total	$	$

(1) Assumes the sale of 266,667 shares of our common stock directly by us to affiliates of MCC Advisors and their employees in a concurrent offering. No underwriting discounts or commissions will be paid to the underwriters in connection therewith.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We are concurrently offering shares of our common stock at the initial public offering price directly to affiliates of MCC Advisors and some of their employees pursuant to this prospectus. Since these shares are being sold directly by us and not through the underwriters, no underwriting discount

or commission will be paid to the underwriters for shares purchased by affiliates of MCC Advisors and these employees. Consequently, the entire amount of the proceeds from such sales will be paid directly to us. The affiliates of MCC Advisors and their employees have submitted non-binding indication of interests to purchase $4 million of shares of our common stock in connection with this offering directly from us.

We, MCC Advisors, the Principals of MCC Advisors, our officers, directors, and holders of substantially all of our common stock, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co., Citigroup Global Markets Inc. and UBS Securities LLC.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event unless Goldman, Sachs & Co., Citigroup Global Markets Inc. and UBS Securities LLC waive in writing, such extension.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated between the Company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Our shares of common stock have been approved for listing on the New York Stock Exchange under the symbol "MCC", subject to notice of issuance. In order to meet one of the requirements for listing the common stock on the New York Stock Exchange, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the Company in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance

(Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

The Company estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $1.3 million.

The Company has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates may in the future perform, various financial

advisory and investment banking services for the company, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Goldman, Sachs & Co. is 200 West Street, New York, NY 10282, the principal business address of Citigroup Global Markets Inc. is 338 Greenwich Street, New York, New York 10013 and the principal business address of UBS Securities LLC is 299 Park Avenue, New York, New York 10171.

CUSTODIAN AND TRANSFER AGENT

U.S. Bank National Association provides custodian services to us pursuant to a custodian services agreement. The principal business address of U.S. Bank National Association is 100 Wall St. # 16, New York, New York 10005-3716. American Stock Transfer & Trust Company provides transfer agency and distribution paying agency services to us under a transfer agency agreement and a distribution paying agent agreement, respectively. The address of American Stock Transfer & Trust Company is 59 Maiden Lane, New York, New York, 10038.

LEGAL MATTERS

Certain legal matters in connection with the common shares will be passed upon for us by Morrison & Foerster LLP, New York, New York, and for the underwriters by Sutherland Asbill & Brennan LLP, Washington, DC.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP is our independent registered public accounting firm. Rothstein, Kass & Company, P.C., is the independent registered public accounting firm of MOF I BDC.

ADDITIONAL INFORMATION

We have filed a registration statement with the SEC on Form N-2, including amendments, relating to the shares we are offering. This prospectus does not contain all of the information set forth in the registration statement, including any exhibits and schedules it may contain. For further information concerning us or the shares we are offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of any contract or other document filed as an exhibit to the registration statement. Each statement is qualified in all respects by this reference.

Upon the completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Securities Exchange Act of 1934. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement of which this prospectus forms a part and the related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102. In addition, the SEC maintains an Internet website that contains reports, proxy and information statements and other information filed electronically by us with the SEC at *http://www.sec.gov*.

PRIVACY PRINCIPLES

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

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

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

INDEX TO FINANCIAL STATEMENTS

MEDLEY CAPITAL BDC LLC AND MOF I BDC LLC
FOR THE PERIOD MAY 31, 2010 TO SEPTEMBER 30, 2010 (UNAUDITED)

Report of Independent Registered Public Accounting Firm

The Managing Member
Medley Capital BDC LLC

We have audited the accompanying statement of assets, liabilities and member's capital of Medley Capital BDC LLC (the "Company") as of May 31, 2010, and the related statements of operations, changes in member's capital and cash flows for the period from April 23, 2010 (date of inception) to May 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medley Capital BDC LLC at May 31, 2010, and the results of its operations, the changes in its member's capital, and its cash flows for the period from April 23, 2010 (date of inception) to May 31, 2010, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

/s/ Ernst & Young LLP

New York, New York
June 30, 2010

MEDLEY CAPITAL BDC LLC

Statement of Assets, Liabilities and Member's Capital

	September 30, 2010 (Unaudited)	May 31, 2010
Assets		
Deferred offering costs	$ 49,760	$ 49,760
Cash	15,190	15,170
Total assets	$ 64,950	$ 64,930
Liabilities and member's capital		
Liabilities:		
Accrued organization costs	$ 92,000	$ 92,000
Contributed loan	50,000	50,000
Deferred offering costs payable	15,000	15,000
Total liabilities	157,000	157,000
Member's capital:		
Accumulated loss	(92,050)	(92,070)
Total member's capital	(92,050)	(92,070)
Total liabilities and member's capital	$ 64,950	$ 64,930

MEDLEY CAPITAL BDC LLC

Statement of Operations

	For the Four Months Ended September 30, 2010 (Unaudited)	For the Period from April 23, 2010 to May 31, 2010
Income		
Other income	$ 20	$ —
Expenses		
Organization costs	—	92,070
Total expenses	—	92,070
Net income (loss)	$ 20	$ (92,070)

The accompanying notes are an integral part of these financial statements.

MEDLEY CAPITAL BDC LLC

Statement of Changes in Member's Capital

For the four months ended September 30, 2010 (unaudited) and the period from April 30, 2010 (date of inception) to May 31, 2010

	Member's Capital
Member's capital, April 23, 2010 (Date of Inception)	$ —
Capital contributions	—
Capital withdrawals	—
Net loss	(92,070)
Member's capital, May 31, 2010	(92,070)
Capital contributions (unaudited)	—
Capital withdrawals (unaudited)	—
Net income (unaudited)	20
Member's capital, September 30, 2010 (unaudited)	$ (92,050)

The accompanying notes are an integral part of these financial statements.

MEDLEY CAPITAL BDC LLC

Statement of Cash Flows

	For the Four Months Ended September 30, 2010 (Unaudited)	For the Period from April 23, 2010 (date of inception) to May 31, 2010
Cash flows from operating activities		
Net income (loss)	$ 20	$ (92,070)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Increase in deferred offering costs	—	(49,760)
Increase in accrued organization costs	—	92,000
Increase in deferred offering costs payable	—	15,000
Net cash provided by (used in) operating activities	20	(34,830)
Cash flows from financing activities		
Proceeds from contributed loan	—	50,000
Net cash provided by financing activities	—	50,000
Net change in cash	20	15,170
Cash, beginning of period	15,170	—
Cash, end of period	$ 15,190	$ 15,170

The accompanying notes are an integral part of these financial statements.

MEDLEY CAPITAL BDC LLC

Notes to Financial Statements

1. Organization

Medley Capital BDC LLC (the "Company") is a Delaware limited liability company formed on April 23, 2010. The Company is a newly organized closed-end management investment company that intends to elect to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended, prior to its initial public offering ("IPO"). The Company intends to raise common equity in its IPO. In connection with the IPO, the Company will then convert, in accordance with Delaware law, to a Delaware corporation and be named Medley Capital Corporation (the "Corporation").

During the period from April 23, 2010 (date of inception) to May 31, 2010, the sole and Managing Member, Brook Taube, contributed $50,000 in the form of a non-interest bearing loan (the "Contributed Loan"). There were no additional loans made to the Company or repayments made by the Company to the Managing Member during the period from June 1, 2010 to September 30, 2010 (unaudited). At the consummation of the IPO, the Company will repay the $50,000 to the Managing Member. After this repayment, the Managing Member will no longer be a member of the Company.

Other than the contributed loan of $50,000 to the Company by the Managing Member, and certain organizational costs and registration fees incurred related to the pending IPO, the Company has not commenced operations.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States ("U.S.").

Unaudited Results

The accompanying unaudited statement of assets, liabilities and member's capital as of September 30, 2010, the statements of operations, changes in member's capital and cash flows for the four months ended September 30, 2010 are unaudited. The unaudited financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments necessary to present fairly the Company's financial position as of September 30, 2010 and results of operations and cash flows for the four months ended September 30, 2010.

Cash

The Company maintains its cash balance in a checking account at a financial institution. The cash is not subject to any restriction for withdrawal.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

3. Organizational Expenses and Offering Costs

Organizational expenses consist principally of legal and accounting fees incurred in connection with the organization of the Company and have been expensed as incurred. In the event the IPO does not occur, the Company will not incur all such expenses and may not be able to pay expenses that

are incurred. Additional offering costs, which will consist principally of underwriting fees, registration costs, and legal costs are not yet estimable.

Deferred offering costs related to the IPO will be charged to capital upon the receipt of the capital to be raised. Deferred offering costs consist of a $14,260 Securities and Exchange Commission registration fee and a $20,500 FINRA filing fee incurred during the period from April 23, 2010 (date of inception) to May 31, 2010. No additional offering costs were incurred during the period from June 1, 2010 to September 30, 2010 (unaudited). These offering costs reflect the Company's best estimate and are subject to change upon the completion of the IPO.

4. Federal Income Taxes

No provision for Federal, state and local income taxes has been made in the accompanying financial statements, as the Managing Member is individually liable for its own tax payments.

The Company evaluates tax positions it has taken, expects to take or that are otherwise relevant to the Company for purposes of determining whether any relevant tax positions would "more-likely-than-not" be sustained by the applicable tax authority. The Company has analyzed such tax positions and has concluded that no unrecognized tax benefits should be recorded for uncertain tax positions for tax years that may be open (2010). The Company identifies its major tax jurisdictions as U.S. Federal and state jurisdictions as well as foreign jurisdictions where the Company makes significant investments. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Company records tax positions that are not deemed to meet a more-likely-than-not threshold as tax expenses as well as any applicable penalties or interest associated with such positions. During the period from April 23, 2010 (date of inception) to May 31, 2010 there was no tax expense. In addition, during the period from June 1, 2010 to September 30, 2010 there was no tax expense.

The Company expects to convert to a corporation in conjunction with the IPO. At such time the Company intends to file an election to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and, among other things, intends to make the requisite distributions to its stockholders which will relieve it from Federal income or excise taxes. Therefore, no provision is anticipated to be recorded for Federal income or excise taxes.

5. Related Party Transactions

On May 31, 2010, Medley Opportunity Fund LP ("MOF LP"), a Delaware limited partnership and Medley Opportunity Fund Ltd ("MOF LTD"), a Cayman Islands limited company each contributed their respective interests in seven loan assets to MOF I BDC LLC (the "MOF I"), an affiliated Delaware limited liability company, in exchange for 5% and 95%, respectively, of the membership interests in MOF I. In July and November 2010 (unaudited), MOF LTD transferred 1% and 4%, respectively, to MOF LP. As a result, the ownership by MOF LTD and MOF LP in MOF I is 90% and 10%, respectively (unaudited).

Upon the anticipated concurrent consummation of the Company's IPO of common equity, MOF LTD and MOF LP will then contribute their respective MOF I membership interests to the Company, in exchange for Company membership interests. MOF I will, thereafter, be a wholly-owned subsidiary of the Company.

Concurrent with the IPO, the Company will enter into an investment management agreement with MCC Advisors LLC ("MCC Advisors"), an affiliate of the Managing Member, where the Company will pay MCC Advisors a management fee and incentive fee. In addition, the Company will reimburse

Medley Capital BDC LLC
Notes to Financial Statement (continued)

5. Related Party Transactions (continued)

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

6. Indemnification

In the normal course of business, the Company may enter into certain contracts that provide a variety of indemnities. The Company's maximum exposure under these indemnities is unknown. The Company does not consider it necessary to record a liability in this regard.

Report of Independent Registered Public Accounting Firm

To the Board of Members and the Members of MOF I BDC LLC

We have audited the accompanying statement of financial condition of MOF I BDC LLC (the "Company"), including the schedule of investments, as of May 31, 2010. This statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of May 31, 2010 by appropriate auditing procedures. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of MOF I BDC LLC as of May 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ Rothstein Kass & Company, P.C.

Roseland, New Jersey
July 1, 2010

MOF I BDC LLC

Statements of Financial Condition
As of September 30, 2010 (Unaudited) and May 31, 2010

	September 30, 2010 (Unaudited)	May 31, 2010
ASSETS		
Investments in securities, at fair value (cost $77,325,051 and $104,375,584, respectively)	$ 76,385,646	$ 104,375,584
Interest receivable	1,177,430	853,154
Cash and cash equivalents	117,910	—
	$ 77,680,986	$ 105,228,738
MEMBERS' CAPITAL		
Members' Capital	$ 77,680,986	$ 105,228,738
	$ 77,680,986	$ 105,228,738

MOF I BDC LLC

Statement of Operation
For the period May 31, 2010 (Commencement of Operations) to September 30, 2010 (Unaudited)

Investment income — interest	$ 4,906,375
Expenses — professional fees and other	128,385
Net investment income	4,777,990
Realized and unrealized gain (loss) on investments	
Realized gain on distribution of investment	50,488
Change in unrealized depreciation on investments	(939,405)
Net realized and unrealized gain (loss) on investments	(888,917)
Net income from operations	$ 3,889,073

MOF I BDC LLC

Statement of Changes in Members' Capital
For the period May 31, 2010 (Commencement of Operations) to September 30, 2010 (Unaudited)

Contributions, May 31, 2010	$ 105,228,738
Distributions	(31,436,825)
Net income from operations	3,889,073
Members' Capital, September 30, 2010	$ 77,680,986

MOF I BDC LLC

Statement of Cash Flows
For the period May 31, 2010 (Commencement of Operations) to September 30, 2010 (Unaudited)

Cash flows from operating activities		
Net income from operations	$	3,889,073
Adjustments to reconcile net income from operations to net cash provided by operating activities		
Amortization of discounts		(251,318)
Realized gain on distribution of investment		(50,488)
Change in unrealized depreciation on investments		939,405
Changes in operating assets and liabilities:		
Proceeds from maturity of investment		12,000,000
Interest receivable		(1,008,762)
Net cash provided by operating activities		15,517,910
Cash flows from financing activity,		
Distributions		(15,400,000)
Net change in cash and cash equivalents and cash and cash equivalents at end of period	$	117,910
Supplemental disclosure of non-cash financing activities,		
Contribution of investment	$	105,228,738
In-kind asset distribution	$	16,036,825
Supplemental disclosure of non-cash operating activity,		
Capitalization of interest receivable into investment in securities	$	353,822

MOF I BDC LLC
Schedule of Investments
September 30, 2010 (Unaudited)

	Principal Amount	Cost	Fair Value	Percentage of Members' Capital
Investments in Securities, at fair value[1]				
United States				
Senior Secured Term Loans				
Capital Equipment				
Water Capital USA, Inc. (14.00%, due 01/2013)	$ 20,353,822	$ 20,415,404	$ 20,353,822	26.20%
Containers & Packaging				
Bennu Glass, Inc. (15.00%, due 04/2013)	10,000,000	10,411,351	10,218,293	13.15%
Energy & Power				
Geneva Wood Fuels LLC (15.50%, due 05/2011)	10,870,000	10,911,053	10,391,760	13.38%
Financial Services				
Allied Cash Holdings LLC (15.00% due 06/2013)	20,000,000	20,154,415	20,117,006	25.90%
Velum Global Credit Management LLC (15.00%, due 03/2014)	15,000,000	15,432,828	15,304,765	19.70%
Total Investments in Securities, at fair value		$ 77,325,051	$ 76,385,646	98.33%

(1) Investments in Securities are held through participation agreements with an affiliate.

MOF I BDC LLC

Schedule of Investments

May 31, 2010

	Principal Amount	Fair Value[2]	Percentage of Members' Capital
Investments in Securities, at fair value[1]			
United States			
Senior Secured Term Loans			
Aerospace & Defense			
Aurora Flight Sciences Corporation (11.75%, due 09/2010)	$ 12,000,000	$ 11,902,051	11.31%
Sheffield Manufacturing, Inc. (14.00%, due 04/2012)	15,714,186	15,502,304	14.73%
Capital Equipment			
Water Capital USA, Inc. (14.00%, due 01/2013)	20,000,000	20,061,581	19.06%
Containers & Packaging			
Bennu Glass, Inc. (15.00%, due 04/2013)	10,000,000	10,411,351	9.89%
Energy & Power			
Geneva Wood Fuels LLC (15.50%, due 05/2011)	10,870,000	10,911,053	10.37%
Financial Services			
Allied Cash Holdings LLC (15.00%, due 06/2013)	20,000,000	20,154,415	19.15%
Velum Global Credit Management LLC (15.00%, due 03/2014)	15,000,000	15,432,829	14.67%
Total Investments in Securities, at fair value (cost $104,375,584)[2]		$ 104,375,584	99.19%

(1) Investments in Securities are held through participation agreements with an affiliate.

(2) At May 31, 2010 the cost of the Company's Investment in Securities is equal to the fair value of the securities.

MOF I BDC LLC

Notes to Financial Statement

1. Background and summary of significant accounting policies

Background

MOF I BDC LLC (the "Company") was formed by Medley Opportunity Fund LP ("MOF LP") and Medley Opportunity Fund Ltd ("MOF LTD" and, collectively, "the Funds") in the State of Delaware in April 2010. On May 31, 2010 each of MOF LP and MOF LTD assigned all of their respective interests in seven loan participations in secured loans to middle market companies (the "Loan Assets") to MOF I BDC in exchange for membership interests in MOF I BDC. At that time, MOF LTD owned approximately 95% of the outstanding MOF I BDC membership interests and MOF LP owned approximately 5% of the outstanding MOF I BDC membership interests. In July and November 2010 (unaudited), MOF LTD transferred 1% and 4%, respectively, to MOF LP. As a result, the ownership by MOF LTD and MOF LP in the Company is 90% and 10%, respectively. As a result of the foregoing, MOF I BDC has a 100% interest in the Loan Assets. Each of MOF LTD and MOF LP will then contribute their respective MOF I BDC membership interests to Medley Capital BDC LLC, a second newly formed Delaware limited liability company, in exchange for Medley Capital BDC LLC membership interests. MOF I BDC will, thereafter, be a wholly-owned subsidiary of Medley Capital BDC LLC. Medley Capital BDC LLC will then convert into Medley Capital Corporation ("MCC"), a Delaware corporation, immediately prior to the completion of its initial public offering. These transactions will hereinafter be referred to as the "Formation Transaction".

Medley Capital LLC, a limited liability company organized under the laws of the State of Delaware and the Investment Manager for the Funds, serves as the Investment Advisor for the Company at this time, although no formal agreement exists with the Company itself. It is anticipated that MCC Advisors LLC ("MCCA"), the investment advisor to MCC and an affiliate of Medley Capital LLC, will become, upon the completion of the Formation Transaction discussed above, the investment advisor to the Company by virtue of its official role as the investment advisor to MCC.

The Company's investments in loans are currently through participation agreements with an affiliate of MCCA.

Basis of presentation

The accompanying financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Cash and cash equivalents

The Company considers short-term interest bearing investments with maturities of three months or less at the time of purchase to be cash equivalents.

Valuation of investments in securities, at fair value — definition and hierarchy

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Notes to Financial Statement (continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

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

Level 3 — Unobservable inputs for the asset or liability.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation techniques

The Company values its investments in securities at fair value as determined by the Company's management. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

The Company's investments consist of asset-based loans to private companies. Because these investments are illiquid and because there are no directly comparable companies whose financial instruments have observable market values, these loans are valued by management using a fundamental valuation methodology, consistent with traditional asset pricing standards, that is objective and consistently applied across all loans and through time. The Company uses third-party valuation agents to assist management in the valuation of its investments in securities. The valuation reports generated by the third-party valuation agents consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, performance multiples, and movement in yields of debt instruments, among other factors. Based on information obtained from the third-party valuation agents, the Company uses an enterprise model of valuation, whereby the value of the Company's asset-based loans is determined based upon inputs such as the coupon rate, a market discount rate, the stated value of the loan, and the length to maturity. Within this enterprise model, the Company uses a waterfall analysis which takes the specific

Notes to Financial Statement (continued)

capital structure of the borrower and the related seniority of the instruments within the borrower's capital structure into consideration.

In using its enterprise model, management considers fluctuations in current interest rates, the trends in yields of debt instruments with similar credit ratings, financial condition of the borrower, economic conditions and other relevant factors, both qualitative and quantitative. In the event that a Level 3 debt instrument is not performing, management will evaluate the value of the collateral utilizing the same framework described above for a performing loan to determine the value of the Level 3 debt instrument.

Because of the inherent uncertainty of such valuation, the fair values established for the Company's holdings may differ from the values that would have been used had a ready market for these securities existed.

Investment transactions and related investment income

Investment transactions are accounted for on a trade-date basis. Interest is recognized on the accrual basis and in accordance with the terms of the loan agreements. The Company considers the estimated net realizable value of any investment income receivable in determining the fair values of its investments in securities. Accretion of market and original issue discounts are calculated using the effective interest method.

Paid-in-kind interest

Included in investment income are amounts that have not yet been received in cash, such as contractual paid-in-kind interest ("PIK"). This PIK represents contractually deferred interest generally due at maturity that is added to the principal balance of the related investment. The Company ceases to accrue PIK if it is expected that the issuer will be unable to pay all principal and interest when due.

Income taxes

The Company does not provide for income taxes because the individual members are responsible for reporting their share of the Company's net income (loss) on their income tax returns. The financial statements reflect the Company's transactions without adjustment, if any, required for income tax purposes.

In accordance with GAAP, the Managing Member is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company intends to file an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. The Company adopted this policy on April 23, 2010 and based on its analysis, the Managing Member has determined that the adoption of this policy did not have a material impact on the Company's financial statements. However, the Managing Member's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions

Notes to Financial Statement (continued)

and compliance with U.S. federal, U.S. state and foreign tax laws. There are no significant income tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly increase or decrease in the next twelve months.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Subsequent event

The financial statements were approved by management and available for issuance on November 3, 2010. Subsequent events have been evaluated through this date.

2. Fair value measurements

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy as described in the Company's significant accounting policies in Note 1.

As of September 30, 2010 (unaudited) and May 31, 2010, all of the Company's investments are Level 3 assets with significant unobservable inputs.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 investments in securities measured at fair value for the period May 31, 2010 to September 30, 2010 are as follows:

Balance as of May 31, 2010	$	104,375,584
Realized and unrealized gain (losses) (unaudited)		(888,917)
Purchases and other adjustments to cost (unaudited)		353,822
Sales, maturities, and in-kind distributions (unaudited)		(27,454,843)
Balance as of September 30, 2010 (unaudited)	$	76,385,646

Purchases and other adjustments to cost include accretion of any discount on debt securities and PIK.

Sales, maturities, and in-kind distributions represent net proceeds received from investments sold or distributed during the period. The change in unrealized gains (losses) for the period May 31, 2010 to September 30, 2010 for investments still held at September 30, 2010 of $(939,405) (unaudited) is reflected in realized and unrealized gain (loss) on investments on the statement of operations.

3. Members' capital

In accordance with the limited liability company agreement, net profits or losses of the Company are allocated to each member in accordance with the ratio of their respective percentage interests in the Company.

On August 31, 2010 (unaudited), the Company made an in-kind distribution of the loan participations in Sheffield Manufacturing, Inc., and the related interest receivable, which collectively had a fair value of $16,036,825, to the Funds.

Notes to Financial Statement (continued)

On September 30, 2010 (unaudited), the Company made a cash distribution of $15,400,000, which consisted primarily of proceeds from the maturity of the investment in Aurora Flight Sciences Corporation, to the Funds.

4. Participation in secured loans

By owning loan participations, the Company will usually have a contractual relationship only with the affiliate, not the borrower. The Company may be subject to the credit risk of the affiliate as well as of the borrower.

5. Related parties (also see Note 1)

As of September 30, 2010 (unaudited), the Funds, or companies wholly-owned or controlled by the Funds, own equity interests in six of the portfolio companies as to which the Company currently has a loan participation agreement investment. These portfolio companies include Allied Cash Holdings LLC, Aurora Flight Sciences Corporation, Bennu Glass, Inc., Geneva Wood Fuels LLC, and Velum Global Credit Management LLC. The Funds, or companies wholly-owned or controlled by the Funds, have significant equity interest or significant board and/or other representation for three of the portfolio companies. These portfolio companies include Allied Cash Holdings, LLC, Bennu Glass, Inc., and Velum Global Credit Management LLC.

Two borrowers, Allied Cash Holdings LLC and Velum Global Credit Management LLC, both of which have loans in which the Company holds participation rights, have retained employees of Medley Capital LLC, an affiliate of the Company, to serve in senior management positions.

On August 31, 2010 (unaudited), the Company distributed its loan participation agreements in Sheffield Manufacturing, Inc, to the Funds and therefore no longer has an economic interest relating to Sheffield Manufacturing, Inc.

6. Company investment risk, concentration of credit risk, and liquidity risk

The Company's Board of Members 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. The Company's Board of Members 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 or impossible. 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.

Notes to Financial Statement (continued)

7. Recent accounting pronouncements

ASC 860, "Transfers and Servicing," removes the concept of a qualifying special-purpose entity ("QSPE") and removes the exception from applying to variable interest entities that are QSPEs. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement is effective for fiscal years beginning after November 15, 2009. At this time management is evaluating the implications of the amendment to Accounting Standards Codification ("ASC") 820 and the impact to the statement of financial condition, including the schedule of investments.

8. Subsequent events

In October 2010, Geneva Wood Fuels LLC ("Geneva") completed a recapitalization to strengthen their working capital and help Geneva achieve its long term business plan. The recapitalization consisted of an amendment to the existing senior secured term loan resulting in a new senior secured Term Loan A and a new senior secured Term Loan B. The Term Loan B included $1.5 million of new commitments. In addition, the equity providers committed to contribute $0.5 million of new equity capital. Only the new Term Loan A in the amount of $7.5 million will be included in the Formation Transaction and the new Term Loan B has been distributed back to the Funds.

Below is a pro forma schedule of investments assuming the Geneva recapitalization transaction took place as of September 30, 2010:

	Principal Amount	Percentage of Members' Capital	Fair Value
Investments in Securities, at fair value[1]			
United States			
Senior Secured Loans			
Capital Equipment			
Water Capital USA, Inc. (14.00%, due 01/2013)	$ 20,353,822	27.38%	$ 20,353,822
Containers & Packaging			
Bennu Glass, Inc. (15.00%, due 04/2013)	10,000,000	13.75%	10,218,293
Energy & Power			
Geneva Wood Fuels LLC (15.50%, due 12/2012)	7,500,000	10.09%	7,500,000
Financial Services			
Allied Cash Holdings LLC (15.00% due 06/2013)	20,000,000	27.06%	20,117,006
Velum Global Credit Management LLC (15.00%, due 03/2014)	15,000,000	20.59%	15,304,765
Total Investments in Securities, at fair value		98.87%	$ 73,493,886

(1) Investments in Securities are held through participation agreements with an affiliate.

Shares

Medley Capital Corporation

Common Stock

PROSPECTUS

Goldman, Sachs & Co.	**Citi**		**UBS Investment Bank**
Stifel Nicolaus Weisel			**RBC Capital Markets**
BB&T Capital Markets	**Janney Montgomery Scott**	**JMP Securities**	**Gilford Securities**

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART C

OTHER INFORMATION

Item 25. ***Financial statements and exhibits***

1. *Financial Statements*

2. *Exhibits*

(1) Previously filed

(2) To be filed by amendment

(3) Filed herewith

(*) Superceded by exhibit(r)(3)

Item 26. ***Marketing arrangements***

The information contained under the heading "Underwriting" in this Registration Statement is incorporated herein by reference. Reference is also made to the Form of Underwriting Agreement for the Registrant's shares of common stock to be filed by amendment to this registration statement.

Item 27. ***Other expenses of issuance and distribution***

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this registration statement:

SEC registration fee	$ 14,260
FINRA filing fee	20,500
New York Stock Exchange listing fee	40,000
Printing (other than certificates)	100,000
Engraving and printing certificates	0
Accounting fees and expenses	15,000
Legal fees and expenses	900,000
Miscellaneous fees and expenses	256,000
Total	$ 1,345,760

(*) To be furnished by amendment.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons controlled by or under common control with the registrant***

None.

Item 29. ***Number of holders of shares***

The following table sets forth the approximate number of record holders of the Company's common stock as of September 30, 2010:

Title of Class	Number of Record Holders
Common Stock, $0.001 par value	0

Item 30. ***Indemnification***

The information contained under the heading "Description of Shares" is incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person in the successful defense of an action suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is again public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant carries liability insurance for the benefit of its directors and officers (other than with respect to claims resulting from the willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office) on a claims-made basis.

The Registrant has agreed to indemnify the underwriters against specified liabilities for actions taken in their capacities as such, including liabilities under the Securities Act.

Item 31. ***Business and other connections of investment adviser***

A description of any other business, profession, vocation or employment of a substantial nature in which MCC Advisors, and each managing director, director or executive officer of MCC Advisors, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled "The Adviser". Additional information regarding MCC Advisors and its officers and directors is set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-71515), and is incorporated herein by reference.

Item 32. ***Location of accounts and records***

The Registrant's accounts, books and other documents are currently located at the offices of the Registrant, 375 Park Avenue, Suite 3304, New York, NY 10152, and at the offices of the Registrant's Custodian, U.S. Bank National Association, and Transfer Agent, American Stock Transfer & Trust Company.

Item 33. ***Management services***

Not Applicable.

Item 34. ***Undertakings***

(1) The Registrant hereby undertakes to suspend the offering of its common stock until it amends its prospectus if (a) subsequent to the effective date of its registration statement, the NAV declines more than 10 percent from its NAV as of the effective date of the Registration Statement or (b) the NAV increases to an amount greater than its net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5)(a) For the purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and the State of New York, on the 22nd day of November, 2010.

MEDLEY CAPITAL BDC LLC

By: /s/ Brook Taube
Name: Brook Taube
Title: Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities set forth below on November 22, 2010. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Name	Title
/s/ Brook Taube Brook Taube	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
/s/ Richard T. Allorto, Jr. Richard T. Allorto, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Seth Taube Seth Taube	Director
/s/ Andrew Fentress Andrew Fentress	Director
/s/ Karin Hirtler-Garvey Karin Hirtler-Garvey	Director
/s/ John E. Mack John E. Mack	Director
/s/ Guy Rounsaville, Jr. Guy Rounsaville, Jr.	Director
/s/ Louis Burnett Louis Burnett	Director

INDEX TO EXHIBITS

(1) Previously filed

(2) To be filed by amendment

(3) Filed herewith

(*) Superceded by exhibit(r)(3)

CERTIFICATE OF INCORPORATION

OF

MEDLEY CAPITAL CORPORATION

ARTICLE I

1.1 The name of the Corporation is Medley Capital Corporation (the "Corporation").

ARTICLE II

2.1 The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

3.1 The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law") and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

ARTICLE IV

4.1 Authorized Stock. The total number of shares of all classes of stock that the Corporation is authorized to issue is two hundred million (200,000,000) shares, consisting of one hundred million (100,000,000) shares of common stock with a par value of one one-thousandth of a dollar ($0.001) per share (the "Common Stock") and one hundred million (100,000,000) shares of Preferred Stock with a par value of one one-thousandth of a dollar ($0.001) per share (the "Preferred Stock").

4.2 Common Stock. Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation (as defined below), the holders of the Common Stock shall exclusively possess all voting power, and each share of Common Stock shall have one vote.

4.3 Preferred Stock. The Board of Directors are expressly granted authority to issue shares of Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution

or resolutions adopted by the Board of Directors providing for the issue of such series (each, a "Preferred Stock Designation") and as may be permitted by the Delaware General Corporation Law. The Board of Directors may classify any unissued shares of Preferred Stock of any class or series from time to time, in one or more classes or series of Preferred Stock, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

ARTICLE V

5.1 The name and mailing address of the sole incorporator of the Corporation are as follows:

Name	Address
Anna T. Pinedo	Morrison & Foerster LLP 1290 Avenue of the Americas New York, NY 10104

5.2 The powers of the sole incorporator shall terminate upon the filing of this Certificate of Incorporation, and the name and mailing addresses of the persons who are to serve as directors until their successor are elected and qualified are as follows:

Name	Position	Director Class	Expiration of Initial Term	Address
Brook Taube	Chairman of the Board of Directors, Chief Executive Officer	Class I	2011	375 Park Avenue, Suite 3304 New York, NY 10152
Seth Taube	Director	Class I	2011	375 Park Avenue, Suite 3304 New York, NY 10152
Andrew Fentress	Director	Class I	2011	375 Park Avenue, Suite 3304 New York, NY 10152

Name	Position	Director Class	Expiration of Initial Term	Address
Guy Rounsaville, Jr.	Director	Class II	2012	375 Park Avenue, Suite 3304 New York, NY 10152
Louis Burnett	Director	Class II	2012	375 Park Avenue, Suite 3304 New York, NY 10152
John E. Mack	Director	Class III	2013	375 Park Avenue, Suite 3304 New York, NY 10152
Karin Hirlter-Garvey	Director	Class III	2013	375 Park Avenue, Suite 3304 New York, NY 10152

ARTICLE VI

6.1 Powers of the Board of Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors shall have the power, without the assent or vote of the stockholders, to make, alter, amend, change, add to or repeal the Bylaws of the Corporation as provided in the Bylaws of the Corporation, subject to the power of the stockholders to alter or repeal any Bylaw whether adopted by them or otherwise.

The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by a majority of the votes cast by stockholders present in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy), unless a higher vote is required by applicable law, shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interests, or for any other reason.

The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a

stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the Bylaws.

In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject to the provisions of the statutes of Delaware, of this Certificate of Incorporation, and to any bylaws of the Corporation; provided, however, that no bylaw so made shall invalidate any prior act of the directors which would have been valid if such bylaw had not been made.

6.2 Number of Directors. The number of directors of the Corporation shall be fixed from time to time by the Board of Directors either by resolution or bylaw adopted by the affirmative vote of a majority of the entire Board of Directors.

6.3 Classes of Directors. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of stockholders, and in all cases as to each director such term shall extend until his or her successor shall be elected and shall qualify or until his or her earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. The initial term of office of directors of Class I shall expire at the annual meeting of stockholders in [2011], the initial term of office of directors of Class II shall expire at the annual meeting of stockholders in [2012] and the initial term of office of directors of Class III shall expire at the annual meeting of stockholders in [2013]. At each annual meeting of stockholders a number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if less, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of stockholders after their election.

At each annual election, directors chosen to succeed those whose terms then expire shall be of the same class as the directors they succeed, unless by reason of any intervening changes in the authorized number of directors, the Board of Directors shall designate one or more directorships whose term then expires as directorships of another class in order to more nearly achieve equality of number of directors among the classes.

Notwithstanding the rule that the three classes shall be as nearly equal in number of directors as possible, in the event of any change in the authorized number of directors, each director then continuing to serve as such shall nevertheless continue as a director of the class of which such director is a member until the expiration of his or her current term, or his or her prior death, resignation or removal. If any newly created directorship may, consistently with the rule that the three classes shall be as nearly equal in number of directors as possible, be

allocated to any class, the Board of Directors shall allocate it to that of the available class whose term of office is due to expire at the earliest date following such allocation.

6.4 Vacancies. Subject to applicable requirements of the Investment Company Act of 1940, as amended, including Section 16(b) thereunder, and except as may be provided by the Board of Directors in setting the terms of any class or series of Preferred Stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is duly elected and qualifies. Subject to the provisions of this Certificate of Incorporation, no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

6.5 Elections. Except as may otherwise be provided in the Bylaws of the Corporation, directors shall be elected by the affirmative vote of the holders of a majority of the votes cast by stockholders present in person or by proxy at an annual or special meeting duly called for such purpose and entitled to vote thereat. Election of directors to the Board of Directors need not be by ballot unless the Bylaws of the Corporation so provide.

ARTICLE VII

7.1 Limitation on Liability. The directors of the Corporation shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the Delaware General Corporation Law, as amended from time to time. Without limiting the generality of the foregoing, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Section 7 shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

7.2 Indemnification. The Corporation to the full extent permitted by Section 145 of the Delaware General Corporation Law, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit

or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized hereby.

ARTICLE VIII

8.1 Powers of Stockholders to Act by Written Consent. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting in a unanimous consent which sets forth the action is given in writing or by electronic transmission by each stockholder entitled to vote on the matter and is filed with the records of the meetings of the stockholders.

8.2 Special Meetings of Stockholders. Special meetings of the stockholders of the Corporation may be called only by the Chairman of the Board of Directors or the Chief Executive Officer of the Corporation or by a resolution adopted by the affirmative vote of a majority of the Board of Directors.

ARTICLE IX

9.1 Amendment. The Corporation reserves the right to amend any provision contained in this Certificate as the same may from time to time be in effect in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder are subject to such reservation.

I, the undersigned, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the Delaware General Corporation Law, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and, accordingly, have hereunto set my hands this [___]day of [_____], 2010.

Anna T. Pinedo, Sole Incorporator

BYLAWS
OF
MEDLEY CAPITAL CORPORATION

ARTICLE 1
OFFICES

Section 1.1 Registered Office.

The registered office of Medley Capital Corporation (the "Corporation") in the State of Delaware shall be established and maintained at c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808 and Corporation Service Company shall be the registered agent of the Corporation in charge thereof.

Section 1.2 Other Offices.

The Corporation shall also have and maintain an office or principal place of business at 375 Park Avenue, Suite 3304, New York, NY 10152, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2
STOCKHOLDERS' MEETINGS

Section 2.1 Place of Meetings.

(a) Meetings of the stockholders of the Corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the Corporation required to be maintained pursuant to Section 1.2 of Article 1 hereof.

(b) The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by paragraph (c) of this Section 2.1.

(c) If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication:

(1) Participate in a meeting of stockholders; and

(2) Be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (A) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (B) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (C) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

(d) For purposes of this Section 2.1, "remote communication" shall include (1) telephone or other voice communications and (2) electronic mail or other form of written or visual electronic communications satisfying the requirements of Section 2.11(b).

Section 2.2 Annual Meetings.

The annual meetings of the stockholders of the Corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors and stated in the notice of the meeting.

Section 2.3 Special Meetings.

Special Meetings of the stockholders of the Corporation may be called, for any purpose or purposes, by the Chairman of the Board or the Chief Executive Officer, or by a resolution adopted by the affirmative vote of a majority of the Board of Directors at any time. Upon written request of any stockholder or stockholders holding in the aggregate one-fifth of the voting power of all stockholders delivered in person or sent by registered mail to the Chairman of the Board, Chief Executive Officer or Secretary of the Corporation, the Secretary shall call a special meeting of stockholders to be held as provided in Section 2.1 at such time as the Secretary may fix, such meeting to be held not less than 10 nor more than 60 days after the receipt of such request, and if the Secretary shall neglect or refuse to call such meeting within seven days after the receipt of such request, the stockholder making such request may do so.

Section 2.4 Notice of Meetings.

(a) Except as otherwise provided by law or the Certificate of Incorporation, written notice of each annual or special meeting of stockholders, specifying the place, if any, date and hour and purpose or purposes of the meeting, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote thereat, directed to his address as it appears upon the books of the Corporation; except that where the matter to be acted on is a merger or consolidation of the Corporation or a sale, lease or exchange of all or substantially all of its assets, such notice shall be given not less than 20 nor more than 60 days prior to such meeting.

(b) If at any meeting action is proposed to be taken which, if taken, would entitle shareholders fulfilling the requirements of section 262(d) of the Delaware General Corporation Law to an appraisal of the fair value of their shares, the notice of such meeting shall contain a statement of that purpose and to that effect and shall be accompanied by a copy of that statutory section.

(c) When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken unless the adjournment is for more than thirty days, or unless after the adjournment a new record date is fixed for the adjourned meeting, in which event a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(d) Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, either before or after such meeting, and, to the extent permitted by law, will be waived by any stockholder by his attendance thereat, in person or by proxy. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

(e) Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of Delaware General Corporation Law, the Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent, and (ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this subparagraph (e) shall be deemed given: (1) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Section 2.5 Quorum and Voting.

(a) At all meetings of stockholders except where otherwise provided by law, the Certificate of Incorporation or these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. Shares, the voting of which at said meeting have been enjoined, or which for any reason cannot be lawfully voted at such meeting, shall not be counted to determine a quorum at said meeting. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the original meeting. The stockholders present at a duly called or convened meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

(b) Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the voting power represented at any meeting at which a quorum is present shall be valid and binding upon the Corporation.

Section 2.6 Voting Rights.

(a) Except as otherwise provided by law, only persons in whose names shares entitled to vote stand on the stock records of the Corporation on the record date for determining the stockholders entitled to vote at said meeting shall be entitled to vote at such meeting. Shares standing in the names of two or more persons shall be voted or represented in accordance with the determination of the majority of such persons, or, if only one of such persons is present in person or represented by proxy, such person shall have the right to vote such shares and such shares shall be deemed to be represented for the purpose of determining a quorum.

(b) Each stockholder entitled to vote at a meeting of stockholders or to execute consents or dissents to corporate action in writing without a meeting shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent, which proxy shall be filed with the Secretary of the Corporation at or before the meeting at which it is to be used. Said proxy so appointed need not be a stockholder. No proxy shall be voted on after three (3) years from its date unless the proxy provides for a longer period. Unless and until voted, every proxy shall be revocable at the pleasure of the person who executed it or of his legal representatives or assigns, except in those cases where an irrevocable proxy permitted by statute has been given.

(c) Without limiting the manner in which a stockholder may authorize another person or persons to act for him as proxy pursuant to subsection (b) of this section, the following shall constitute a valid means by which a stockholder may grant such authority:

(1) A stockholder may execute a writing authorizing another person or persons to act for him as proxy. Execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing such writing or causing his or her

signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature.

(2) A stockholder may authorize another person or persons to act for him as proxy by transmitting or authorizing the transmission of a telephone, facsimile or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telephone, facsimile or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telephone, facsimile or other electronic transmission was authorized by the stockholder. Such authorization can be established by the signature of the stockholder on the proxy, either in writing or by a signature stamp or facsimile signature, or by a number or symbol from which the identity of the stockholder can be determined, or by any other procedure deemed appropriate by the inspectors or other persons making the determination as to due authorization.

(d) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to subsection (c) of this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Section 2.7 Voting Procedures and Inspectors of Elections.

(a) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(b) The inspectors shall: (i) ascertain the number of shares outstanding and the voting power of each; (ii) decide upon the qualifications of voters; (iii) determine the shares represented at a meeting and the validity of proxies and ballots; (iv) count all votes and ballots; (v) declare the results; (vi) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (vii) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in accordance with Sections 211(e) or 212(c)(2) of the Delaware General Corporation Law, or any information provided pursuant to Section 211(a)(2)(B)(i) or (iii) thereof, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification pursuant to subsection (b)(v) of this section shall specify the precise information considered by them including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

Section 2.8 List of Stockholders.

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the complete list of stockholders entitled to vote, or to vote in person or by proxy and entitled to vote shall direct. The Corporation need not include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 2.9 Stockholder Proposals at Annual Meetings.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements for business to be properly brought before an annual meeting by a stockholder, whether or not the stockholder is seeking to

have a proposal included in the Corporation's proxy statement or information statement under any applicable rule of the Securities and Exchange Commission (the "SEC"), including, but not limited to, Regulation 14A or Regulation 14C under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, in the case of a stockholder seeking to have a proposal included in the Corporation's proxy statement or information statement, a stockholder's notice must be delivered to the Secretary at the Corporation's principal executive offices not less than 120 days or more than 180 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials (or, in the absence of proxy materials, its notice of meeting) for the previous year's annual meeting of stockholders. However, if the Corporation did not hold an annual meeting the previous year, or if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's annual meeting, then notice by the shareholder to be timely must be delivered to the Secretary at the Corporation's principal executive offices not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made. If the stockholder is not seeking inclusion of the proposal in the Corporation's proxy statement or information statement, timely notice consists of a stockholder's notice delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days prior to the date of the annual meeting. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. Other than with respect to stockholder proposals relating to director nomination(s) which requirements are set forth in Section 2.10 below, a stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business, (v) as to the stockholder giving the notice and any Stockholder Associated Person (as defined below) or any member of such stockholder's immediate family sharing the same household, whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including, but not limited to, any short position or any borrowing or lending of shares of stock) has been made, the effect or intent of which is to mitigate loss or increase profit to or manage the risk or benefit of stock price changes for, or to increase or decrease the voting power of, such stockholder, such Stockholder Associated Person or family member with respect to any share of stock of the Corporation (each, a "Relevant Hedge Transaction"), and (vi) as to the stockholder giving the notice and any Stockholder Associated Person or any member of such stockholder's immediate family sharing the same household, to the extent not set forth pursuant to the immediately preceding clause, (a) whether and the extent to which such stockholder, Stockholder Associated Person or family member has direct or indirect beneficial ownership of any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise, or any other direct or indirect opportunity to profit or

share in any profit derived from any increase or decrease in the value of shares of the Corporation (a "Derivative Instrument"), (b) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder, Stockholder Associated Person or family member that are separated or separable from the underlying shares of the Corporation, (c) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder, Stockholder Associated Person or family member is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (d) any performance-related fees (other than an asset-based fee) that such stockholder, Stockholder Associated Person or family member is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date).

For purposes of this Section 2.9 and Section 2.10, "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling or controlled by, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in Section 2.1 and this Section 2.9, provided, however, that nothing in this Section 2.9 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedure.

The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of Section 2.1 and this Section 2.9, and if he should so determine he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

Nothing in this Section 2.9 shall affect the right of a stockholder to request inclusion of a proposal in the Corporation's proxy statement or information statement to the extent that such right is provided by an applicable rule of the SEC.

Section 2.10 Nominations of Persons for Election to the Board of Directors.

In addition to any other applicable requirements, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors, by any nominating committee or person appointed by the Board of Directors, or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.10. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation, which shall be the exclusive means for a stockholder to make nominations whether

or not the stockholder is seeking to have a proposal included in the Corporation's proxy statement or information statement under an applicable rule of the SEC, including, but not limited to, Regulation 14A or Regulation 14C under the Exchange Act. To be timely, in the case of a stockholder seeking to have a nomination included in the Corporation's proxy statement or information statement, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 120 days or more than 180 days prior to the first Anniversary of the date on which the Corporation first mailed its proxy materials (or, in the absence of proxy materials, its notice of meeting) for the previous year's annual meeting of stockholders. However, if the Corporation did not hold an annual meeting the previous year, or if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's annual meeting, then notice by the shareholder to be timely must be delivered to the Secretary at the Corporation's principal executive offices not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 15th day following the day on which public announcement of the date of such meeting is first made. If the stockholder is not seeking inclusion of the nomination in the Corporation's proxy statement or information statement, timely notice consists of a stockholder's notice delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days prior to the date of the annual meeting. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

The stockholder's notice relating to director nomination(s) shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Exchange Act; (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder, and (ii) the class and number of shares of the Corporation which are beneficially owned by the stockholder; (c) as to the stockholder giving the notice and any Stockholder Associated Person (as defined in Section 2.09), to the extent not set forth pursuant to the immediately preceding clause, whether and the extent to which any Relevant Hedge Transaction (as defined in Section 2.09) has been entered into, and (d) as to the stockholder giving the notice and any Stockholder Associated Person, (1) whether and the extent to which any Derivative Instrument (as defined in Section 2.09) is directly or indirectly beneficially owned, (2) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (3) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (4) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date). The Corporation may require any proposed nominee to furnish such other information as

may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. These provisions shall not apply to nomination of any persons entitled to be separately elected by holders of preferred stock.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2.11 Action Without Meeting.

(a) Unless otherwise provided in the Certificate of Incorporation, any action required by statute to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. To be effective, a written consent must be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation in accordance with this Section. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

(b) Any facsimile or other electronic transmission consent to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this section, provided that any such facsimile or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the facsimile or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder, and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such facsimile or electronic transmission. The date on which such facsimile or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by facsimile or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in this State, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be made

by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by facsimile or other electronic transmission may be otherwise delivered to the principal place of business of the Corporation or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded if to the extent and in the manner provided by resolution of the Board of Directors of the Corporation.

(c) Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

ARTICLE 3

DIRECTORS

Section 3.1 Number and Term of Office.

The number of directors which shall constitute the whole of the Board of Directors shall be seven (7). With the exception of the first Board of Directors, which shall be elected by the incorporators, and except as provided in Section 3.3 of this Article 3, the directors shall be elected by a plurality vote of the shares represented in person or by proxy at the stockholders annual meeting in each year and entitled to vote on the election of directors. Elected directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified. Directors need not be stockholders. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

The directors shall be divided into three classes, designated Class I, Class II, and Class III, as nearly equal in number as the then total number of directors permits. At the 2011 annual meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of stockholders beginning in 2012, successors to the class of directors whose terms expire at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the applicable terms of these Bylaws and any certificate of designation creating such class or series of Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Section 3.1 unless expressly provided by such terms.

Any amendment, change or repeal of this Section 3.1, or any other amendment to these Bylaws that will have the effect of permitting circumvention of or modifying this Section 3.1, shall require the favorable vote, at a stockholders' meeting, of the holders of at least 80% of the then-outstanding shares of stock of the Corporation entitled to vote.

With the exception of the first Board of Directors, which shall be elected by the incorporators, and except as provided in Section 3.3 of this Article 3, the directors shall be elected by a majority vote of the shares represented in person or by proxy, at the stockholders annual meeting in each year and entitled to vote on the election of directors. Elected directors shall hold office until the next annual meeting for the years in which their terms expire and until their successors shall be duly elected and qualified. Directors need not be stockholders. If, for any cause, the Board of Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 3.2 Powers.

The powers of the Corporation shall be exercised, its business conducted and its property controlled by or under the direction of the Board of Directors.

Section 3.3 Vacancies.

Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and each director so elected shall hold office for the unexpired portion of the term of the director whose place shall be vacant and until his successor shall have been duly elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this section in the case of the death, removal or resignation of any director, or if the stockholders fail at any meeting of stockholders at which directors are to be elected (including any meeting referred to in Section 3.4 below) to elect the number of directors then constituting the whole Board.

Section 3.4 Resignations and Removals.

(a) Any director may resign at any time by delivering his resignation to the Secretary in writing or by electronic transmission, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board effective at a future date, any and all such vacancies may be filled only by an affirmative vote of a majority of the remaining directors then in office, including those who have so resigned, even if the remaining directors do not constitute a quorum. The vote thereon shall take effect when such resignation or resignations becomes effective, and each director so chosen shall hold office for the unexpired portion of the term of the director whose place shall be vacated and until his successor shall have been duly elected and qualified.

(b) At a special meeting of stockholders called for the purpose in the manner hereinabove provided, the Board of Directors or any individual director may be removed from

office, with cause by the affirmative vote of 75% of capital stock entitled to vote, and a new director or directors elected by a vote of the remaining directors.

Section 3.5 Meetings.

(a) The annual meeting of the Board of Directors shall be held immediately after the annual stockholders' meeting and at the place where such meeting is held or at the place announced by the Chairman at such meeting. No notice of an annual meeting of the Board of Directors shall be necessary, and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the Corporation required to be maintained pursuant to Section 1.2 of Article 1 hereof. Regular meetings of the Board of Directors may also be held at any place, within or without the State of Delaware, which has been designated by resolutions of the Board of Directors or the written consent of all directors.

(c) Special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board or by any of the directors.

(d) Written notice of the time and place of all regular and special meetings of the Board of Directors shall be delivered personally to each director or sent by facsimile or other form of electronic transmission at least 48 hours before the start of the meeting, or sent by first class mail at least 120 hours before the start of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat.

Section 3.6 Quorum and Voting.

(a) A quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time in accordance with Section 3.1 of Article 3 of these Bylaws, but not less than one; provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board at which a quorum is present, all questions and business shall be determined by a vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation, or these Bylaws.

(c) Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) The transactions of any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting

duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.7 Action Without Meeting.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.8 Fees and Compensation.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by resolution of the Board of Directors.

Section 3.9 Committees.

(a) **Executive Committee:** The Board of Directors may, by resolution passed by a majority of the whole Board, appoint an Executive Committee of not less than one member, each of whom shall be a director. The Executive Committee to the extent permitted by law shall have and may exercise, when the Board of Directors is not in session, all powers of the Board in the management of the business and affairs of the Corporation, including, without limitation, the power and authority to declare a dividend or to authorize the issuance of stock, except such committee shall not have the power or authority to amend the Certificate of Incorporation, to adopt an agreement or merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the stockholders of the Corporation a dissolution of the Corporation or a revocation of a dissolution, or to amend these Bylaws.

(b) **Other Committees:** The Board of Directors may, by resolution passed by a majority of the whole Board, from time to time appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committee, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) **Term:** The terms of members of all committees of the Board of Directors shall expire on the date of the next annual meeting of the Board of Directors following their appointment; provided that they shall continue in office until their successors are appointed. The Board, subject to the provisions of subsections (a) or (b) of this Section 3.9, may at any time increase or decrease the number of members of a committee or terminate the existence of a

committee; provided that no committee shall consist of less than one member. The membership of a committee member shall terminate on the date of his death or voluntary resignation, but the Board may at any time for any reason remove any individual committee member and the Board may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) **Meetings:** Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 3.9 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter; special meetings of any such committee may be held at the principal office of the Corporation required to be maintained pursuant to Section 1.2 of Article 1 hereof; or at any place which has been designated from time to time by resolution of such committee or by written consent of all members thereof, and may be called by any director who is a member of such committee upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time after the meeting and will be waived by any director by attendance thereat. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

ARTICLE 4

OFFICERS

Section 4.1 Officers Designated.

The officers of the Corporation shall be elected by the Board of Directors and may consist of: a Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Secretary and Treasurer. The Board of Directors or the Chief Executive Officer may also appoint a Chairman of the Board, one or more Vice-Presidents, assistant secretaries, assistant treasurers, and such other officers and agents with such powers and duties as it or he shall deem necessary. The order of the seniority of the Vice- Presidents shall be in the order of their nomination unless otherwise determined by the Board of Directors. The Board of Directors may assign such additional titles to one or more of the officers as they shall deem appropriate. Any one person may hold any number of offices of the Corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the Corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 4.2 Tenure and Duties of Officers.

(a) **General:** All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors. Nothing in these Bylaws shall be construed as creating any kind of contractual right to employment with the Corporation.

(b) **Duties of the Chairman of the Board of Directors:** The Chairman of the Board of Directors (if there be such an officer appointed) shall be the Chief Executive Officer of the Corporation and when present shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(c) **Duties of Chief Financial Officer.** The Chief Financial Officer shall have general supervision, direction and control of the financial affairs of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with policies as established by and subject to the oversight of the Board of Directors. In the absence of a named Treasurer, the Chief Financial Officer shall also have the powers and duties of the Treasurer as hereinafter set forth and shall be authorized and empowered to sign as Treasurer in any case where such officer's signature is required

(d) **Duties of Chief Compliance Officer.** The Chief Compliance Officer shall have general responsibility for the compliance matters of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with policies as established by and subject to oversight of the Board of Directors. Additionally, the Chief Compliance Officer shall, no less than annually, (i) provide a written report to the Board of Directors, the content of which shall comply with Rule 38a-1 of the Investment Company Act of 1940, as amended (the "1940 Act"), and meet separately with the Corporation's independent director

(e) **Duties of Vice-Presidents:** The Vice-Presidents, in the order of their seniority, may assume and perform the duties of the Chief Executive Officer in the absence or disability of the Chief Executive Officer or whenever the office of the Chief Executive Officer is vacant. The Vice-President shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time.

(f) **Duties of Secretary:** The Secretary shall attend all meetings of the stockholders and of the Board of Directors and any committee thereof, and shall record all acts and proceedings thereof in the minute book of the Corporation, which may be maintained in either paper or electronic form. The Secretary shall give notice, in conformity with these Bylaws, of all meetings of the stockholders and of all meetings of the Board of Directors and any Committee thereof requiring notice. The Secretary shall perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The Chief Executive Officer may direct any assistant secretary to assume and perform the duties of the Secretary in the

absence or disability of the Secretary, and each assistant secretary shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time.

(g) **Duties of Treasurer:** The Treasurer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner, and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer. The Treasurer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Corporation. The Treasurer shall perform all other duties commonly incident to his office and shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time. The Chief Executive Officer may direct any assistant treasurer to assume and perform the duties of the Treasurer in the absence or disability of the Treasurer, and each assistant treasurer shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer shall designate from time to time.

ARTICLE 5

EXECUTION OF CORPORATE INSTRUMENTS, AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 5.1 Execution of Corporate Instruments.

(a) The Board of Directors may in its discretion determine the method and designate the signatory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by law, and such execution or signature shall be binding upon the Corporation.

(b) Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the Corporation, shall be executed, signed or endorsed by the Chairman of the Board; such documents may also be executed by any Vice-President and by the Secretary or Treasurer or any assistant secretary or assistant treasurer. All other instruments and documents requiring the corporate signature but not requiring the corporate seal may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

(c) All checks and drafts drawn on banks or other depositaries on funds to the credit of the Corporation or in special accounts of the Corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

(d) Execution of any corporate instrument may be effected in such form, either manual, facsimile or electronic signature, as may be authorized by the Board of Directors.

Section 5.2 Voting of Securities Owned by Corporation.

All stock and other securities of other Corporations owned or held by the Corporation for itself or for other parties in any capacity shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors or, in the absence of such authorization, by the Chairman of the Board (if there be such an officer appointed), or by the Chief Executive Officer, or by any Vice-President.

ARTICLE 6

SHARES OF STOCK

Section 6.1 Form and Execution of Certificates.

The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Certificates for the shares of stock of the Corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation by, (i) the Chairman of the Board, the Chief Financial Officer, or any Vice-President and by the Treasurer or assistant treasurer or the Secretary or assistant secretary, certifying the number of shares owned by him in the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the Delaware General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 6.2 Lost Certificates.

The Board of Directors may direct a new certificate or certificates (or uncertificated shares in lieu of a new certificate) to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates (or uncertificated shares in lieu of

a new certificate), the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representatives, to indemnify the Corporation in such manner as it shall require and/or to give the Corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

Section 6.3 Transfers.

Transfers of record of shares of stock of the Corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, who shall furnish proper evidence of authority to transfer, and in the case of stock represented by a certificate, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed.

Section 6.4 Fixing Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors: the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the date on which the meeting is held. A determination of stockholders of record entitled notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing or by electronic transmission without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing or by electronic transmission without a meeting, when no prior action by the Board of Directors is required by the Delaware General Corporation Law, shall be the first date on which a signed written consent or electronic transmission setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded; provided that any such electronic transmission shall satisfy the requirements of Section 2.11(b) and, unless the Board of Directors otherwise provides by resolution, no such consent by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which

proceedings of meetings of stockholders are recorded. Delivery made to a Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing or by electronic transmission without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6.5 Registered Stockholders.

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE 7

OTHER SECURITIES OF THE CORPORATION

All bonds, debentures and other corporate securities of the Corporation, other than stock certificates, may be signed by the Chairman of the Board (if there be such an officer appointed), or the Chief Executive Officer or any Vice-President or such other person as may be authorized by the Board of Directors and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an assistant secretary, or the Treasurer or an assistant treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signature of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an assistant treasurer of the Corporation, or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon has ceased to be an officer of the Corporation before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the Corporation and issued and delivered as though the

person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the Corporation.

ARTICLE 8

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

Section 8.1 Right to Indemnification.

Each person who was or is a party or is threatened to be made a party to or is involved (as a party, witness, or otherwise), in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, or who is party, or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Corporation (hereinafter a "Proceeding"), by reason of the fact that he, or a person of whom he is the legal representatives, is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent (hereafter an "Agent"); provided that such person was acting in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or hew conduct was unlawful, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended or interpreted (but, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the Corporation to provide broader indemnification rights than were permitted prior thereto) against all expenses, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any Agent as a result of the actual or deemed receipt of any payments under this Article) reasonably incurred or suffered by such person in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding (hereinafter "Expenses"); *provided*, *however*, that except as to actions to enforce indemnification rights pursuant to Section 8.3 of this Article, the Corporation shall indemnify any Agent seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if the Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 8.2 Authority to Advance Expenses.

Expenses incurred by an officer or director (acting in his capacity as such) in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding, provided, however, that if required by the Delaware General Corporation Law, as amended, such Expenses shall be advanced only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this

Article or otherwise. Expenses incurred by other Agents of the Corporation (or by the directors or officers not acting in their capacity as such, including service with respect to employee benefit plans) may be advanced upon such terms and conditions as the Board of Directors deems appropriate. Any obligation to reimburse the Corporation for Expense advances shall be unsecured and no interest shall be charged thereon.

Section 8.3 Right of Claimant to Bring Suit.

If a claim under Section 8.1 or 8.2 of this Article is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 8.4 Provisions Nonexclusive.

The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that any provision of the Certificate, agreement, or vote of the stockholders or disinterested directors is inconsistent with these Bylaws, the provision, agreement, or vote shall take precedence.

Section 8.5 Authority to Insure.

The Corporation may purchase and maintain insurance to protect itself or on behalf of any person who is or was a director, officer employee of Agent of the Corporation against any Expense, whether or not the Corporation would have the power to indemnify the Agent against such Expense under applicable law or the provisions of this Article.

Section 8.6 Enforcement of Rights

Without the necessity of entering into an express contract, all rights provided under this Article shall be deemed to be contractual rights and be effective to the same extent and as if

provided for in a contract between the Corporation and such Agent. Any rights granted by this Article to an Agent shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction.

Section 8.7 Survival of Rights.

The rights provided by this Article shall continue as to a person who has ceased to be an Agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Section 8.8 Settlement of Claims.

The Corporation shall not be liable to indemnify any Agent under this Article for: (a) any amounts paid in settlement of any action or claim effected without the Corporation's written consent, which consent shall not be unreasonably withheld; or (b) any judicial award if the Corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 8.9 Effect of Amendment.

Any amendment, repeal, or modification of this Article that adversely affects any rights provided in this Article to an Agent shall only be effective upon the prior written consent of such Agent.

Section 8.10 Primacy of Indemnification.

Notwithstanding that an Agent may have certain rights to indemnification, advancement of expenses and/or insurance provided by other persons (collectively, the "Other Indemnitors"), the Corporation: (i) shall be the indemnitor of first resort (i.e., its obligations to an Agent are primary and any obligation of the Other Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Agent are secondary); (ii) shall required to advance the full amount of expenses incurred by an Agent and shall be liable for the full amount of all Expenses, without regard to any rights such Agent may have against any of the Other Indemnitors. No advancement or payment by the Other Indemnitors on behalf of an Agent with respect to any claim for which such Agent has sought indemnification from the Corporation shall affect the immediately preceding sentence, and the Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Agent against the Corporation.

Section 8.11 Subrogation.

In the event of payment under this Article, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Agent (other than against the Other Indemnitors), who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Corporation effectively to bring suit to enforce such rights.

Section 8.12 No Duplication of Payments.

Except as otherwise set forth in Section 8.10 above, the Corporation shall not be liable under this Article to make any payment in connection with any claim made against the Agent to the extent the Agent has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

Section 8.13 Saving Clause.

If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Agent to the fullest extent not prohibited by any applicable portion of this Article that shall not have been invalidated, or by any other applicable law.

ARTICLE 9

NOTICES

Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, the same shall be given either (1) in writing, timely and duly deposited in the United States Mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the Corporation or its transfer agent, or (2) by a means of electronic transmission that satisfies the requirements of Section 2.4(e) of these Bylaws, and has been consented to by the stockholder to whom the notice is given. Any notice required to be given to any director may be given by either of the methods hereinabove stated, except that such notice other than one which is delivered personally, shall be sent to such address or (in the case of electronic communication) such e-mail address, facsimile, telephone number or other form of electronic address as such director shall have filed in writing or by electronic communication with the Secretary of the Corporation, or, in the absence of such filing, to the last known post office address of such director. If no address of a stockholder or director be known, such notice may be sent to the office of the Corporation required to be maintained pursuant to Section 1.2 of Article 1 hereof. An affidavit of mailing, executed by a duly authorized and competent employee of the Corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing and all notices given by means of electronic transmission shall be deemed to have been given as at the sending time recorded by the electronic transmission equipment operator transmitting the same. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such a stockholder or such director to receive such notice. Whenever any notice is required to be

given under the provisions of the statutes or of the Certificate of Incorporation, or of these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the Corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

ARTICLE 10

AMENDMENTS

Except as otherwise provided in Section 8.9 above, these Bylaws may be repealed, altered or amended or new Bylaws adopted by written consent of stockholders in the manner authorized by Section 2.9 of Article 2, or at any meeting of the stockholders, either annual or special, by the affirmative vote of a 66 2/3 of the capital stock entitled to vote at such meeting, unless a larger vote is required by these Bylaws or the Certificate of Incorporation. Except as otherwise provided in Section 8.9 above, the Board of Directors shall also have the authority to repeal, alter or amend these Bylaws or adopt new Bylaws (including, without limitation, the amendment of any Bylaws setting forth the number of directors who shall constitute the whole Board of Directors) by unanimous written consent or at any annual, regular, or special meeting by the affirmative vote of a 66 2/3 of the whole number of directors, subject to the power of the stockholders to change or repeal such Bylaws and provided that the Board of Directors shall not make or alter any Bylaws fixing the qualifications, classifications, or term of office of directors; provided, however that any amendments relating to the size of the Board of Directors or any amendments relating to certain actions requiring approval by the Board of Directors may only be amended by an affirmative vote of 75% of the whole number of directors.

ARTICLE 11

GENERAL PROVISIONS

Section 11.1 Reliance on Books and Records.

Each Director, each member of any committee designated by the Board of Directors and each officer of the Corporation, shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant or by an appraiser selected with reasonable care.

Section 11.2 Maintenance and Inspection of Records.

The Corporation shall, either at its principal executive office or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class shares held by each stockholder, a copy of these Bylaws, as may be amended to date, minute books, accounting books and other records.

Any such records maintained by the Corporation may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to the provisions of the General Corporation Law of the State of Delaware. When records are kept in such manner, a clearly legible paper form produced from or by means of the information storage device or method shall be admissible in evidence, and accepted for all other purposes, to the same extent as an original paper form accurately portrays the record.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal executive office.

Section 11.3 Inspection by Directors.

Any Director shall have the right to examine the Corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his or her position as a Director.

Section 11.4 Dividends.

Subject to the provisions of the Certificate of Incorporation, if any, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or

special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

Section 11.5 Annual Statement.

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

Section 11.6 Checks.

All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other persons as the Board of Directors may from time to time designate.

Section 11.7 Fiscal Year.

The fiscal year of the Corporation shall be as determined by the Board of Directors. If the Board of Directors shall fail to do so, the Chief Executive Officer shall fix the fiscal year.

Section 11.8 Seal.

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words “Corporate Seal, Delaware.” The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 11.9 Amendments.

These or other bylaws may be adopted, amended or repealed by the stockholders entitled to vote thereon at any regular or special meeting or, if the Certificate of Incorporation so provides, by the Board of Directors, as set forth in Article 10. The fact that such power has been so conferred upon the Board of Directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal bylaws.

Section 11.10 Interpretation of Bylaws.

All words, terms and provisions of these Bylaws shall be interpreted and defined by and in accordance with the General Corporation Law of the State of Delaware, as amended, and as amended from time to time hereafter.

Section 11.11 Conflict with Investment Company Act of 1940.

If and to the extent that any provision of the General Corporation Law of the State of Delaware, as amended, or any provision of these Bylaws shall conflict with any provision of the Investment Company Act of 1940 (the "1940 Act"), the applicable provision of the 1940 Act shall control.

CERTIFICATE OF SECRETARY

The undersigned, Secretary of _____, a Delaware Corporation, hereby certifies that the foregoing is a full, true and correct copy of the Bylaws of said Corporation, with all amendments to date of this Certificate.

WITNESS the signature of the undersigned this _____ day of _____, 2010.

_____

[_____], Secretary

BYLAWS

OF

Medley Capital Corporation

a Delaware Corporation

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AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT
OF
MEDLEY CAPITAL BDC LLC

THIS AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of MEDLEY CAPITAL BDC LLC (the "Company"), is entered into as of the 25th day of October, 2010, by Brook Taube, as the sole member of the limited liability company (the "Member").

1. Name; Formation. (i) The Member hereby confirms the formation of the Company as of the 23rd day of April 2010 (the "Formation Date") as a limited liability company under and pursuant to the provisions of the Delaware Limited Liability Company Act, as amended (the "Delaware Act") and all other pertinent laws of the State of Delaware for the purposes and upon the terms and conditions hereinafter set forth. The name of the limited liability company is MEDLEY CAPITAL BDC LLC.

2. Purpose and Powers. (i) The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is, engaging in any lawful act or activity for which limited liability companies may be formed under the Delaware Act and exercising any powers permitted to limited liability companies under the laws of the State of Delaware. The Company, and the Member or any officer acting on behalf of the Company, shall have and exercise all powers necessary, convenient or incident to accomplishing the foregoing purposes.

3. Principal Business Office. (i) The principal business office of the Company shall be located at 375 Park Avenue, Suite 3304, New York, New York 10152, or at such other location as may hereafter be determined by the Member.

4. Registered Office and Registered Agent. (i) The address of the registered office of the Company in the State of Delaware is 2711 Centerville Road Suite 400, Wilmington, Delaware 19808 in the County of New Castle. The name of the registered agent of the Company for service of process in the State of Delaware is Corporation Service Company.

5. Member. The name and the business, residence or mailing address of the Member of the Company are as follows:

Name: Brook Taube

Address: 375 Park Avenue, Suite 3304
New York, New York 10152

6. Officers.

(i) The officers of the Company shall be as set forth on Schedule A, as amended from time to time. Notwithstanding anything to the contrary contained herein, the officers of the Company, including any vice president, shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise. The officers of the Company are agents of

the Company for the purpose of the Company's business, and the actions of the officers taken in accordance with such powers set forth in this Agreement shall bind the Company. The officers of the Company may be re-designated, removed or substituted and additional officers may be appointed at any time by the Board of Managers.

7. Board of Managers.

(i) Subject to the delegation of rights and powers as provided for herein, the business and affairs of the Company shall be vested in and conducted by a Board of Managers, which shall have the right to manage the business and affairs of the Company and shall have all powers and rights necessary, appropriate or advisable to effectuate and carry out the purposes and business of the Company. Written notice stating the place, day and hour of any meeting of the Board of Managers shall be delivered not less than three nor more than 60 days before the date of such meeting by the Chairman of the Board of Managers. The number of managers constituting the Board of Managers shall be between two and nine. The Chairman of the Board of Managers shall be elected by a majority of managers on the Board of Managers. The initial members of the Board of Managers shall be Brook Taube, Seth Taube, Andrew Fentress, Karin Hirtler-Garvey, John E. Mack, Guy Rounsaville Jr. and Louis Burnett.

(ii) The Board of Managers may, by resolution, designate one or more committees, each committee to consist of one or more of the managers of the Company. Any such committee, to the extent permitted by law, this Agreement and a resolution of the Board of Managers, shall have and may exercise all the powers and authority of the Board of Managers in the management of the business and affairs of the Company.

(iii) Subject to the provisions of this Agreement, any action which could be taken by the Board of Managers at a meeting of the Board of Managers may be taken by the Board of Managers, without a meeting, without prior notice and without a vote, if a unanimous written consent setting forth the action so taken is signed by all of the managers of the Board of Managers. Any such written consent may be executed and ascribed to by facsimile or similar electronic means.

(iv) The Chairman of the Board of Managers shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

(v) Except as otherwise provided in this Agreement, the Board of Managers shall have the power and authority to delegate to one or more other persons its rights and powers to manage and control the business and affairs of the Company, including delegating such rights and powers to a committee of managers, or managers of the Company. The Board of Managers may authorize any person to enter into any document on behalf of the Company and perform the obligations of the Company thereunder.

(vi) Except as otherwise specifically provided by this Agreement or required by the Delaware Act, the Board of Managers shall have the power to act for and on

behalf of, and to bind, the Company. The Board of Mangers are hereby designated as authorized persons, within the meaning of the Delaware Act, to execute, deliver and file any amendments and/or restatements to the certificate of formation of the Company and any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

8. Other Business. (i) The Member and any person or entity affiliated with the Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others. The Company shall not have any rights in or to such ventures or the income or profits therefrom by virtue of this Agreement.

9. Term; Dissolution. (i) The term of the Company shall be perpetual unless the Company is dissolved and terminated in accordance with this Section 9. The Company shall dissolve, and its affairs shall be wound up, upon the first to occur of the following: (a) the written consent of the Member, (b) the occurrence of any event other than the death or incompetency of the Member that terminates the continued membership of the Member without the admission of a successor member to the Member or (c) the entry of a decree of judicial dissolution under Section 18-802 of the Delaware Act. In the event of the death or incompetency of the Member, the Company shall not dissolve but the personal representatives (as defined in the Delaware Act) of the Member shall agree in writing to continue the Company and to the admission of the personal representatives of the Member or its nominee or designee to the Company as a member, effective as of the death or incompetency of the Member. Upon the dissolution of the Company, the Board of Managers shall wind up the Company's affairs and distribute its assets as provided in the Delaware Act. Upon the completion of the winding up of the Company, the Board of Managers shall file a certificate of cancellation with the Secretary of State of the State of Delaware canceling the Company's certificate of formation at which time the Company shall terminate.

10. Capital Contribution. The Member has contributed the following amount, in cash, and no other property, to the Company:

$50,000.00

11. Additional Contributions. The Member may, but is not required to, make any additional capital contribution to the Company.

12. Allocation of Profits and Losses; Tax Status. The Company's profits and losses shall be allocated to the Member. At all times that the Company has only one member (who owns 100% of the limited liability company interests in the Company), it is the intention of the Member that the Company be disregarded for federal, state, local and foreign income tax purposes and that the Company be treated as a division of the Member.

13. Distributions. Distributions shall be made to the Member at the times and in the amounts determined by the Board of Managers, provided that no distribution shall be made in violation of the Delaware Act and, unless otherwise determined by the Board of Managers, no distribution will be paid to the Member upon its withdrawal in connection with the voluntary assignment of its entire interest pursuant to Section 14 hereof.

14. Assignments. The Member may transfer or assign (including as a collateral assignment or pledge) in whole or in part its limited liability company interest. In connection with a voluntary transfer or assignment by the Member of its entire limited liability company interest in the Company, the Member will automatically withdraw and the assignee will automatically and simultaneously be admitted as the successor Member without any further action at the time such voluntary transfer or assignment becomes effective under applicable law and the Company shall be continued without dissolution. In connection with a partial assignment or transfer by the Member of its limited liability company interest in the Company, this Agreement shall be amended to reflect the fact that the Company will have more than one member or one member and one or more economic interest holding assignees.

15. Resignation. The Member may resign from the Company at such time as it shall determine.

16. Admission of Additional Members. One or more additional members of the Company may be admitted to the Company with the consent of the Member. Prior to the admission of any such additional member of the Company, this Agreement shall be amended by the Member and the person or persons to be admitted as additional members to make such changes as they shall determine to reflect the fact that the Company shall have more than one member.

17. Liability of Member. The Member shall not have any liability for the obligations or liabilities of the Company except to the extent provided in the Delaware Act.

18. Exculpation and Indemnification.

(i) None of the Member, managers or the officers shall be liable to the Company, or any other person or entity who has an interest in the Company for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Member, managers or officers in good faith in connection with the formation of the Company or on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Member, managers or officers by this Agreement. To the full extent permitted by applicable law, the Member, the managers and the officers shall each be indemnified from and held harmless by the Company for any loss, damage or claim incurred by such Member, managers or officers by reason of any act or omission performed or omitted by such person on behalf of the Company; provided, however, that any indemnity under this Section 18 shall be provided out of and to the extent of Company assets only, and no Member shall have personal liability on account thereof.

19. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Member.

20. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of Delaware, without regard to the rules of conflict of laws thereof or of any other jurisdiction that would call for the application of the substantive laws of a jurisdiction other than the State of Delaware.

21. Entire Agreement. This Agreement and the documents and agreements contemplated in this Agreement constitute the entire agreement with the Member with regard to the subject matter hereof and thereof.

22. Benefits. Except as expressly provided herein, this Agreement is entered into for the sole and exclusive benefit of the parties hereto and will not be interpreted in such a manner as to give rise to or create any rights or benefits of or for any person or entity not a party hereto.

23. Severability. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall continue in full force without being impaired or invalidated.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the undersigned has duly executed this Limited Liability Company Agreement as of the day and year first aforesaid.

BROOK TAUBE

By: /s/ Brook Taube

SCHEDULE A
OFFICERS OF THE COMPANY

NAME OF OFFICER	TITLE
Brook Taube	Chief Executive Officer
Richard T. Allorto, Jr.	Chief Financial Officer

LIMITED LIABILITY COMPANY AGREEMENT

OF

MEDLEY CAPITAL BDC LLC

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Exhibit (d)

[FACE OF CERTIFICATE]

NUMBER SHARES

MEDLEY CAPITAL CORPORATION

CUSIP:

COMMON STOCK

SEE REVERSE FOR CERTAIN DEFINITIONS

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS IS TO CERTIFY that
is the owner of

FULLY AND NON-ASSESSABLE SHARES OF COMMON STOCK, $0.001 PAR VALUE PER SHARE, OF

MEDLEY CAPITAL CORPORATION

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon the surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile signatures of the Corporation's duly authorized officers.

Dated:

[SIGNATURE]
CHIEF FINANCIAL OFFICER

[SIGNATURE]|
CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED: AMERICAN STOCK TRANSFER & TRUST COMPANY (New York, N.Y.) TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

[REVERSE OF CERTIFICATE]

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common

TEN ENT — as tenants by the entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -_____ Custodian_____
(Cust) (Minor)
under Uniform Gifts to Minors Act_____
(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____Shares of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed:_____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

Exhibit (e)

AMENDED FORM OF DIVIDEND REINVESTMENT PLAN
OF
MEDLEY CAPITAL CORPORATION

Medley Capital Corporation, a Delaware corporation (the "Corporation"), has adopted the following plan (the "Plan"), to be administered by American Stock Transfer and Trust Company (the "Plan Administrator"), with respect to dividends and other distributions declared by its Board of Directors on shares of its common stock, par value $0.001 per share (the "Common Stock") :

1. Unless a stockholder specifically elects to receive cash as set forth below, all cash dividends or other distributions hereafter declared by the Board of Directors, net of any applicable withholding tax, shall be automatically reinvested in additional shares of Common Stock, and no action shall be required on such stockholder's part to receive a distribution in Common Stock.

2. Such distributions shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date established by the Board of Directors for the distribution involved.

3. The Corporation shall use only newly-issued shares to implement the Plan if the Common Stock is trading at or above net asset value ("NAV"). Under such circumstances, the number of shares of Common Stock to be issued to a Participant, as defined below, is determined by dividing the total dollar amount of the distribution payable to such stockholder by the greater of (i) NAV per share, and (ii) 95% of the market price per share of Common Stock at the close of regular trading on the New York Stock Exchange on the payment date fixed by the Board of Directors for such distribution. The market price per share on that date shall be the closing price for such shares on the New York Stock Exchange or, if no sale is reported for such day, at the average of their electronically-reported bid and asked prices.

4. If the Corporation declares a distribution to stockholders, the Plan Administrator may be instructed not to credit accounts with newly-issued shares of Common Stock and instead to buy shares in the market (in which case there would be no discount available to Participants, as defined below) if (1) the price at which newly-issued shares are to be credited does not exceed 110% of the last determined NAV per share; or (2) the Corporation has advised the Plan Administrator that since such NAV was last determined, the Corporation has become aware of events that indicate the possibility of a material change in per share NAV as a result of which the NAV of the shares on the payment date might be higher than the price at which the Plan Administrator would credit newly-issued shares to stockholders. Shares of Common Stock purchased in open market transactions by the Plan Administrator shall be allocated to each Participant, as defined below, based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of Common Stock purchased with respect to the applicable distribution.

5. The Plan Administrator shall establish an account for shares of Common Stock acquired pursuant to the Plan for each stockholder who has not so elected to receive distributions in cash (each a "Participant"). The Plan Administrator may hold each Participant's shares, together with the shares of other Participants, in non-certificated form in the Plan Administrator's name or that of its nominee. Upon request by a Participant, received in writing no later than three days prior to the record date, the Plan Administrator shall, instead of crediting shares to and/or carrying shares in a Participant's account, issue a certificate registered in the Participant's name for the number of whole shares of Common Stock payable to the Participant and a check for any fractional share. The Plan Administrator is authorized to deduct a $[•] transaction fee plus a $[•] per share brokerage commission from the proceeds of the sale of any fractional share of Common Stock.

6. The Plan Administrator shall confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable but not later than 30 business days after the payable date. Although each Participant may from time to time have an undivided fractional interest (computed to three decimal places) in a share of Common Stock, no certificates for a fractional share of Common Stock shall be issued. However, distributions on fractional shares shall be credited to each Participant's account. In the event of termination of a Participant's account under the Plan, the Plan Administrator shall adjust for any such undivided fractional interest in cash at the market value of the shares of Common Stock at the time of termination.

7. The Plan Administrator shall forward to each Participant any Corporation-related proxy solicitation materials and each Corporation report or other communication to stockholders, and shall vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation.

8. In the event that the Corporation makes available to its stockholders rights to purchase additional shares of Common Stock or other securities, the shares held by the Plan Administrator for each Participant under the Plan shall be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant. Transaction processing may be either curtailed or suspended until the completion of any stock dividend, stock split or corporate action.

9. The Plan Administrator's service fee, if any, and expenses for administering the Plan shall be paid for by the Corporation. There will be no brokerage charges or other charges to stockholders who participate in the Plan.

10. Each participant may elect to receive an entire distribution in cash by noticing the Plan Administrator in writing so that such notice is received by the Plan Administrator no later than the record date for distributions to stockholders.

11. Each Participant may terminate his or its account under the Plan by so notifying the Plan Administrator via the Plan Administrator's website at *www.amstock.com* or by filling out the transaction request form located at the bottom of the Participant's statement and sending it to American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, New York, 10269. Such termination shall be effective immediately if the Participant's notice is received by the Plan Administrator at least three days prior to any distribution date; otherwise, such termination shall be effective only with respect to any subsequent distribution. The Plan may be terminated or amended by the Corporation upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend by the Corporation. Upon any termination, the Plan Administrator shall cause a certificate or certificates to be issued for the full shares of Common Stock held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his, her or its written notice to the Plan Administrator in advance of termination of his, her or its account to have the Plan Administrator sell part or all of his, her or its shares and remit the proceeds to the Participant, the Plan Administrator is authorized to deduct a $[•] transaction fee plus a $[•] per share brokerage commission from the proceeds.

12. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives written notice of the termination of his, her or its account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions. Upon any such appointment of any agent for the purpose of receiving distributions, the Corporation shall be authorized to pay to such successor agent, for each Participant's account, all distributions payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these terms and conditions.

13. The Plan Administrator shall at all times act in good faith and use its best efforts within reasonable limits to ensure its full and timely performance of all services to be performed by it with respect to purchases and sales of the Corporation's Common Stock under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's negligence, bad faith or willful misconduct or that of its employees or agents.

14. These terms and conditions shall be governed by the laws of the State of New York.

[•], 2010

Exhibit (h)

Medley Capital Corporation

Common Stock, $0.001 par value per share

Underwriting Agreement

____, 2010

Goldman, Sachs & Co.
200 West Street
New York, NY 10282-2198

Citigroup Global Markets Inc.
338 Greenwich Street
New York, New York 10013

UBS Securities: LLC
299 Park Avenue
New York, New York 10171

As representatives (the "Representatives") of the several Underwriters
named in Schedule I hereto,

Ladies and Gentlemen:

Medley Capital Corporation, a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated in this underwriting agreement (the "Underwriting Agreement"), to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters"), an aggregate of **[•]** shares (the "Firm Shares") and, at the election of the Underwriters, up to **[•]** additional shares (the "Optional Shares") of common stock, $0.001 par value per share ("Stock"), of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 3 hereof being collectively called the "Shares").

On May 31, 2010, Medley Opportunity Fund LP ("MOF LP"), a Delaware limited partnership, and Medley Opportunity Fund Ltd. ("MOF Ltd."), a Cayman Islands limited company, transferred their respective interests in five loan participations in secured loans to the companies (the "Loan Assets") set forth under the heading "Portfolio Companies" in the Registration Statement (as defined below) to MOF I BDC LLC, a recently formed Delaware limited liability company ("MOF I BDC"), pursuant to the terms of two contribution agreements**,** dated May 31, 2010 (the "Loan Transfer Agreements"), by and between MOF I BDC and MOF LP and MOF I BDC and MOF Ltd., respectively, in exchange for 100% of the membership interests in MOF I BDC. On **[•]**, 2010, MOF LP and MOF Ltd. transferred all of their membership interests in MOF I BDC to Medley Capital BDC LLC, a recently formed Delaware limited liability company ("Medley Capital BDC"), pursuant to the terms of the **[•],** dated **[•]**, 2010 (the "Equity Contribution Agreement" and, together with the Loan Transfer Agreements, the "Formation Transaction Agreements"), by and among Medley Capital BDC, MOF LP and MOF Ltd., in exchange for 100% of the membership interests in Medley Capital BDC. As a result of the foregoing, MOF I BDC became a wholly-owned subsidiary of Medley Capital BDC.

On **[•]**, 2010, Medley Capital BDC filed a certificate of conversion (the "Certificate of Conversion") with the Secretary of State of the State of Delaware and otherwise completed all action necessary for the conversion (the "Conversion") of Medley Capital BDC from a limited liability company to a corporation, the Company, in accordance with Section 265 of the Delaware General

Corporation Law (the "DGCL") and Section 18-216 of the Delaware Limited Liability Act (the "Delaware LLC Act"). The transactions described in this paragraph and the immediately preceding paragraph, as further described in the Registration Statement under the heading "Formation," are hereinafter referred to as the "Formation Transactions." For purposes of this Underwriting Agreement, unless the context otherwise requires, references to the Company shall be deemed to include Medley Capital BDC and its consolidated subsidiaries, if any, for periods prior to the consummation of the Formation Transactions.

On May 3, 2010, the Company filed a Form N-6F Notice of Intent to be Subject to Sections 55 through 65 of the Investment Company Act of 1940 (File No. 814-0818) with the Securities and Exchange Commission (the "Commission") under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (collectively, the "Investment Company Act"), pursuant to which the Company notified the Commission that it intends to elect to be treated as a business development company ("BDC"). The Company filed an amendment to the above referenced Form N-6F on September 2, 2010.

On May **[•]**, 2010, the Company filed with the Commission a Form N-54A Notification of Election to be Subject to Sections 55 through 65 of the Investment Company Act of 1940 (File No.814-**[•]**) (the "Notification of Election"), pursuant to which the Company elected to be treated as a BDC. The Company intends to elect to be treated as a regulated investment company ("RIC") (within the meaning of Section 851(a) of the Internal Revenue Code of 1986, as amended (the "Code")) commencing with its first taxable year that it is treated as a corporation for federal income tax purposes.

The Company has entered into an investment management agreement, dated as of **[•]**, 2010 (the "Investment Management Agreement"), with MCC Advisors LLC, a Delaware limited liability company ("MCC Advisors" and, when acting in the capacity as the Company's investment adviser pursuant to the Investment Management Agreement, the "Adviser"), which has registered as an investment adviser under the Investment Advisers Act of 1940, as amended, and the rules and regulations thereunder (the "Advisers Act").

The Company has entered into an administration agreement, dated as of **[•]**, 2010, (the "Administration Agreement"), with MCC Advisors (when acting in the capacity as the Company's administrator pursuant to the Administration Agreement, the "Administrator").

1. The Company represents and warrants to and agrees with each of the Underwriters, and MCC Advisors represents and warrants to and agrees with each of the Underwriters, that:

(a) A registration statement on Form N-2 (File No. 333-166491) (the "Initial Registration Statement") in respect of the Shares has been filed with the Commission; the Company is eligible to use Form N-2; the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto, for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 497(a) of the rules and

regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 497(h) under the Act in accordance with Section 6(A)(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(c) hereof) is hereinafter called the "Pricing Prospectus"; and the prospectus, filed with the Commission pursuant to Rule 497(h) under the Act in accordance with Section 6(A)(a) hereof and in the form first used by the Underwriters to confirm sales of the Shares, is hereinafter called the "Prospectus";

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(c) For the purposes of this Underwriting Agreement, the "Applicable Time" is **[•]** p.m. (Eastern daylight time) on the date of this Underwriting Agreement. The Pricing Prospectus, as of the Applicable Time when considered together with the price to the public and number of Shares to be offered set forth on the cover of the Prospectus (such price to the public and number of Shares being referred to herein as the "Pricing Information"), did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Additional Disclosure Item (as defined in Section 7 hereof) listed on Schedule II(a) hereto does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each such Additional Disclosure Item, as supplemented by and taken together with the Pricing Prospectus as of the Applicable Time when considered together with the Pricing Information, did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements or omissions made in the Pricing Prospectus in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein;

(d) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and do not and will not, as of the applicable effective date as to each part of the Registration Statement and as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon

and in conformity with information furnished in writing to the Company by an Underwriter through the Representatives expressly for use therein; there are no contracts or agreements that are required to be described in the Registration Statement, the Pricing Prospectus or the Prospectus, or to be filed as an exhibit to the Registration Statement that have not been so described and filed as required;

(e) Neither the Company nor MOF I BDC has sustained since the date of the latest audited financial statements included in the Pricing Prospectus any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been any change in the capital stock or long-term debt of the Company or MOF I BDC or any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company and MOF I BDC (any such change or development is hereinafter referred to as a "Material Adverse Change"), in each such case except to the extent set forth or contemplated in the Pricing Prospectus;

(f) The Company and MOF I BDC have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, including the Loan Assets, free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and MOF I BDC; and any real property and buildings held under lease by the Company or MOF I BDC are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company or MOF I BDC; the Company and MOF I BDC own, lease or have access to all properties and other assets that are necessary to the conduct their business as described in the Registration Statement and the Pricing Prospectus;

(g) The Formation Transactions have been consummated prior to the date hereof (and at such times described in the Pricing Prospectus and the Prospectus) on the terms and in the manner contemplated by the Formation Transaction Agreements, this Underwriting Agreement, the Pricing Prospectus and the Prospectus;

(h) The offer, issue, sale and delivery of equity interests in MOF I BDC and the Company to MOF LP and MOF Ltd. in connection with the Formation Transactions did not require registration under the Act, and such offer, issue, sale and delivery did not violate any provision of the Investment Company Act;

(i) Medley Capital BDC was duly formed and, at the time of its entry into the Equity Contribution Agreement and the filing of the Certificate of Conversion with the Secretary of State of the State of Delaware, validly existing and in good standing under the laws of the State of Delaware; MOF I BDC has been duly formed and, at the time of the Formation Transactions and as of the date hereof, was and is validly existing and in good standing under the laws of the State of Delaware; Medley Capital BDC and MOF I BDC had all required power and authority (limited liability company and other) necessary to effectuate the Formation Transactions, as applicable; the Formation Transactions, as applicable, did not conflict with or result in a violation of MOF I BDC's or Medley Capital BDC's organizational documents, or conflict with or constitute a breach or violation of, or a default under any of the terms or provisions of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which MOF I BDC or Medley Capital BDC was a party or to which either of them or any of their properties or assets was bound or any statute or any order, rule or

regulation of any court or governmental agency or body having jurisdiction over MOF I BDC or Medley Capital BDC or any of their properties so as to constitute a Material Adverse Change; all documents required under the DGCL and the Delaware LLC Act to effect the Conversion have been duly filed with the Secretary of State of the State of Delaware and conform to the requirements of the DGCL and the Delaware LLC Act; the Conversion became effective under the DGCL and the Delaware LLC Act on the date of such filing; and the Conversion was legally sufficient under the DGCL and the Delaware LLC Act to vest in the Company immediately following the effective time of the Conversion all right, title (vested by deed or otherwise under the laws of the State of Delaware) and interest in all the properties and assets of Medley Capital BDC immediately prior to such effective time;

(j) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus and to enter into and perform its obligations under this Underwriting Agreement and the other agreements described in this Underwriting Agreement, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction;

(k) As of the date of this Underwriting Agreement, the Company has an authorized and outstanding capitalization as set forth under the heading "Pro Forma" in the section of the Pricing Prospectus entitled "Capitalization" and, as of the Time of Delivery (as defined in Section 5(a) herein), the Company shall have an authorized and outstanding capitalization as set forth under the heading "Pro Forma As Adjusted" in the section of the Pricing Prospectus entitled "Capitalization"; all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and conform to the description of the Stock contained in the Pricing Prospectus and Prospectus; and neither the Company nor MOF I BDC has issued any debt securities or entered into any agreement or arrangement relating to the issuance of any debt securities;

(l) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Prospectus and the offer and sale of the Shares as contemplated hereby has been duly approved by all necessary corporate action; no holder of Shares will be subject to personal liability by reason of being such a holder; and the issuance of the Shares is not subject to any pre-emptive, co-sale right, rights of first refusal or other similar rights of any security holder of the Company or any other person;

(m) The Company does not own, directly or indirectly, any shares of stock or any other equity or long-term debt securities of any corporation or other entity other than (i) 100% of the equity interests in MOF I BDC and (ii) indirectly through its ownership in MOF I BDC, the Loan Assets. Except as disclosed in the Pricing Prospectus, the Company does not control (as such term is defined in Section 2(a)(9) of the Investment Company Act) any of the corporations or other entities described in the Pricing Prospectus and the Prospectus under the captions "Portfolio Companies" (each a "Portfolio Company" and collectively, the "Portfolio Companies"). In accordance with Article 6 of Regulation S-X under the Securities Act, the Company is not currently required to consolidate the financial statements of any corporation, association or other entity with the Company's financial statements other than MOF I BDC;

(n) All of the outstanding membership or equity interests of MOF I BDC have been duly authorized and issued and are fully paid and nonassessable, and all outstanding membership or

equity interests of MOF I BDC are owned by the Company free and clear of any security interests, claims, liens or encumbrances;

(o) This Underwriting Agreement has been duly authorized, executed and delivered by the Company; each of the License Agreement, dated as of **[•]**, 2010 (the "License Agreement"), between the Company and MCC Advisors, the Custodian Agreement, dated as of **[•]**, 2010 (the "Custodian Agreement"), between the Company and the Bank of New York Mellon Corporation, the Investment Management Agreement and the Administration Agreement have been duly authorized, executed and delivered by the Company and constitute valid, binding and enforceable agreements of the Company, subject, as to enforcement, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally; and the Investment Management Agreement has been approved by the Company's board of directors and stockholders in accordance with Section 15 of the Investment Company Act and contains the applicable provisions required by Section 205 of the Advisers Act and Section 15 of the Investment Company Act;

(p) None of the execution, delivery and performance of this Underwriting Agreement, the License Agreement, the Custodian Agreement, the Investment Management Agreement or the Administration Agreement, or the consummation of transactions contemplated hereby and thereby, will (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or MOF I BDC is a party or by which the Company or MOF I BDC is bound or to which any of their properties or assets are subject, or (ii) result in any violation of the provisions of the certificate of incorporation or the bylaws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or MOF I BDC or any of their properties except, with respect to clause (i), to the extent that any such conflict, breach or violation would not result in a Material Adverse Change; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the execution, delivery or performance of any of this Underwriting Agreement, the License Agreement, the Investment Management Agreement or the Administration Agreement, or the consummation of the transactions contemplated hereby and thereby, except the registration under the Act of the Shares, such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws or the Financial Industry Regulatory Authority ("FINRA") requirements in connection with the purchase and distribution of the Shares by the Underwriters and such consents, approvals, authorization, registrations or qualifications which have been obtained or effected;

(q) Neither the Company nor MOF I BDC is in violation of its organizational documents, including certificate of incorporation, bylaws and limited liability company agreement, or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound;

(r) The statements set forth in the Pricing Prospectus and Prospectus under the caption **"**Description of Shares," insofar as they purport to constitute a summary of the terms of the Stock, and under the captions "The Adviser—Investment Management Agreement," **"**The Adviser**—**Administration Agreement," "The Adviser—License Agreement," "Regulation" "Tax Matters" and "Underwriting," insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair;

(s) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be a "registered management investment company", as such term is used in the Investment Company Act;

(t) There are no legal or governmental proceedings pending to which the Company or MOF I BDC is a party or of which any property of the Company or MOF I BDC is the subject which, if determined adversely to the Company or MOF I BDC, would individually or in the aggregate have a material adverse effect on the current or future financial position, stockholders' equity or results of operations of the Company and MOF I BDC; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(u) The Company has duly elected to be regulated by the Commission as a BDC under the Investment Company Act, and no order of suspension or revocation has been issued or proceedings therefor initiated or, to the knowledge of the Company, threatened by the Commission. Such election is effective and has not been withdrawn and the provisions of the Company's certificate of incorporation and bylaws and compliance by the Company with the investment objectives, policies and restrictions described in the Pricing Prospectus and the Prospectus will not conflict with the provisions of the Investment Company Act applicable to the Company;

(v) Ernst & Young LLP, who have certified certain financial statements of the Company, are independent public accountants of the Company as required by the Act and the rules and regulations of the Commission thereunder. Rothstein Kass LLP, who have certified certain financial statements of MOF I BDC, are independent public accountants of MOF I BDC as required by the Act and the rules and regulations of the Commission thereunder;

(w) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related notes, present fairly, in all material respects, the financial position of the Company at the dates indicated and the statement of operations, changes in net assets, cash flows and financial highlights of the Company for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods involved;

(x) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related notes, present fairly, in all material respects, the financial position of MOF I BDC at the dates indicated and the statement of operations, changes in net assets, cash flows and financial highlights of MOF I BDC for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods involved;

(y) The Company maintains a system of internal accounting and other controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization and with the investment objectives, policies and restrictions of the Company and the applicable requirements of the Investment Company Act and the Code; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles and to maintain accountability for assets and to maintain material compliance with the books and records requirements under the Investment Company Act; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. There has been (1) no material weakness (whether or not remediated) in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15 and 15d-15 of the Securities

Exchange Act of 1934, as amended (the "Exchange Act")) and (2) no change in the Company's internal control over financial reporting that has materially negatively affected, or is reasonably likely to materially negatively affect, the Company's internal control over financial reporting;

(z) The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including material information pertaining to the Company's operations and assets managed by the Adviser, is made known to the Company's Chief Financial Officer by others within the Company and the Adviser, and such disclosure controls and procedures are effective to perform the functions for which they were established;

(aa) The terms of the Investment Management Agreement comply in all material respects with the applicable provisions of the Investment Company Act and the Advisers Act;

(bb) Other than the Shares, the Company has not sold any securities, the sale of which is required to be registered under the Securities Act;

(cc) Except as disclosed in the Pricing Prospectus, there are no agreements requiring the registration under the Securities Act of, and there are no options, warrants or other rights to purchase any shares of, or exchange any securities for shares of, the Company's capital stock;

(dd) When the Notification of Election was filed with the Commission, it (i) contained all statements required to be stated therein in accordance with, and compiled in all material respects with the requirements of, the Investment Company Act and (ii) did not include any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading;

(ee) By executing the License Agreement, the Company has obtained a valid and enforceable license for, or other right to use, the trademarks (whether registered or unregistered) and trade names described in the Pricing Prospectus and the Prospectus as being licensed by it or which the Company believes are necessary for the conduct of its businesses;

(ff) The Company and MOF I BDC maintain insurance covering their properties, operations, personnel and businesses as the Company deems adequate; such insurance insures against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect the Company and MOF I BDC and their business; all such insurance is fully in force;

(gg) Neither the Company nor MOF I BDC has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or agreements referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or MOF I BDC or, to the Company's knowledge, any other party to any such contract or agreement;

(hh) The Company has not, directly or indirectly, extended credit, arranged to extend credit, or renewed any extension of credit, in the form of a personal loan, to or for any director or executive officer of the Company, or to or for any family member or affiliate of any director or executive officer of the Company;

(ii) Neither the Company nor, to the Company's knowledge, any employee or agent of the Company has made any payment of funds of the Company or received or retained any funds in violation of any law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in the Pricing Prospectus or the Prospectus;

(jj) Neither the Company nor, to the Company's knowledge, any of its respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or might reasonably be expected to cause or result in, under the Exchange Act, to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares;

(kk) To the Company's knowledge, there are no affiliations or associations between any member of FINRA and any of the Company's officers, directors or securityholders, except as set forth in the Pricing Prospectus and the Prospectus;

(ll) Except as disclosed in the Pricing Prospectus and the Prospectus, (i) no person is serving or acting as an officer, director or investment adviser of the Company, except in accordance with the provisions of the Investment Company Act and the Advisers Act and (ii) to the knowledge of the Company, no director of the Company is an "affiliated person" (as defined in the Investment Company Act) of any of the Underwriters;

(mm) The operations of the Company are in compliance in all material respects with the provisions of the Investment Company Act applicable to a BDC and the rules and regulations of the Commission thereunder;

(nn) The Company has not distributed any offering material in connection with the offering or sale of the Shares other than the Registration Statement, the Pricing Prospectus or the Prospectus;

(oo) None of the persons identified as "independent directors" in the Registration Statement or the Pricing Prospectus is an "interested person" as that term is defined in Section 2(a)(19) of the Investment Company Act;

(pp) Except as described in the Registration Statement and the Pricing Prospectus, no relationship, direct or indirect, exists between or among the Company, on the one hand, and the directors, officers or stockholders of the Company, on the other hand, that is required to be described in the Registration Statement or the Pricing Prospectus which is not so described;

(qq) Except as disclosed in the Registration Statement and the Pricing Prospectus, neither the Company nor the Adviser has any lending or other relationship with any affiliate of any Underwriter and the Company will not use any of the proceeds from the sale of the Shares to repay any indebtedness owed to any affiliate of any Underwriter;

(rr) The Company intends to elect to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), effective as of **[•]**, 2010. The Company is in compliance with the requirements of the Code necessary to qualify as a RIC. The Company intends to direct the investment of the net proceeds of the offering of the Shares and to continue to conduct its activities in such a manner as to continue to comply with the requirements for qualification as a RIC under Subchapter M of the Code;

(ss) The Company is not aware that any executive officer of the Company plans to terminate employment with the Company or is subject to any noncompete, nondisclosure, confidentiality, employment, consulting or similar agreement that would be violated by the present or proposed business activities of the Company;

(tt) The Company (i) has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities Laws (as that term is defined in Rule 38a-1 under the Investment Company Act) by the Company, (ii) is conducting its business in compliance with all laws, rules, regulations, decisions, directives and orders, except for such failure to

comply which would not, either individually or in the aggregate, reasonably be expected to, result in a Material Adverse Change and (iii) is conducting its business in compliance, in all material respects, with the requirements of the Investment Company Act;

(uu) Neither the Company nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company is aware of or has taken any action, directly or indirectly, that has resulted or would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA;

(vv) The operations of the Company and MOF I BDC are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or MOF I BDC with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(ww) Neither the Company nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use any of the proceeds received by the Company from the sale of Shares contemplated by this Underwriting Agreement, or lend, contribute or otherwise make available any such proceeds to any joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC;

(xx) Except as otherwise disclosed in the Pricing Prospectus and the Prospectus, and to the Company's knowledge, each Portfolio Company is current, in all material respects, with all its obligations under the applicable loan and other agreements of which the Company or MOF I BDC are a party, no event of default (or a default which with the giving of notice or the passage of time would become an event of default) has occurred and is continuing under such agreements;

(yy) Any statistical and market-related data included in the Pricing Prospectus or the Prospectus are based on or derived from sources that the Company believes to be reliable and accurate, all such date included in the Pricing Prospectus or the Prospectus accurately reflect the materials upon which it is based or from which it was derived, and the Company has delivered true, complete and correct copies of such materials to the Representatives;

(zz) Neither the Company nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Pricing Prospectus and the Prospectus; and

(aaa) No person other than the principals of MCC Advisors played a significant part in achieving the investment track record of the principals of MCC Advisors set forth in the Pricing Prospectus and the Prospectus, and such track record of the principals of MCC Advisors relates to their management of investment funds with substantially similar investment objectives and strategies to that of the Company.

(bbb) All of the information provided to the Underwriters or to counsel for the Underwriters by the Company and, to the knowledge of the Company, its officers and directors in connection with letters, filings or other supplemental information provided to the FINRA pursuant to FINRA Conduct Rule 2310 is true, complete and correct.

2. MCC Advisors represents and warrants to the Underwriters that:

(a) It has not sustained since the date of its formation any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus and the Prospectus; and, since the date as of which information is given in the Pricing Prospectus and the Prospectus, there has not been any material adverse change, or any development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of MCC Advisors (any such change or development is hereinafter referred to as a "MCC Advisors Material Adverse Change"), otherwise than as set forth or contemplated in the Pricing Prospectus;

(b) It has been duly formed and is validly existing as a limited liability company and is in good standing under the laws of the State of Delaware, with power and authority to own its properties and conduct its business as described in the Pricing Prospectus and the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction;

(c) It is duly registered with the Commission as an investment adviser under the Advisers Act and is not prohibited by the Advisers Act or the Investment Company Act from acting under the Investment Management Agreement for the Company as contemplated by the Pricing Prospectus and the Prospectus. There does not exist any proceeding or, to its knowledge, any facts or circumstances the existence of which could lead to any proceeding which might adversely affect the registration of the Adviser with the Commission;

(d) This Underwriting Agreement, the Investment Management Agreement, the Administration Agreement and the License Agreement have each been duly authorized, executed and delivered by MCC Advisors and constitute valid, binding and enforceable agreements of it, subject, as to enforcement, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally;

(e) None of the execution, delivery and performance of this Underwriting Agreement, the Investment Management Agreement, the Administration Agreement or the License Agreement, or the consummation of the transactions contemplated hereby and thereby, will (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound or to which any of the property or assets of MCC Advisors or any of its subsidiaries is subject, or (ii) result in any violation of the provisions of its limited liability company agreement or any statute or any order, rule or regulation of

any court or governmental agency or body having jurisdiction over it or any of its subsidiaries or any of its properties except, with respect to clause (i), to the extent that any such conflict, breach or violation would not result in a MCC Advisors Material Adverse Change; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the execution, delivery or performance of any of this Underwriting Agreement, the Investment Management Agreement, the Administration Agreement or the License Agreement, or the consummation of the transactions contemplated hereby and thereby by MCC Advisors, including the conduct of its business, except such as have been obtained under the Act, the Investment Company Act and the Advisers Act;

(f) There are no legal or governmental proceedings pending to which it is a party or of which any of its property is the subject which, if determined adversely to it would individually or in the aggregate materially adversely affect its ability to properly render services to the Company under the Investment Management Agreement or Administration Agreement or have a material adverse effect on its current or future financial position, stockholders' equity or results of operations and, to its knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(g) It is not in violation of its limited liability company agreement or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound;

(h) It possesses all licenses, certificates, permits and other authorizations issued by appropriate federal, state or foreign regulatory authorities necessary to conduct its business, and has not received any notice of proceeding relating to the revocation or modification of any such license, certificate, permit or authorization which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a MCC Advisors Material Adverse Change;

(i) The descriptions of MCC Advisors and its principals and business, and the statements attributable to it, in the Pricing Prospectus and the Prospectus do not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) It has the financial resources available to it necessary for the performance of its services and obligations as contemplated in the Pricing Prospectus and under this Underwriting Agreement, the Investment Management Agreement and the Administration Agreement; it owns, leases or has access to all properties and other assets that are necessary to the conduct of its business and to perform the services, as described in the Pricing Prospectus and the Prospectus Supplement;

(k) It is not aware that (i) any of its executives, key employees or significant group of employees plans to terminate employment with it or (ii) any such executive or key employee is subject to any noncompete, nondisclosure, confidentiality, employment, consulting or similar agreement that would be violated by its present or proposed business activities;

(l) It maintains a system of internal controls sufficient to provide reasonable assurance that (i) transactions effectuate by it under the Investment Management Agreement are executed in accordance with its management's general or specific authorization; (ii) transactions for which it has bookkeeping and record keeping responsibility for under the Administration Agreement are recorded as necessary to permit preparation of the Company's financial statements in conformity with generally accepted accounting principles and to maintain accountability for the Company's assets; (iii) access to

the Company's assets is permitted only in accordance with its management's general or specific authorization; and (iv) the recorded accountability for such assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(m) It has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares, and it is not aware of any such action being taken by any of its affiliates;

(n) It maintains insurance covering its properties, operations, personnel and businesses as it deems adequate; such insurance insures against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect it and its businesses; all such insurance is fully in force and effect;

(o) Neither it nor any its subsidiaries nor, to its knowledge, any director, officer, agent, employee, affiliate or other person acting on behalf of it or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that has resulted or would result in a violation by such persons of the FCPA, including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA;

(p) MCC Advisors and its subsidiaries operations are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Money Laundering Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving it or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to its knowledge, threatened;

(q) Neither MCC Advisors nor, to the knowledge of MCC Advisors, any director, officer, agent, employee, affiliate or person acting on behalf of MCC Advisors, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Pricing Prospectus and the Prospectus; and

(r) No person other than the Brook Taube, Seth Taube and Andrew Fentress played a significant part in achieving their investment track record set forth in the Pricing Prospectus and the Prospectus, and such track record of Brook Taube, Seth Taube and Andrew Fentress relates to their management of investment funds with substantially similar investment objectives and strategies to that of the Company; and

(s) Neither it nor any of its subsidiaries nor, to its knowledge, any director, officer, agent, employee, affiliate or person acting on its behalf or any of its subsidiaries is currently subject to any U.S. sanctions administered by the OFAC; and it will not cause the Company to use any of the proceeds received by the Company from the sale of Shares contemplated by this Underwriting Agreement, or cause the Company to lend, contribute or otherwise make available any such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

3. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase

from the Company, at a purchase price per share of $**[•]**, the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 3, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to **[•]** Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Underwriting Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 5 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

4. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

5. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as the Representatives may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representatives, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representatives at least forty-eight hours in advance. The Company will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on **[•],** 2010 or such other time and date as the Representatives and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the Representatives in the written notice given by the Representatives of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 9 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 9(k) hereof, will be delivered at the

offices of Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, NY (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at 3:30 p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Underwriting Agreement "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

6. (A) The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 497 under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Underwriting Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 3:00 p.m., New York City time, on the New York Business Day next succeeding the date of this Underwriting Agreement and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any

Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to the Company's securityholders as soon as practicable, but in any event not later than 16 months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus (the "Lock-Up Period"), not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose, except as provided hereunder, of any securities of the Company that are substantially similar to the Shares, including but not limited to any options or warrants to purchase shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to a dividend reinvestment plan described in the Pricing Prospectus), without the prior written consent of each of the Representatives; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or announces material news or a material event or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 15-day period following the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be automatically extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the announcement of the material news or material event, as applicable, unless each of the Representatives waives, in writing, such extension; the Company will provide each of the Representatives and each stockholder subject to the Lock-Up Period pursuant to the lockup letters described in Section 9(m) with prior notice of any such announcement that gives rise to an extension of the Lock-up Period;

(f) To furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company for such quarter in reasonable detail;

(g) During a period of five years from the effective date of the Registration Statement and only to the extent not otherwise available on the Commission's EDGAR system, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company are consolidated in reports furnished to its stockholders generally or to the Commission);

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Underwriting Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange (the "Exchange");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act;

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Underwriting Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act;

(l) To use its best efforts to cause the Company to qualify for and elect, effective **[•]**, 2010 to be treated as a regulated investment company under Subchapter M of the Code; and to use its commercially reasonable efforts to maintain such qualification and election in effect for each taxable year during which it is a BDC under the Investment Company Act;

(m) The Company, during a period of two years from the effective date of the Registration Statement, will use its best efforts to maintain its status as a BDC; provided, however, the Company may change the nature of its business so as to cease to be, or to withdraw its election as, a BDC, with the approval of the board of directors and a vote of stockholders as required by Section 58 of the Investment Company Act or any successor provision;

(n) Not to take, directly or indirectly, any action designed, or which could reasonably be expected to cause or result in, under the Exchange Act, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares;

(o) To maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Stock;

(p) The Company will comply with the Act, the Exchange Act and the Investment Company Act, and the rules and regulations thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Underwriting Agreement and the Prospectus; and

(q) To use its best efforts to obtain the exemptive relief from the staff of the Commission that the Company discloses that it will seek to obtain in the Prospectus, including to permit the Company to pay 50% of the net after-tax incentive fee to MCC Advisors under the Investment Management Agreement by issuing shares of Stock to MCC Advisors.

(B) MCC Advisors agrees with each of the Underwriters not to take, directly or indirectly, any action designed, or which could reasonably be expected to cause or result in, under the Exchange Act, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale of the Shares.

7. The Company represents and agrees that, without the prior consent of each of the Representatives, (i) it will not distribute any offering material other than the Registration Statement, the Pricing Prospectus or the Prospectus, and (ii) it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act and which the parties agree, for the purposes of this Underwriting Agreement, includes (x) any "advertisement" as defined in Rule 482 under the Act; and (y) any sales literature, materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Shares, including any in-person roadshow or investor presentations (including slides and scripts relating thereto) made to investors by or on behalf of the Company (the materials and information referred to in this Section 7 are

herein referred to as an "Additional Disclosure Item"); any Additional Disclosure Item the use of which has been consented to by the Representatives is listed on Schedule II(a) hereto.

8. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any agreement among Underwriters, this Underwriting Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 6A(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) all fees and expenses in connection with listing the Shares on the Exchange; (v) the filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares (vi) the cost of preparing stock certificates; (vii) the cost and charges of any transfer agent or registrar; (viii) fifty percent of "road show" expenses of the Company and the Underwriters (including but not limited to travel and accommodations) and (ix) all other costs and expenses incident to the performance of the Company or MCC Advisors LLC of their obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, and Sections 10, 11 and 13 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

9. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and MCC Advisors herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and MCC Advisors shall have performed all of their respective obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 497 under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 6A(a) hereof; if the Company has elected to rely upon Rule 462(b) under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Underwriting Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Sutherland Asbill & Brennan LLP, counsel for the Underwriters, shall have furnished to you such written opinion or opinions, dated such Time of Delivery, in form and substance satisfactory to you, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Morrison & Foerster LLP, counsel for the Company, shall have furnished to you their written opinion (a draft of such opinion is attached as Annex I(a) hereto), dated such Time of Delivery, in form and substance satisfactory to you;

(d) Morrison & Foerster LLP, counsel for MCC Advisors, shall have furnished to you their written opinion (a draft of such opinion being attached as Annex I(b) hereto), dated such Time of Delivery in form and substance satisfactory to you;

(e) Morrison & Foerster LLP, counsel for counsel to MOF LP and MOF I Ltd., shall have furnished to you their written opinion (a draft of such opinion being attached as Annex I(c) hereto), dated such Time of Delivery in form and substance satisfactory to you;

(f) At the time of the execution of this Underwriting Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Underwriting Agreement and also at such Time of Delivery, Ernst & Young LLP, the independent public accountants of the Company, and Rothstein Kass LLP**,** the independent public accountants for MOF I BDC, shall have furnished to the Representatives a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Representatives;

(g) (i) Neither the Company nor MOF I BDC shall have not sustained since the date of the latest audited financial statements included in the Pricing Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any change in the capital stock (other than those arising in connection with the Formation Transactions) or long-term debt of the Company or MOF I BDC or any change, or any development involving a prospective change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company or MOF I BDC, otherwise than as set forth or contemplated in the Pricing Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery the terms and in the manner contemplated in the Prospectus;

(h) On or after the Applicable Time, there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Exchange; (ii) a suspension or material limitation in trading in the Company's securities on the Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(i) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the Exchange;

(j) The Company shall have complied with the provisions of Section 6A(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Underwriting Agreement;

(k) The Company and MCC Advisors shall have furnished or caused to be furnished to you at such Time of Delivery certificates of their respective officers satisfactory to you as to the accuracy of the representations and warranties of the Company and MCC Advisors herein at and as of such Time of Delivery, as to the performance by the Company and MCC Advisors of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (g) of this Section and as to such other matters as you may reasonably request;

(l) The Formation Transactions shall have been consummated on the terms and in the manner contemplated by this Underwriting Agreement, the Pricing Prospectus and the Prospectus, and the Company shall be regulated as a BDC under the Investment Company Act; and

(m) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from each of the directors, officers and stockholders of the Company, substantially to the effect set forth in Section 6A(e) hereof in form and substance satisfactory to you.

10. Indemnification.

(a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use therein.

(b) MCC Advisors will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred, provided, however, that MCC Advisors shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue

statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use therein.

(c) Each Underwriter severally (and not jointly) will indemnify and hold harmless the Company and MCC Advisors against any losses, claims, damages or liabilities to which it may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Additional Disclosure Item, in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; and will reimburse the Company and MCC Advisors for any legal or other expenses reasonably incurred by the Company and MCC Advisors in connection with investigating or defending any such action or claim as such expenses are incurred. The Company and MCC Advisors acknowledge that (i) the sentences related to concessions and reallowances and (ii) the paragraphs related to stabilization, syndicate covering transactions and penalty bids under the heading “Underwriting” in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus constitute the only information furnished in writing by or on behalf of the Underwriters specifically for inclusion in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a

statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(e) If the indemnification provided for in this Section 10 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and MCC Advisors on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (d) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and MCC Advisors on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations, or, in the case of indemnification pursuant to subsection (c), matters referred to in such subsection. The relative benefits received by the Company and MCC Advisors on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or MCC Advisors on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission, or, in the case of indemnification pursuant to subsection (c), matters referred to in such subsection. The Company and MCC Advisors and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (e) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Company and MCC Advisors under this Section 10 shall be in addition to any liability which the Company and MCC Advisors may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act, to each of the partners, members, officers, directors, affiliates and agents of any Underwriter, and each broker-dealer affiliate of any Underwriter; and the obligations of the

Underwriters under this Section 10 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and MCC Advisors and to each person, if any, who controls the Company and MCC Advisors within the meaning of the Act. No party shall be entitled to indemnification under this Section 10 if such indemnification of such party would violate Section 17(i) of the Investment Company Act.

11. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Underwriting Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Underwriting Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Underwriting Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 8 hereof and the indemnity and contribution agreements in Sections 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of the Company and MCC Advisors and the several Underwriters, as set forth in this Underwriting

Agreement or made by or on behalf of them, respectively, pursuant to this Underwriting Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

13. If this Underwriting Agreement shall be terminated pursuant to Section 11 hereof, the Company and MCC Advisors shall not then be under any liability to any Underwriter except as provided in Sections 8 and 10, hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 8 and 10 hereof.

14. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by Goldman, Sachs & Co.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives in care of Goldman, Sachs & Co., 200 West Street, New York, NY 10282-2198; Attention: Registration Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 10(d) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request; provided, however, that notices under subsection 6A(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the representatives at Goldman, Sachs & Co., 200 West Street, New York, NY 10282-2198; Attention: Control Department. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

15. This Underwriting Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and MCC Advisors and, to the extent provided in Sections 10 and 12 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Underwriting Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Underwriting Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

17. Each of the Company and MCC Advisors hereby acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Underwriting Agreement is an arm's-length commercial transaction between the Company and MCC Advisors on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company or MCC Advisors with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company or MCC Advisors except the obligations expressly set forth in this Underwriting Agreement and (iv) each of the Company or MCC Advisors has consulted its own legal and financial advisors to the extent it deemed appropriate. Each of the Company and MCC Advisors agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company and MCC Advisors in connection with such transaction or the process leading thereto.

18. This Underwriting Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and MCC Advisors on the one hand and the Underwriters on the other, or any of them, with respect to the subject matter hereof.

19. This Underwriting Agreement shall be governed by and construed in accordance with the laws of the State of New York.

20. The Company, MCC Advisors and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Underwriting Agreement or the transactions contemplated hereby.

21. This Underwriting Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

22. Except as set forth below, no claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Underwriting Agreement (a "Claim") may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company and MCC Advisors each consents to the jurisdiction of such courts and personal service with respect thereto. The Company and MCC Advisors each hereby consents to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Underwriting Agreement is brought by any third party against any Underwriter or any indemnified party. Each Underwriter and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and MCC Advisors (on its behalf and, to the extent permitted by applicable law, its members and affiliates) each waive all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Underwriting Agreement. The Company and MCC Advisors each agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon each of the Company and MCC Advisors and may be enforced in any other courts to the jurisdiction of which any of the Company or MCC Advisors each is or may be subject, by suit upon such judgment.

[Remainder of Page Intentionally Left Blank]

If the foregoing is in accordance with your understanding, please sign and return to us counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of agreement among Underwriters, the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Medley Capital Corporation

By: _____
Name:
Title:

MCC Advisors LLC

By: _____
Name:
Title:

Accepted as of the date hereof:

Goldman, Sachs & Co.

By: _____
(Goldman, Sachs & Co.)

Citigroup Global Markets Inc.

By: _____
(Citigroup Global Markets Inc.)

UBS Securities LLC

By: _____
(UBS Securities LLC)

SCHEDULE I

Underwriter	Total Number of of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Goldman, Sachs & Co.		
Citigroup Global Markets Inc.		
UBS Securities LLC		
Stifel, Nicolaus & Company, Incorporated		
RBC Capital Markets Corporation		
BB&T Capital Markets, a division of Scott & Stringfellow, LLC		
Janney Montgomery Scott LLC		
JMP Securities LLC		
Gilford Securities Incorporated		
Total		

SCHEDULE II

(a) Additional Disclosure Item:

Annex I(a)
Opinion of Morrison & Foerster LLP, counsel for the Company

(A) Medley Capital BDC was duly formed and, at the time of the filing of the Certificate of Conversion with the Secretary of State of the State of Delaware, validly existing and in good standing under the laws of the State of Delaware.

(B) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware. The Company has the corporate power and authority to own and operate its properties and to conduct its business as described in the Pricing Prospectus and the Prospectus.

(C) MOF I BDC has been duly formed and, at the time of its entry into the Loan Transfer Agreements and as of the date hereof, was and is validly existing as a limited liability company in good standing under the laws of the State of Delaware. MOF I BDC has the limited liability company power and authority to own and operate its properties and to conduct its business as described in the Pricing Prospectus and the Prospectus.

(D) All of the issued shares of capital stock of the Company outstanding immediately prior to the issuance of the Shares have been duly authorized and validly issued and are fully paid and non-assessable.

(E) The issuance and sale of the Shares by the Company have been duly authorized and, when issued and paid for in accordance with the terms of the Underwriting Agreement, such Shares will be validly issued, fully paid, and nonassessable, and will conform to the description thereof contained in the Pricing Prospectus and Prospectus.

(F) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(G) Each of the Investment Management Agreement and the Administration Agreement (collectively, the "Transaction Documents") has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery of the Transaction Documents by each of the other parties thereto, constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally.

(H) The Investment Management Agreement has been approved by the Board of Directors and stockholders of the Company in accordance with Section 15 of the Investment Company Act of 1940 and the rules and regulations thereunder (the "Investment Company Act").

(I) The execution and delivery of the Underwriting Agreement and the Transaction Documents by the Company and the performance and the compliance by the Company of its obligations thereunder, including the issuance and sale of the Shares as provided for in the Underwriting Agreement: (i) will not result in any violation of the provisions of the Certificate of Incorporation or Bylaws of the Company; (ii) will not constitute a breach of, or default by the Company under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any agreements, documents or instruments to which the Company is a party (an "Opinion Instrument") (assuming that any prerequisite notices have been given and times for cure have elapsed without cure); (iii) will not result in any violation of any laws applicable to the Company; or (iv) will not require any consents,

approvals or authorizations to be obtained by the Company, or any orders, registrations, qualifications, declarations or filings to be made by the Company, in each case, from or with any governmental or self-regulatory authority under any laws applicable to the Company, in each case, except (x) as may have been obtained or effected, (y) as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Shares by the Underwriters or (z) as may be required under the rules and regulations of the Financial Industry Regulatory Authority, Inc. in connection with the purchase and distribution of the Shares by the Underwriters.

(J) The statements set forth in the Pricing Prospectus and the Prospectus under the caption "Description of Shares," insofar as they purport to constitute a summary of the terms of the capital stock of the Company, and under the captions "The Adviser—Investment Management Agreement," "The Adviser—Administration Agreement," "The Adviser—License Agreement," "Regulation" "Tax Matters," "Formation" and "Underwriting," insofar as they purport to describe the provisions of the laws and agreements referred to therein, are fair and accurate summaries of such terms and provisions.

(K) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be a "registered management investment company," as such term is used in the Investment Company Act.

(L) The Company has filed with the Commission, pursuant to Section 54(a) of the Investment Company Act, a "Form N-54A Notification of Election to be Subject to Sections 55 through 65 of the Investment Company Act of 1940" (the "*Notice of Election*"), which Notice of Election appeared on its face to be appropriately responsive in all material respects to the requirements of the Investment Company Act.

(M) The provisions of the Company's Certificate of Incorporation comply in all material respects with the provisions of the Investment Company Act applicable to the Company and the compliance by the Company with the investment objective, policies and strategies described in the Pricing Prospectus and the Prospectus will not conflict with the provisions of the Investment Company Act applicable to the Company.

(N) The Loan Transfer Agreements have been duly authorized, executed and delivered by MOF I BDC; the execution and delivery of the Loan Transfer Agreements by MOF I BDC and the performance and the compliance by MOF I BDC of its obligations thereunder: (i) did not result in any violation of the provisions of the organizational or governing documents of MOF I BDC; (ii) did not result in a breach or violation of any of the terms or provisions of, or constitute a default under any agreements, documents or instruments to which MOF I BDC was or is a party (assuming that any prerequisite notices have been given and times for cure have elapsed without cure); (iii) did not result in any violation of any laws applicable to MOF I BDC; (iv) did not require any consents, approvals or authorizations to be obtained by MOF I BDC, or any registrations, declarations or filings to be made by MOF I BDC, from or with any governmental or self-regulatory authority under the laws applicable to MOF I BDC, in case, except as may have been obtained or effected; and (v) did not require any consents, approvals or authorizations to be obtained by MOF I BDC from the other parties to the agreements, documents or instruments to which it was or is a party, except as may have been obtained or effected.

(O) The Equity Contribution Agreement has been duly authorized, executed and delivered by the Company; the execution and delivery of the Equity Contribution Agreement by the Company and the performance and the compliance by the Company of its obligations thereunder: (i) did not result in any violation of the provisions of the Certificate of Incorporation or Bylaws of the Company; (ii) did not result in a breach or violation of any of the terms or provisions of, or constitute a default under any Opinion Instrument (assuming that any prerequisite notices have been given and times for cure have elapsed without cure); (iii) did not result in any violation of any laws applicable to the Company; (iv) did not require any consents, approvals or authorizations to be obtained by the Company, or any registrations, declarations or filings to be made by the Company, from or with any governmental or self-regulatory authority under any laws applicable to the Company, in case, except as may have been obtained or effected; and (v) did not require any consents, approvals or authorizations to be obtained by the Company from the other parties to the Opinion Instruments, except as may have been obtained or effected.

(P) It was not necessary in connection with the issuance of MOF I BDC's membership interests by MOF I BDC pursuant to the Loan Transfer Agreements or Medley Capital BDC's membership interests by Medley Capital BDC pursuant to the Equity Contribution Agreement to register the issuance of such membership interests under the Act.

(Q) To our knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or MOF I BDC is a party or to which the properties of the Company or MOF I BDC are subject that are required under the Act to be described in the Pricing Prospectus or the Prospectus and that are not so described.

(R) To our knowledge, there are no agreements, documents or instruments, to which the Company is a party, required to be filed as exhibits to the Registration Statement other than those filed as exhibits thereto.

(S) To our knowledge, the Company has not filed with the Commission any notice of withdrawal of the Notice of Election pursuant to Section 54(c) of the Investment Company Act, and, to our knowledge, no order of suspension or revocation of such election under the Investment Company Act has been issued or proceedings therefor initiated or threatened by the Commission.

(T) To our knowledge, the issuance of the Shares will not be subject to any preemptive rights or rights of first refusal.

(U) All limited liability company action required to be taken by Medley Capital BDC under the laws of the State of Delaware to authorize it to effectuate the Conversion has been duly and validly taken.

(V) Upon filing of the Certificate of Conversion with the Secretary of State of the State of Delaware, the Conversion became effective with the effect stated in the Certificate of Conversion and as provided under the laws of the State of Delaware.

(W) The Registration Statement has become effective under the Act; no stop order suspending the effectiveness of the Registration Statement has been issued under the Act and, to our knowledge, no proceedings for such purpose have been instituted or are pending or threatened by the Commission. Any required filing of the Prospectus and any supplement thereto, pursuant to Rule 497 under the Act, has been made in the manner and within the time period required by such Rule 497.

(X) The Registration Statement, the Pricing Prospectus and the Prospectus, as of their respective effective or issue dates, or as of the dates they were filed with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act.

(Y) In addition, such counsel has participated in conferences with representatives of the Underwriters and with representatives of the Company, its counsel and its accountants concerning the Registration Statement, the Pricing Prospectus and the Prospectus and has considered the matters required to be stated therein and the statements contained therein, although it has not independently verified the accuracy, completeness or fairness of such statements. Based upon and subject to the foregoing, nothing has come to such counsel's attention that leads it to believe that (i) the Registration Statement, at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) the Pricing Prospectus, together with the pricing information omitted therefrom in accordance with Rule 430A under the Act, at the Applicable Time, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) the Prospectus, as of its date and as of the date hereof, contained an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel has not been requested to and does not make any comment in this paragraph with respect to the financial statements and other financial information contained in the Registration Statement, the Pricing Prospectus or the Prospectus).

Annex I(b)
Opinion of Morrison & Foerster LLP, counsel for MCC Advisors

(A) MCC Advisors is a limited liability company validly existing in good standing under the laws of the State of Delaware. MCC Advisors has the limited liability company power and authority to own and operate its properties and to conduct its business as described in the Pricing Prospectus and the Prospectus.

(B) The Underwriting Agreement has been duly authorized, executed and delivered by MCC Advisors.

(C) Each of the Transaction Documents has been duly authorized, executed and delivered by MCC Advisors and, assuming due authorization, execution and delivery of the Transaction Documents by each of the other parties thereto, constitutes a valid and binding agreement of MCC Advisors, enforceable against MCC Advisors, in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally.

(D) MCC Advisors is duly registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") and is not prohibited by the Advisers Act or the Investment Company Act from acting under the Investment Management Agreement as described in the Preliminary Prospectus and the Prospectus.

(E) The Underwriting Agreement, the Investment Management Agreement and the Administration Agreement comply in all material respects with all applicable provisions of the Advisers Act and the Investment Company Act.

(F) The execution and delivery of the Underwriting Agreement and the Transaction Documents by MCC Advisors and the performance and the compliance by MCC Advisors of its obligations thereunder: (i) will not result in any violation of the provisions of its certificate of formation or limited liability company agreement; (ii) will not constitute a breach of, or default by MCC Advisors under, any of the Transaction Documents; (iii) will not result in any violation of any laws applicable to MCC Advisors; or (iv) will not require any consents, approvals or authorizations to be obtained by MCC Advisors, or any orders, registrations, qualifications, declarations or filings to be made by MCC Advisors, in each case, from or with any governmental or self-regulatory authority under any laws applicable to MCC Advisors except as may have been obtained.

(G) To our knowledge, there are no legal or governmental proceedings pending or threatened to which MCC Advisors is a party or to which the properties of MCC Advisors are subject that are required under the Act to be described in the Pricing Prospectus or the Prospectus and that are not so described.

Annex I(c)
Opinion of Morrison & Foerster LLP, counsel for MOF LP and MOF Ltd.

(A) MOF LP has been duly formed and, at the time of its entry into the Formation Transaction Agreements, was validly existing in good standing under the laws of the State of Delaware.

(B) MOF Ltd. has been duly incorporated and, at the time of its entry into the Formation Transaction Agreements, was validly existing as a corporation in good standing under the laws of the Cayman Islands.

(C) The execution and delivery by MOF LP of the Formation Transaction Documents and the performance by MOF LP of its obligations thereunder, (i) did not result in any violation of the provisions of its organizational or governing documents; (ii) did not result in a breach or violation of any of the terms or provisions of, or constitute a default under any agreement, document or instrument to which it is a party (assuming that any prerequisite notices have been given and times for cure have elapsed without cure); (iii) did not result in any violation of any laws applicable to MOF LP; (iv) did not require any consents, approvals or authorizations to be obtained by MOF LP, or any registrations, declarations or filings to be made by MOF LP, from or with any governmental or self-regulatory authority under any laws applicable to MOF LP, except as may have been obtained or effected; and (v) did not require any consents, approvals or authorizations to be obtained by MOF LP from the holders of equity interests in MOF LP.

(D) The execution and delivery by MOF Ltd. of the Formation Transaction Documents and the performance by MOF Ltd. of its obligations thereunder, (i) did not result in any violation of the provisions of its organizational or governing documents; (ii) did not result in a breach or violation of any of the terms or provisions of, or constitute a default under any agreement, document or instrument to which it is a party (assuming that any prerequisite notices have been given and times for cure have elapsed without cure); (iii) did not result in any violation of any laws applicable to MOF Ltd.; (iv) did not require any consents, approvals or authorizations to be obtained by MOF Ltd., or any registrations, declarations or filings to be made by MOF Ltd., from or with any governmental or self-regulatory authority under any laws applicable to MOF Ltd., except as may have been obtained or effected; and (v) did not require any consents, approvals or authorizations to be obtained by MOF Ltd. from the holders of equity interests in MOF Ltd.

(E) MOF LP had all necessary partnership power and authority to execute and deliver the Formation Transaction Documents, and to perform its obligations thereunder.

(F) MOF Ltd. had all necessary corporate power and authority to execute and deliver the Formation Transaction Documents, and to perform its obligations thereunder.

(G) Each of the Formation Transaction Documents has been duly authorized, executed and delivered by MOF LP and, assuming due authorization, execution and delivery of the Formation Transaction Documents by the other parties thereto, constitutes a valid and binding agreement of MOF LP, enforceable against MOF LP, in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally.

(H) Each of the Formation Transaction Documents has been duly authorized, executed and delivered by MOF Ltd. and, assuming due authorization, execution and delivery of the Formation Transaction Documents by the other parties thereto, constitutes a valid and binding agreement of MOF Ltd., enforceable against MOF Ltd., in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally.

FORM OF CUSTODY AGREEMENT

dated as of November [__], 2010
by and between

MEDLEY CAPITAL CORPORATION
("Company")
and

U.S. BANK NATIONAL ASSOCIATION
("Custodian")

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THIS CUSTODY AGREEMENT (this "Agreement") is dated as of [_____], 2010 and is by and between Medley Capital Corporation (and any successor or permitted assign), a corporation organized under the laws of [_____], having its principal place of business at 375 Park Avenue, Suite 3304, New York, New York 10152, and U.S. BANK NATIONAL ASSOCIATION (or any successor or permitted assign acting as custodian hereunder, the "Custodian"), a national banking association having a place of business at One Federal Street, Boston, MA 02110.

RECITALS

WHEREAS, Medley Capital Corporation is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a closed-end management investment company, which has elected to do business as a business development company and is authorized to issue shares of common stock;

WHEREAS, the Company (as defined below) desires to retain U.S. Bank National Association to act as custodian for the Company;

WHEREAS, the Company desires that the Company's Securities (as defined below) and cash be held and administered by the custodian pursuant to this Agreement; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. **DEFINITIONS**

1.1 Defined Terms. In addition to terms expressly defined elsewhere herein, the following words shall have the following meanings as used in this Agreement:

"Account" or "Accounts" means the Cash Account, the Securities Account, any Subsidiary Cash Account and any Subsidiary Securities Account, collectively.

"Agreement" means this Custody Agreement (as the same may be amended from time to time in accordance with the terms hereof).

"Authorized Person" has the meaning set forth in Section 7.4.

"Business Day" means a day on which the Custodian is open for business in the market or country in which a transaction is to take place.

"Cash Account" means the trust account to be established at the Custodian to which the Custodian shall deposit and hold any cash Proceeds received by it from time to time from or with respect to the Securities or the sale of the common stock of the Company, as applicable, which deposit account shall be designated the "Medley Capital Corporation Cash Proceeds Account".

"Company" means Medley Capital Corporation, its successors or permitted assigns.

"Confidential Information" means any databases, computer programs, screen formats, screen designs, report formats, interactive design techniques, and other similar or related information that may be furnished to the Company by the Custodian from time to time pursuant to this Agreement.

"Custodian" has the meaning set forth in the first paragraph of this Agreement.

"Document Custodian" means the Custodian when acting in the role of a document custodian hereunder.

"Eligible Investment" means any investment that at the time of its acquisition is one or more of the following:

(a) United States government and agency obligations;

(b) commercial paper having a rating assigned to such commercial paper by Standard & Poor's Rating Services or Moody's Investor Service, Inc. (or, if neither such organization shall rate such commercial paper at such time, by any nationally recognized rating organization in the United States of America) equal to one of the two highest ratings assigned by such organization, it being understood that as of the date hereof such ratings by Standard & Poor's Rating Services are "A1+" and "A1" and such ratings by Moody's Investor Service, Inc. are "P1" and "P2";

(c) interest bearing deposits in United States dollars in United States or Canadian banks with an unrestricted surplus of at least U.S. $250,000,000, maturing within one year; and

(d) money market funds (including funds of the bank serving as Custodian or its affiliates) or United States government securities funds designed to maintain a fixed share price and high liquidity.

"Eligible Securities Depository" has the meaning set forth in Section (b)(1) of Rule 17f-7 under the 1940 Act.

"Federal Reserve Bank Book-Entry System" means a depository and securities transfer system operated by the Federal Reserve Bank of the United States on which are eligible to be held all United States Government direct obligation bills, notes and bonds.

"Loan" means any U.S. dollar denominated commercial loan, or participation therein, made by a bank or other financial institution that by its terms provides for payments of principal and/or interest, including discount obligations and payment- in-kind obligations, acquired by the Company from time to time.

"Loan Checklist" means a list delivered to the Document Custodian in connection with delivery of a Loan to the Custodian that identifies the items contained in the related Loan File.

"Loan File" means, with respect to each Loan delivered to the Document Custodian, each of the Required Loan Documents identified on the related Loan Checklist.

"Noteless Loan" means a Loan with respect to which (i) the related loan agreement does not require the obligor to execute and deliver an Underlying Note to evidence the indebtedness created under such Loan and (ii) no Underlying Notes are outstanding with respect to the portion of the Loan transferred to the Company.

"Participation" means an interest in a Loan that is acquired indirectly by way of a participation from a selling institution.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereof) unincorporated organization, or any government or agency or political subdivision thereof.

"Proceeds" means, collectively, (i) the net cash proceeds to the Company of the initial public offering by the Company and any subsequent offering by the Company of any class of securities issued by the Company, (ii) all cash distributions, earnings, dividends, fees and other cash payments paid on the Securities (or, as applicable, Subsidiary Securities) by or on behalf of the issuer or obligor thereof, or applicable paying agent, (iii) the net cash proceeds of the sale or other disposition of the Securities (or, as applicable, Subsidiary Securities) pursuant to the terms of this Agreement (and any Reinvestment Earnings from investment of the foregoing, as defined in Section 3.6(b) hereof) and (iv) the net cash proceeds to the Company of any borrowing or other financing by the Company.

"Proper Instructions" means instructions (including Trade Confirmations) received by the Custodian in form acceptable to it, from the Company, or any Person duly authorized by the Company in any of the following forms acceptable to the Custodian:

(a) in writing signed by the Authorized Person (and delivered by hand, by mail, by overnight courier or by telecopier);

(b) by electronic mail from an Authorized Person;

(c) in tested communication;

(d) in a communication utilizing access codes effected between electro mechanical or electronic devices; or

(e) such other means as may be agreed upon from time to time by the Custodian and the party giving such instructions, including oral instructions.

"Required Loan Documents" means, for each Loan:

(a) other than in the case of a Participation, an executed copy of the Assignment for such Loan, as identified on the Loan Checklist;

(b) with the exception of Noteless Loans and Participations, the original executed Underlying Note endorsed by the issuer or the prior holder of record in blank or to the Company;

(c) an executed copy of the Underlying Loan Agreement (which may be included in the Underlying Note if so indicated in the Loan Checklist), together with a copy of all amendments and modifications thereto, as identified on the Loan Checklist;

(d) a copy of each related security agreement (if any) signed by the applicable Obligor(s), as identified on the Loan Checklist;

(e) a copy of the Loan Checklist, and

(f) a copy of each related guarantee (if any) then executed in connection with such Loan, as identified on the Loan Checklist.

"Securities" means, collectively, the (i) investments, including Loans, acquired by the Company and delivered to the Custodian by the Company from time to time during the term of, and pursuant to the terms of, this Agreement and (ii) all dividends in kind (e.g., non-cash dividends) from the investments described in clause (i), all of which shall be in U.S. denomination.

"Securities Account" means the segregated trust account to be established at the Custodian to which the Custodian shall deposit or credit and hold the Securities (other than Loans) received by it pursuant to this Agreement, which account shall be designated the "Medley Capital Corporation Securities Custody Account".

"Securities Custodian" means the Custodian when acting in the role of a securities custodian hereunder.

"Securities Depository" means The Depository Trust Company and any other clearing agency registered with the Securities and Exchange Commission under Section 17A of the Securities Exchange Act of 1934, as amended (the "1934 Act"), which acts as a system for the central handling of Securities where all Securities of any particular class or series of an issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the Securities.

"Securities System" means the Federal Reserve Book-Entry System, a clearing agency which acts as a Securities Depository, or another book entry system for the central handling of securities (including an Eligible Securities Depository).

"Shares" means the shares of common stock issued by Medley Capital Corporation, a [_____] corporation.

"Street Delivery Custom" means a custom of the United States securities market to deliver securities which are being sold to the buying broker for examination to determine that the securities are in proper form.

"Street Name" means the form of registration in which the securities are held by a broker who is delivering the securities to another broker for the purposes of sale, it being an accepted custom in the United States securities industry that a security in Street Name is in proper form for delivery to a buyer and that a security may be re-registered by a buyer in the ordinary course.

"Subsidiary Cash Account" shall have the meaning set forth in Section 3.13(b).

"Subsidiary Securities" collectively, the (i) investments, including Loans, acquired by a Subsidiary and delivered to the Custodian from time to time during the term of, and pursuant to the terms of, this Agreement and (ii) all dividends in kind (e.g., non-cash dividends) from the investments described in clause (i).

"Subsidiary Securities Account" shall have the meaning set forth in Section 3.13(a).

"Subsidiary" means, collectively, any wholly owned subsidiary of the Company.

"Trade Confirmation" means a confirmation to the Custodian from the Company of the Company's acquisition of a Loan, and setting forth applicable information with respect to such Loan, which confirmation may be in the form of Schedule A attached hereto and made a part hereof, subject to such changes or additions as may be agreed to by, or in such other form as may be agreed to by, the Custodian and the Company from time to time.

"Underlying Loan Agreement" means, with respect to any Loan, the document or documents evidencing the commercial loan agreement or facility pursuant to which such Loan is made.

"Underlying Loan Documents" means, with respect to any Loan, the related Underlying Loan Agreement together with any agreements and instruments (including any Underlying Note) executed or delivered in connection therewith.

"Underlying Note" means the one or more promissory notes executed by an obligor evidence a Loan.

1.2 Construction. In this Agreement unless the contrary intention appears:

(a) any reference to this Agreement or another agreement or instrument refers to such agreement or instrument as the same may be amended, modified or otherwise rewritten from time to time;

(b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(c) any term defined in the singular form may be used in, and shall include, the plural with the same meaning, and vice versa;

(d) a reference to a Person includes a reference to the Person's executors, Custodian, successors and permitted assigns;

(e) an agreement, representation or warranty in favor of two or more Persons is for the benefit of them jointly and severally;

(f) an agreement, representation or warranty on the part of two or more Persons binds them jointly and severally;

(g) a reference to the term "including" means "including, without limitation," and

(h) a reference to any accounting term is to be interpreted in accordance with generally accepted principles and practices in the United States, consistently applied, unless otherwise instructed by the Company.

1.3 Headings. Headings are inserted for convenience and do not affect the interpretation of this Agreement.

2. **APPOINTMENT OF CUSTODIAN**

2.1 Appointment and Acceptance. The Company hereby appoints the Custodian as custodian of all Securities and cash owned by the Company and the Subsidiaries (as applicable) at any time during the period of this Agreement, on the terms and conditions set forth in this Agreement (which shall include any addendum hereto which is hereby incorporated herein and made a part of this Agreement), and the Custodian hereby accepts such appointment and agrees to perform the services and duties set forth in this Agreement with respect to it subject to and in accordance with the provisions hereof.

2.2 Instructions. The Company agrees that it shall from time to time provide, or cause to be provided, to the Custodian all necessary instructions and information, and shall respond promptly to all inquiries and requests of the Custodian, as may reasonably be necessary to enable the Custodian to perform its duties hereunder.

2.3 Company Responsible For Directions. The Company is solely responsible for directing the Custodian with respect to deposits to, withdrawals from and transfers to or from the Account. Without limiting the generality of the foregoing, the Custodian has no responsibility for compliance with any restrictions, covenants, limitations or obligations to which the Company may be subject or for which it may have obligations to third-parties in respect of the Account, and the Custodian shall have no liability for the application of any funds made at the direction of the Company. The Company shall

be solely responsible for properly instructing all applicable payors to make all appropriate payments to the Custodian for deposit to the Account, and for properly instructing the Custodian with respect to the allocation or application of all such deposits.

3. **DUTIES OF CUSTODIAN**

3.1 Segregation. All Securities and non-cash property held by the Custodian, as applicable, for the account of the Company (other than Securities maintained in a Securities Depository or Securities System) shall be physically segregated from other Securities and non-cash property in the possession of the Custodian (including the Securities and non-cash property of the other series of the Company, if applicable) and shall be identified as subject to this Agreement.

3.2 Securities Custody Account. The Custodian shall open and maintain in its trust department a segregated trust account in the name of the Company, subject only to order of the Custodian, in which the Custodian shall enter and carry, subject to Section 3.3 (b), all Securities (other than Loans), cash and other assets of the Company which are delivered to it in accordance with this Agreement. For avoidance of doubt, the Custodian shall not be required to credit or deposit Loans in the Securities Account but shall instead maintain a register (in book-entry form or in such other form as it shall deem necessary or desirable) of such Loans, containing such information as the Company and the Custodian may reasonably agree; provided that, with respect to such Loans, all Required Loan Documents shall be held in safekeeping by the Document Custodian, individually segregated from the securities and investments of any other person and marked so as to clearly identify them as the property of the Company in a manner consistent with Rule 17f-1 under the 1940 Act and as set forth in this Agreement.

3.3 Delivery of Securities to Custodian.

(a) The Company shall deliver, or cause to be delivered, to the Custodian all of the Company's Securities, cash and other investment assets, including (a) all payments of income, payments of principal and capital distributions received by the Company with respect to such Securities, cash or other assets owned by the Company at any time during the period of this Agreement, and (b) all cash received by the Company for the issuance, at any time during such period, of Shares or other securities or in connection with a borrowing by the Company. With respect to Loans, the Required Loan Documents and other underlying loan documents shall be delivered to the Custodian in its role as, and at the address identified for, the Document Custodian. With respect to assets other than Loans, such assets shall be delivered to the Custodian in its role as, and (where relevant) at the address identified for, the Securities Custodian. Except to the extent otherwise expressly provided herein, delivery of Securities to the Custodian shall be in Street Name or other good delivery form. The Custodian shall not be

responsible for such Securities, cash or other assets until actually delivered to, and received by it.

(b) (i) In connection with its acquisition of a Loan or other delivery of a Security constituting a Loan, the Company shall deliver or cause to be delivered to the Custodian (in its roles as, and at the address identified for, the Custodian and Document Custodian) a properly completed Trade Confirmation containing such information in respect of such Loan as the Custodian may reasonably require in order to enable the Custodian to perform its duties hereunder in respect of such Loan on which the Custodian may conclusively rely without further inquiry or investigation, in such form and format as the Custodian reasonably may require, and shall deliver to the Document Custodian (in its role as, and at the address identified for, the Document Custodian) the Required Loan Documents for all Loans, including the Loan Checklist.

(ii) Notwithstanding anything herein to the contrary, delivery of Loans acquired by the Company (or, if applicable, Subsidiary thereof) which constitute Noteless Loans or Participations or which are otherwise not evidenced by a "security" or "instrument" as defined in Section 8-102 and Section 9-102(a)(47) of the UCC, respectively, shall be made by delivery to the Document Custodian of (i) in the case of a Noteless Loan, a copy of the loan register with respect to such Noteless Loan evidencing registration of such Loan on the books and records of the applicable obligor or bank agent to the name of the Company or, if applicable, a Subsidiary (or, in either case, its nominee) or a copy (which may be a facsimile copy) of an assignment agreement in favor of the Company (or the applicable Subsidiary) as assignee, and (ii) in the case of a Participation, a copy of the related participation agreement. Any duty on the part of the Custodian with respect to the custody of such Loans shall be limited to the exercise of reasonable care by the Custodian in the physical custody of any such documents delivered to it, and any related instrument, security, credit agreement, assignment agreement and/or other agreements or documents, if any (collectively, "Financing Documents"), that may be delivered to it. Nothing herein shall require the Custodian to credit to the Securities Account or to treat as a financial asset (within the meaning of Section 8-102(a)(9) of the UCC) any such Loan or other asset in the nature of a general intangible (as defined in Section 9-102(a)(42) of the UCC) or to "maintain" a sufficient quantity thereof.

(iii) The Custodian may assume the genuineness of any such Financing Document it may receive and the genuineness and due authority of any signatures appearing thereon, and shall be entitled to assume that each such Financing Document it may receive is what it purports to be. If an original "security" or "instrument" as defined in Section 8-102 and Section 9-102(a)(47) of the UCC, respectively, is or shall be or become available with respect to any Loan to be held by the Custodian under this Agreement, it shall be the sole responsibility of the Company to make or cause delivery thereof to the Document Custodian, and

the Custodian shall not be under any obligation at any time to determine whether any such original security or instrument has been or is required to be issued or made available in respect of any Loan or to compel or cause delivery thereof to the Custodian.

(iv) Contemporaneously with the acquisition of any Loan, the Company shall (i) cause the Required Loan Documents evidencing such Loan to be delivered to the Document Custodian; (ii) if requested by the Custodian, provide to the Custodian an amortization schedule of principal payments and a schedule of the interest payable date(s) identifying the amount and due dates of all scheduled principal and interest payments for such Loan and (iii) a properly completed Trade Confirmation containing such information in respect of such Loan as the Custodian may reasonably require in order to enable the Custodian to perform its duties hereunder in respect of such Loan on which the Custodian may conclusively rely without further inquiry or investigation, in such form and format as the Custodian reasonably may require; (iv) take all actions necessary for the Company to acquire good title to such Loan; and (v) take all actions as may be necessary (including appropriate payment notices and instructions to bank agents or other applicable paying agents) to cause (A) all payments in respect of the Loan to be made to the Custodian and (B) all notices, solicitations and other communications in respect of such Loan to be directed to the Company. The Custodian shall have no liability for any delay or failure on the part of the Company to provide necessary information to the Custodian, or for any inaccuracy therein or incompleteness thereof, or for any delay or failure on the part of the Company to give such effective payment instruction to bank agents and other paying agents, in respect of the Loans. With respect to each such Loan, the Custodian shall be entitled to rely on any information and notices it may receive from time to time from the related bank agent, obligor or similar party with respect to the related Loan Asset, and shall be entitled to update its records (as it may deem necessary or appropriate), or from the Company, on the basis of such information or notices received, without any obligation on its part independently to verify, investigate or recalculate such information.

3.4 Release of Securities.

(a) The Custodian shall release and deliver, or direct its agents or sub-custodian to release and deliver, as the case may be, Securities or Required Loan Documents of the Company held by the Custodian, its agents or its sub-custodian from time to time upon receipt of Proper Instructions (which shall, among other things, specify the Securities or Required Loan Documents to be released, with such delivery and other information as may be necessary to enable the Custodian to perform), which may be standing instructions (in form acceptable to the Custodian) in the following cases:

(i) upon sale of such Securities by or on behalf of the Company and, unless otherwise directed by Proper Instructions:

(A) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including delivery to the purchaser thereof or to a dealer therefor (or an agent of such purchaser or dealer) against expectation of receiving later payment; or

(B) in the case of a sale effected through a Securities System, in accordance with the rules governing the operations of the securities System;

(ii) upon the receipt of payment in connection with any repurchase agreement related to such securities;

(iii) to a depositary agent in connection with tender or other similar offers for securities;

(iv) to the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable (unless otherwise directed by Proper Instructions, the cash or other consideration is to be delivered to the Custodian, its agents or its sub-custodian);

(v) to an issuer thereof, or its agent, for transfer into the name of the Custodian or of any nominee of the Custodian or into the name of any of its agents or sub-custodian or their nominees or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units;

(vi) to brokers clearing banks or other clearing agents for examination in accordance with the Street Delivery Custom;

(vii) for exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to any deposit agreement (unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its sub-custodian);

(viii) in the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities (unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its sub-custodian); and/or

(ix) for any other purpose, but only upon receipt of Proper Instructions and an officer's certificate signed by an officer of the Company (which officer shall not have been the Authorized Person providing the Proper Instructions) stating (i) the specified securities to be delivered, (ii) the purpose for such delivery, (iii) that such purpose is a proper corporate purpose and (iv) naming the person or persons to whom delivery of such securities shall be made and attaching a certified copy of a resolution of the board of directors of Medley Capital Corporation or an authorized committee thereof approving the delivery of such Proper Instructions.

3.5 Registration of Securities. Securities held by the Custodian, its agents or its sub-custodian (other than bearer securities, securities held in a Securities System or Securities that are Noteless Loans or Participations) shall be registered in the name of the Company or its nominee; or, at the option of the Custodian, in the name of the Custodian or in the name of any nominee of the Custodian, or in the name of its agents or its sub-custodian or their nominees; or if directed by the Company by Proper Instruction, may be maintained in Street Name. The Custodian, its agents and its sub-custodian shall not be obligated to accept Securities on behalf of the Company under the terms of this Agreement unless such Securities are in Street Name or other good deliverable form.

3.6 Bank Accounts, and Management of Cash

(a) Proceeds from the Securities received by the Custodian from time to time shall be credited to the Cash Account. All amounts credited to the Cash Account shall be subject to clearance and receipt of final payment by the Custodian.

(b) Amounts held in the Cash Account from time to time may be invested in Eligible Investments pursuant to specific written Proper Instructions (which may be standing instructions) received by the Custodian from an Authorized Person acting on behalf of the Company. Such investments shall be subject to availability and the Custodian's then applicable transaction charges (which shall be at the Company's expense). The Custodian shall have no liability for any loss incurred on any such investment. Absent receipt of such written instruction from the Company, the Custodian shall have no obligation to invest (or otherwise pay interest on) amounts on deposit in the Cash Account. In no instance will the Custodian have any obligation to provide investment advice to the Company. Any earnings from such investment of amounts held in the Cash Account from time to time (collectively, "Reinvestment Earnings") shall be redeposited in the Cash Account (and may be reinvested at the written direction of the Company).

(c) In the event that the Company shall at any time request a withdrawal of amounts from the Cash Account, the Custodian shall be entitled to liquidate, and shall have no liability for any loss incurred as a result of the liquidation of, any investment of the funds credited to such account as needed to provide necessary liquidity.

Investment instructions may be in the form of standing instructions (in the form of Proper Instructions acceptable to Custodian).

(d) The Company acknowledges that cash deposited or invested with any bank (including the bank acting as Custodian) may make a margin or generate banking income for which such bank shall not be required to account to the Company.

3.7 [Reserved]

3.8 Collection of Income. The Custodian, its agents or its sub-custodian shall use reasonable efforts to collect on a timely basis all income and other payments with respect to the Securities held hereunder to which the Company shall be entitled, to the extent consistent with usual custom in the securities custodian business in the United States. Such efforts shall include collection of interest income, dividends and other payments with respect to registered domestic securities if on the record date with respect to the date of payment by the issuer the Security is registered in the name of the Custodian or its nominee (or in the name of its agent or sub-custodian, or their nominee); and interest income, dividends and other payments with respect to bearer domestic securities if, on the date of payment by the issuer such securities are held by the Custodian or its sub-custodian or agent; provided, however, that in the case of Securities held in Street Name, the Custodian shall use commercially reasonable efforts only to timely collect income. In no event shall the Custodian's agreement herein to collect income be construed to obligate the Custodian to commence, undertake or prosecute any legal proceedings.

3.9 Payment of Moneys.

(a) Upon receipt of Proper Instructions, which may be standing instructions, the Custodian shall pay out from the Cash Account (or remit to its agents or its sub-custodian, and direct them to pay out) moneys of the Company on deposit therein in the following cases:

(i) upon the purchase of Securities for the Company pursuant to such Proper Instruction; and such purchase may, unless and except to the extent otherwise directed by Proper Instructions, be carried out by the Custodian:

(A) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including delivering money to the seller thereof or to a dealer therefor (or any agent for such seller or dealer) against expectation of receiving later delivery of such securities; or

(B) in the case of a purchase effected through a Securities System, in accordance with the rules governing the operation of such Securities System;

(ii) [reserved]; and

(iii) for any other purpose directed by the Company, but only upon receipt of Proper Instructions specifying the amount of such payment, and naming the Person or Persons to whom such payment is to be made.

(b) At any time or times, the Custodian shall be entitled to pay (i) itself from the Cash Account, whether or not in receipt of express direction or instruction from the Company, any amounts due and payable to it pursuant to Section 8 hereof, and (ii) as otherwise permitted by Section 7.5, 9.4 or Section 12.5 below, provided, however, that in each case all such payments shall be accounted for to the Company.

3.10 Proxies. The Custodian will, with respect to the Securities held hereunder, use reasonable efforts to cause to be promptly executed by the registered holder of such Securities proxies received by the Custodian from its agents or its sub-custodian or from issuers of the Securities being held for the Company, without indication of the manner in which such proxies are to be voted, and upon receipt of Proper Instructions shall promptly deliver such proxies, proxy soliciting materials and notices relating to such Securities. In the absence of such Proper Instructions, or in the event that such Proper Instructions are not received in a timely fashion, the Custodian shall be under no duty to act with regard to such proxies.

3.11 Communications Relating to Securities. The Custodian shall transmit promptly to the Company all written information (including pendency of calls and maturities of Securities and expirations of rights in connection therewith) received by the Custodian, from its agents or its sub-custodian or from issuers of the Securities being held for the Company. The Custodian shall have no obligation or duty to exercise any right or power, or otherwise to preserve rights, in or under any Securities unless and except to the extent it has received timely Proper Instruction from the Company in accordance with the next sentence. The Custodian will not be liable for any untimely exercise of any right or power in connection with Securities at any time held by the Custodian, its agents or sub-custodian unless:

(i) the Custodian has received Proper Instructions with regard to the exercise of any such right or power; and

(ii) the Custodian, or its agents or sub-custodian are in actual possession of such Securities,

in each case, at least three (3) Business Days prior to the date on which such right or power is to be exercised. It will be the responsibility of the Company to notify the Custodian of the Person to whom such communications must be forwarded under this Section.

3.12 Records. The Custodian shall create and maintain complete and accurate records relating to its activities under this Agreement with respect to the Securities, cash or other property held for the Company under this Agreement, with particular attention to

Section 31 of the 1940 Act, and Rules 31a-1 and 32a-2 thereunder. To the extent that the Custodian, in its sole opinion, is able to do so, the Custodian shall provide assistance to the Company (at the Company's reasonable request made from time to time) by providing sub-certifications regarding certain of its services performed hereunder to the Company in connection with the Company's certification requirements pursuant to the Sarbanes-Oxley Act of 2002, as amended. All such records shall be the property of the Company and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized officers, employees or agents of the Company and employees and agents of the Securities and Exchange Commission, upon reasonable request and prior notice and at the Company's expense. The Custodian shall, at the Company's request, supply the Company with a tabulation of securities owned by the Company and held by the Custodian and shall, when requested to do so by the Company and for such compensation as shall be agreed upon between the Company and the Custodian, include, to the extent applicable, the certificate numbers in such tabulations, to the extent such information is available to the Custodian.

3.13 Custody of Subsidiary Securities.

(a) With respect to each Subsidiary identified to the Custodian by the Company, there shall be established at the Custodian a segregated trust account to which the Custodian shall deposit and hold any Subsidiary Securities (other than Loans) received by it (and any Proceeds received by it in the form of dividends in kind) pursuant to this Agreement, which account shall be designated the "[INSERT NAME OF SUBSIDIARY] Securities Account" (the "Subsidiary Securities Account").

(b) With respect to each Subsidiary identified to the Custodian by the Company, there shall be established at the Custodian a segregated trust account to which the Custodian shall deposit and hold any cash Proceeds received by it from time to time from or with respect to Subsidiary Securities, which account shall be designated the "[INSERT NAME OF SUBSIDIARY] Cash Proceeds Account" (the "Subsidiary Cash Account")

(c) To the maximum extent possible, the provisions of this Agreement regarding Securities of the Company, the Securities Account and the Cash Account shall be applicable to any Subsidiary Securities, Subsidiary Securities Account and Subsidiary Cash Account, respectively. The parties hereto agree that the Company shall notify the Custodian in writing as to the establishment of any Subsidiary as to which the Custodian is to serve as custodian pursuant to the terms of this Agreement; and identify in writing any accounts the Custodian shall be required to establish for such Subsidiary as herein provided.

4. **REPORTING**

(a) If requested by the Company, the Custodian shall render to the Company a monthly report of (i) all deposits to and withdrawals from the Cash Account

during the month, and the outstanding balance (as of the last day of the preceding monthly report and as of the last day of the subject month) and (ii) an itemized statement of the Securities held pursuant to this Agreement as of the end of each month, as well as a list of all Securities transactions that remain unsettled at that time, and (iii) such other matters as the parties may agree from time to time.

(b) For each Business Day, the Custodian shall render to the Company a daily report of (i) all deposits to and withdrawals from the Cash Account for such Business Day and the outstanding balance as of the end of such Business Day, and (ii) a report of settled trades of Securities for such Business Day.

(c) The Custodian shall have no duty or obligation to undertake any market valuation of the Securities under any circumstance.

(d) The Custodian shall provide the Company with such reports as are reasonably available to it and as the Company may reasonably request from time to time, on the internal accounting controls and procedures for safeguarding securities, which are employed by the Custodian.

5. **DEPOSIT IN U.S. SECURITIES SYSTEMS**

The Custodian may deposit and/or maintain Securities in a Securities System within the United States in accordance with applicable Federal Reserve Board and Securities and Exchange Commission rules and regulations, including Rule 17f-4 under the 1940 Act, and subject to the following provisions:

(a) The Custodian may keep domestic Securities in a U.S. Securities System provided that such Securities are represented in an account of the Custodian in the U.S. Securities System which shall not include any assets of the Custodian other than assets held by it as a fiduciary, custodian or otherwise for customers;

(b) The records of the Custodian with respect to Securities which are maintained in a U.S. Securities System shall identify by book-entry those Securities belonging to the Company;

(c) If requested by the Company, the Custodian shall provide to the Company copies of all notices received from the U.S. Securities System of transfers of Securities for the account of the Company; and

(d) Anything to the contrary in this Agreement notwithstanding, the Custodian shall not be liable to the Company for any direct loss, damage, cost, expense, liability or claim to the Company resulting from use of any Securities System (other than to the extent resulting from the gross negligence, misfeasance or misconduct of the Custodian itself, or from failure of the Custodian to enforce effectively such rights as it may have against the U.S. Securities System.)

6. **RESERVED.**

7. **CERTAIN GENERAL TERMS**

7.1 No Duty to Examine Underlying Instruments. Nothing herein shall obligate the Custodian to review or examine the terms of any underlying instrument, certificate, credit agreement, indenture, loan agreement, promissory note, or other financing document evidencing or governing any Security to determine the validity, sufficiency, marketability or enforceability of any Security (and shall have no responsibility for the genuineness or completeness thereof), or otherwise.

7.2 Resolution of Discrepancies. In the event of any discrepancy between the information set forth in any report provided by the Custodian to the Company and any information contained in the books or records of the Company, the Company shall promptly notify the Custodian thereof and the parties shall cooperate to diligently resolve the discrepancy.

7.3 Improper Instructions. Notwithstanding anything herein to the contrary, the Custodian shall not be obligated to take any action (or forebear from taking any action), which it reasonably determines (at its sole option) to be contrary to the terms of this Agreement or applicable law. In no instance shall the Custodian be obligated to provide services on any day that is not a Business Day.

7.4 Proper Instructions

(a) The Company will give a notice to the Custodian, in form acceptable to the Custodian, specifying the names and specimen signatures of persons authorized to give Proper Instructions (collectively, "Authorized Persons" and each is an "Authorized Person") which notice shall be signed by an Authorized Person previously certified to the Custodian. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives written notice from an Authorized Person of the Company to the contrary. The initial Authorized Persons are set forth on Schedule B attached hereto and made a part hereof (as such Schedule B may be modified from time to time by written notice from the Company to the Custodian); and the Company hereby represents and warrants that the true and accurate specimen signatures of such initial Authorized Persons are set forth on the "funds transfer authorization" documentation that has been provided separately to the Custodian by the Company.

(b) The Custodian shall have no responsibility or liability to the Company (or any other person or entity), and shall be indemnified and held harmless by the Company, in the event that a subsequent written confirmation of an oral instruction fails to conform to the oral instructions received by the Custodian. The Custodian shall not have an obligation to act in accordance with purported instructions to the extent that they conflict with applicable law or regulations, local market practice or the Custodian's operating policies and practices. The

Custodian shall not be liable for any loss resulting from a delay while it obtains clarification of any Proper Instructions.

7.5 Actions Permitted Without Express Authority. The Custodian may, at its discretion, without express authority from the Company:

(a) make payments to itself as described in or pursuant to Section 3.9(b), or to make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this agreement, provided that all such payments shall be accounted for to the Company;

(b) surrender Securities in temporary form for Securities in definitive form;

(c) endorse for collection cheques, drafts and other negotiable instruments; and

(d) in general attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Company.

7.6 Evidence of Authority. The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of the Company by an Authorized Officer. The Custodian may receive and accept a certificate signed by any Authorized Officer as conclusive evidence of:

(a) the authority of any person to act in accordance with such certificate; or

(b) any determination or of any action by the Company as described in such certificate,

and such certificate may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary from an Authorized Officer of the Company.

7.7 Receipt of Communications. Any communication received by the Custodian on a day which is not a Business Day or after 3:30 p.m., Eastern time (or such other time as is agreed by the Company and the Custodian from time to time), on a Business Day will be deemed to have been received on the next Business Day (but in the case of communications so received after 3:30 p.m., Eastern time, on a Business Day the Custodian will use its best efforts to process such communications as soon as possible after receipt).

8. **COMPENSATION OF CUSTODIAN**

8.1 Fees. The Custodian shall be entitled to compensation for its services in accordance with the terms of that certain fee letter dated October 25, 2010, between the Company and the Custodian.

8.2 Expenses. The Company agrees to pay or reimburse to the Custodian upon its request from time to time all costs, disbursements, advances, and expenses (including reasonable fees and expenses of legal counsel) incurred, and any disbursements and advances made (including any account overdraft resulting from any settlement or assumed settlement, provisional credit, chargeback, returned deposit item, reclaimed payment or claw-back, or the like), in connection with the preparation or execution of this Agreement, or in connection with the transactions contemplated hereby or the administration of this Agreement or performance by the Custodian of its duties and services under this Agreement, from time to time (including costs and expenses of any action deemed necessary by the Custodian to collect any amounts owing to it under this Agreement).

9. **RESPONSIBILITY OF CUSTODIAN**

9.1 General Duties. The Custodian shall have no duties, obligations or responsibilities under this Agreement or with respect to the Securities or Proceeds except for such duties as are expressly and specifically set forth in this Agreement, and the duties and obligations of the Custodian shall be determined solely by the express provisions of this Agreement. No implied duties, obligations or responsibilities shall be read into this Agreement against, or on the part of, the Custodian.

9.2 Instructions

(a) The Custodian shall be entitled to refrain from taking any action unless it has such instruction (in the form of Proper Instructions) from the Company as it reasonably deems necessary, and shall be entitled to require, upon notice to the Company, that Proper Instructions to it be in writing. The Custodian shall have no liability for any action (or forbearance from action) taken pursuant to the Proper Instruction of the Company.

(b) Whenever the Custodian is entitled or required to receive or obtain any communications or information pursuant to or as contemplated by this Agreement, it shall be entitled to receive the same in writing, in form, content and medium reasonably acceptable to it and otherwise in accordance with any applicable terms of this Agreement; and whenever any report or other information is required to be produced or distributed by the Custodian it shall be in form, content and medium reasonably acceptable to it and the Company, and otherwise in accordance with any applicable terms of this Agreement.

9.3 General Standards of Care. Notwithstanding any terms herein contained to the contrary, the acceptance by the Custodian of its appointment hereunder is expressly subject to the following terms, which shall govern and apply to each of the terms and provisions of this Agreement (whether or not so stated therein):

(a) The Custodian may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction, statement, certificate, request, waiver,

consent, opinion, report, receipt or other paper or document furnished to it (including any of the foregoing provided to it by telecopier or electronic means), not only as to its due execution and validity, but also as to the truth and accuracy of any information therein contained, which it in good faith believes to be genuine and signed or presented by the proper person (which in the case of any instruction from or on behalf of the Company shall be an Authorized Person); and the Custodian shall be entitled to presume the genuineness and due authority of any signature appearing thereon. The Custodian shall not be bound to make any independent investigation into the facts or matters stated in any such notice, instruction, statement, certificate, request, waiver, consent, opinion, report, receipt or other paper or document, provided, however, that if the form thereof is specifically prescribed by the terms of this Agreement, the Custodian shall examine the same to determine whether it substantially conforms on its face to such requirements hereof.

(b) Neither the Custodian nor any of its directors, officers or employees shall be liable to anyone for any error of judgment, or for any act done or step taken or omitted to be taken by it (or any of its directors, officers of employees), or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, unless such action constitutes gross negligence, willful misconduct or bad faith on its part and in breach of the terms of this Agreement. The Custodian shall not be liable for any action taken by it in good faith and reasonably believed by it to be within powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed hereunder, or omitted to be taken by it by reason of the lack of direction or instruction required hereby for such action. The Custodian shall not be under any obligation at any time to ascertain whether the Company is in compliance with the 1940 Act, the regulations thereunder, or the Company's investment objectives and policies then in effect.

(c) In no event shall the Custodian be liable for any indirect, special or consequential damages (including lost profits) whether or not it has been advised of the likelihood of such damages.

(d) The Custodian may consult with, and obtain advice from, legal counsel selected in good faith with respect to any question as to any of the provisions hereof or its duties hereunder, or any matter relating hereto, and the written opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Custodian in good faith in accordance with the opinion and directions of such counsel; the reasonable cost of such services shall be reimbursed pursuant to Section 8.2 above.

(e) The Custodian shall not be deemed to have notice of any fact, claim or demand with respect hereto unless actually known by an officer working in its Corporate Trust Services group and charged with responsibility for administering this Agreement or unless (and then only to the extent received) in writing by the

Custodian at the applicable address(es) as set forth in Section 15 and specifically referencing this Agreement.

(f) No provision of this Agreement shall require the Custodian to expend or risk its own funds, or to take any action (or forbear from action) hereunder which might in its judgment involve any expense or any financial or other liability unless it shall be furnished with acceptable indemnification. Nothing herein shall obligate the Custodian to commence, prosecute or defend legal proceedings in any instance, whether on behalf of the Company or on its own behalf or otherwise, with respect to any matter arising hereunder, or relating to this Agreement or the services contemplated hereby.

(g) The permissive right of the Custodian to take any action hereunder shall not be construed as duty.

(h) The Custodian may act or exercise its duties or powers hereunder through agents or attorneys, and the Custodian shall not be liable or responsible for the actions or omissions of any such agent or attorney appointed and maintained with reasonable due care.

(i) All indemnifications contained in this Agreement in favor of the Custodian shall survive the termination of this Agreement.

9.4 Indemnification; Custodian's Lien.

(a) The Company shall and does hereby indemnify and hold harmless each of the Custodian for and from any and all costs and expenses (including reasonable attorney's fees and expenses), and any and all losses, damages, claims and liabilities, that may arise, be brought against or incurred by the Custodian, and any advances or disbursements made by the Custodian (including in respect of any Account overdraft, returned deposit item, chargeback, provisional credit, settlement or assumed settlement, reclaimed payment, claw-back or the like), as a result of, relating to, or arising out of this Agreement, or the administration or performance of the Custodian's duties hereunder, or the relationship between the Company (including, for the avoidance of doubt, any Subsidiary) and the Custodian created hereby, other than such liabilities, losses, damages, claims, costs and expenses as are directly caused by the Custodian's own actions constituting gross negligence or willful misconduct.

(b) The Custodian shall have and is hereby granted a continuing lien upon and security interest in, and right of set-off against, the Account, and any funds (and investments in which such funds may be invested) held therein or credited thereto from time to time, whether now held or hereafter required, and all proceeds thereof, to secure the payment of any amounts that may be owing to the Custodian under or pursuant to the terms of this Agreement, whether now existing or hereafter arising.

9.5 Force Majeure. Without prejudice to the generality of the foregoing, the Custodian shall be without liability to the Company for any damage or loss resulting from or caused by events or circumstances beyond the Custodian's reasonable control including nationalization, expropriation, currency restrictions, the interruption, disruption or suspension of the normal procedures and practices of any securities market, power, mechanical, communications or other technological failures or interruptions, computer viruses or the like, fires, floods, earthquakes or other natural disasters, civil and military disturbance, acts of war or terrorism, riots, revolution, acts of God, work stoppages, strikes, national disasters of any kind, or other similar events or acts; errors by the Company (including any Authorized Person) in its instructions to the Custodian; or changes in applicable law, regulation or orders.

10. **SECURITY CODES**

If the Custodian issues to the Company, security codes, passwords or test keys in order that it may verify that certain transmissions of information, including Proper Instructions, have been originated by the Company, the Company shall safeguard any security codes, passwords, test keys or other security devices which the Custodian shall make available.

11. **TAX LAW**

11.1 Domestic Tax Law. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the Company or the Custodian as custodian of the Securities or the Proceeds, by the tax law of the United States or any state or political subdivision thereof. The Custodian shall be kept indemnified by and be without liability to the Company for such obligations including taxes, (but excluding any income taxes assessable in respect of compensation paid to the Custodian pursuant to this agreement) withholding, certification and reporting requirements, claims for exemption or refund, additions for late payment interest, penalties and other expenses (including legal expenses) that may be assessed against the Company, or the Custodian as custodian of the Securities or Proceeds.

11.2 [Reserved].

12. **EFFECTIVE PERIOD, TERMINATION AND AMENDMENT**

12.1 Effective Date. This Agreement shall become effective as of its due execution and delivery by each of the parties. This Agreement shall continue in full force and effect until terminated as hereinafter provided. This Agreement may only be amended by mutual written agreement of the parties hereto. This Agreement may be terminated by the Custodian or the Company pursuant to Section 12.2.

12.2 Termination. This Agreement shall terminate upon the earliest of (a) occurrence of the effective date of termination specified in any written notice of termination given by either party to the other not later than ninety (90) days prior to the effective date of termination specified therein, (b) such other date of termination as may be mutually agreed upon by the parties in writing.

12.3 Resignation. The Custodian may at any time resign under this Agreement by giving not less than ninety (90) days advance written notice thereof to the Company.

12.4 Successor. Prior to the effective date of termination of this Agreement, or the effective date of the resignation of the Custodian, as the case may be, the Company shall give Proper Instruction to the Custodian designating a successor Custodian, if applicable.

12.5 Payment of Fees, etc. Upon termination of this Agreement or resignation of the Custodian, the Company shall pay to the Custodian such compensation, and shall likewise reimburse the Custodian for its costs, expenses and disbursements, as may be due as of the date of such termination or resignation (or removal, as the case may be). All indemnifications in favor of the Custodian under this Agreement shall survive the termination of this Agreement, or any resignation or removal of the Custodian.

12.6 Final Report. In the event of any resignation or removal of the Custodian, the Custodian shall provide to the Company a complete final report or data file transfer of any Confidential Information as of the date of such resignation or removal.

13. **REPRESENTATIONS AND WARRANTIES**

13.1 Representations of the Company. The Company represents and warrants to the Custodian that:

(a) it has the power and authority to enter into and perform its obligations under this Agreement, and it has duly authorized and executed this Agreement so as to constitute its valid and binding obligation; and

(b) in giving any instructions which purport to be “Proper Instructions” under this Agreement, the Company will act in accordance with the provisions of its certificate of incorporation and bylaws and any applicable laws and regulations.

13.2 Representations of the Custodian. The Custodian hereby represents and warrants to the Company that:

(a) it is qualified to act as a custodian pursuant to Section 26(a)(1) of the 1940 Act;

(b) it has the power and authority to enter into and perform its obligations under this Agreement;

(c) it has duly authorized and executed this Agreement so as to constitute its valid and binding obligations; and

(d) that it maintains business continuity policies and standards that include data file backup and recovery procedures that comply with all applicable regulatory requirements.

14. **PARTIES IN INTEREST; NO THIRD PARTY BENEFIT**

This Agreement is not intended for, and shall not be construed to be intended for, the benefit of any third parties and may not be relied upon or enforced by any third parties (other than successors and permitted assigns pursuant to Section 19).

15. **NOTICES**

Any Proper Instructions shall be given to the following address (or such other address as either party may designate by written notice to the other party), and otherwise any notices, approvals and other communications hereunder shall be sufficient if made in writing and given to the parties at the following address (or such other address as either of them may subsequently designate by notice to the other), given by (i) certified or registered mail, postage prepaid, (ii) recognized courier or delivery service, or (iii) confirmed telecopier or telex, with a duplicate sent on the same day by first class mail, postage prepaid:

(a) if to the Company, to

Medley Capital Corporation.
375 Park Avenue
Suite 3304
New York, NY 10152
Attention: Richard Allorto
Fax: [_____]

(b) if to the Custodian (other than in its role as Document Custodian), to

U.S. Bank National Association
Corporate Trust Services
One Federal Street, 3rd Floor
Boston, MA 02110
Ref: Medley Capital Corporation
Attention: Daniel M. Scully, Jr.
Fax: (866) 350-8438

(c) if to the Custodian solely in its role as Document Custodian, to

U.S. Bank National Association
1719 Range Way
Florence, South Carolina 29501
Mail Code: Ex — SC — FLOR
Ref: Medley Capital Corporation
Attn: Steven Garrett
E-mail: steven.garrett@usbank.com
Facsimile No.: 843-673-0162

16. **CHOICE OF LAW AND JURISDICTION**

This Agreement shall be construed, and the provisions thereof interpreted under and in accordance with and governed by the laws of The Commonwealth of Massachusetts for all purposes (without regard to its choice of law provisions); except to the extent such laws are inconsistent with federal securities laws, including the 1940 Act.

17. **ENTIRE AGREEMENT; COUNTERPARTS**

17.1 Complete Agreement. This Agreement constitutes the complete and exclusive agreement of the parties with regard to the matters addressed herein and supersedes and terminates as of the date hereof, all prior agreements, agreements or understandings, oral or written between the parties to this Agreement relating to such matters.

17.2 Counterparts. This Agreement may be executed in any number of counterparts and all counterparts taken together shall constitute one and the same instrument.

17.3 Facsimile Signatures. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

18. **AMENDMENT; WAIVER**

18.1 Amendment. This Agreement may not be amended except by an express written instrument duly executed by each of the Company and the Custodian.

18.2 Waiver. In no instance shall any delay or failure to act be deemed to be or effective as a waiver of any right, power or term hereunder, unless and except to the extent such waiver is set forth in an expressly written instrument signed by the party against whom it is to be charged.

19. **SUCCESSOR AND ASSIGNS**

19.1 Successors Bound. The covenants and agreements set forth herein shall be binding upon and inure to the benefit of each of the parties and their respective successors and permitted assigns. Neither party shall be permitted to assign their rights under this Agreement without the written consent of the other party; provided, however, that the foregoing shall not limit the ability of the Custodian to delegate certain duties or services to or perform them through agents or attorneys appointed with due care as expressly provided in this Agreement.

19.2 Merger and Consolidation. Any corporation or association into which the Custodian may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Custodian shall be a party, or any corporation or association to which the

Custodian transfers all or substantially all of its corporate trust business, shall be the successor of the Custodian hereunder, and shall succeed to all of the rights, powers and duties of the Custodian hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

20. **SEVERABILITY**

The terms of this Agreement are hereby declared to be severable, such that if any term hereof is determined to be invalid or unenforceable, such determination shall not affect the remaining terms.

21. **INSTRUMENT UNDER SEAL; HEADINGS**

This Agreement is intended to take effect as, and shall be deemed to be, an instrument under seal.

22. **REQUEST FOR INSTRUCTIONS**

If, in performing its duties under this Agreement, the Custodian is required to decide between alternative courses of action, the Custodian may (but shall not be obliged to) request written instructions from the Company as to the course of action desired by it. If the Custodian does not receive such instructions within two (2) days after it has requested them, the Custodian may, but shall be under no duty to, take or refrain from taking any such courses of action. The Custodian shall act in accordance with instructions received from the Company in response to such request after such two-day period except to the extent it has already taken, or committed itself to take, action inconsistent with such instructions.

23. **OTHER BUSINESS**

Nothing herein shall prevent the Custodian or any of its affiliates from engaging in other business, or from entering into any other transaction or financial or other relationship with, or receiving fees from or from rendering services of any kind to the Company or any other Person. Nothing contained in this Agreement shall constitute the Company and/or the Custodian (and/or any other Person) as members of any partnership, joint venture, association, syndicate, unincorporated business or similar assignment as a result of or by virtue of the engagement or relationship established by this Agreement.

24. **REPRODUCTION OF DOCUMENTS**

This Agreement and all schedules, exhibits, attachments and amendment hereto may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties hereto each agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further production shall likewise be admissible in evidence.

25. **MISCELLANEOUS**

The Company acknowledges receipt of the following notice:

" **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT.**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity the Custodian will ask for documentation to verify its formation and existence as a legal entity. The Custodian may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation."

[PAGE INTENTIONALLY ENDS HERE. SIGNATURES APPEAR ON NEXT PAGE.]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed and delivered by a duly authorized officer, intending the same to take effect as of the ____ day of November, 2010.

Witness:

_____
Name:
Title:

MEDLEY CAPITAL CORPORATION

By: _____
Name:
Title:

Witness:

_____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name:
Title:

SCHEDULE A

(Trade Confirmation)

[See Attached.]

SCHEDULE B

Any of the following persons (each acting singly) shall be an Authorized Person (as this list may subsequently be modified by the Company from time to time by written notice to the Custodian):

NAME:

FORM OF SUB-ADMINISTRATION AGREEMENT

AGREEMENT (this "Agreement") made as of [___], 2010 by and between MCC Advisors LLC, a Delaware limited liability company (hereinafter referred to as the "Administrator") and Medley Capital LLC, a Delaware limited liability company (hereinafter referred to as the "Sub-Administrator").

W I T N E S S E T H:

WHEREAS, Administrator serves as administrator of the Medley Capital Corporation (the "Corporation"), which is a newly organized closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940 (hereinafter referred to as the "1940 Act");

WHEREAS, the Administrator desires to retain the Sub-Administrator to provide sub-administrative services to the Corporation in the manner and on the terms hereinafter set forth; and

WHEREAS, the Sub-Administrator is willing to provide sub-administrative services to the Corporation on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Administrator and the Sub-Administrator hereby agree as follows:

1. Duties of the Sub-Administrator

(a) Employment of Sub-Administrator. The Administrator hereby employs the Sub-Administrator to act as sub-administrator of the Corporation, and to furnish the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of the Corporation, for the period and on the terms and conditions set forth in this Agreement. The Sub-Administrator hereby accepts such employment and agrees during such period to render such services and to assume the obligations herein set forth subject to the reimbursement of costs and expenses provided for below. The Sub-Administrator and such others shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Corporation in any way or otherwise be deemed agents of the Corporation.

(b) Services. The Sub-Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Corporation. Without limiting the generality of the foregoing, the Sub-Administrator shall provide the Corporation with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities and such other services as the Sub-Administrator, subject to review by the

Board of Directors of the Corporation, shall from time to time determine to be necessary or useful to perform its obligations under this Agreement. The Sub-Administrator shall also, on behalf of the Corporation, arrange for the services of, and oversee, custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Sub-Administrator shall make reports to the Corporation's Board of Directors of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Corporation as it shall determine to be desirable; *provided* that nothing herein shall be construed to require the Sub-Administrator to, and the Sub-Administrator shall not, in its capacity as sub-administrator, provide any advice or recommendation relating to the securities and other assets that the Corporation should purchase, retain or sell or any other investment advisory services to the Corporation. The Sub-Administrator shall be responsible for the financial and other records that the Corporation is required to maintain and shall prepare reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the "SEC") or any other regulatory authority, including, but not limited to, reports on Forms 8-K, 10-Q and periodic reports to stockholders. At the Corporation's request, the Sub-Administrator will provide on the Corporation's behalf significant managerial assistance to those portfolio companies to which the Corporation is required to provide such assistance. In addition, the Sub-Administrator will assist the Corporation in determining and publishing the Corporation's net asset value, overseeing the preparation and filing of the Corporation's tax returns, and the printing and dissemination of reports to stockholders of the Corporation, and generally overseeing the payment of the Corporation's expenses and the performance of administrative and professional services rendered to the Corporation by others.

2. Records

To the extent that the Corporation chooses to be treated as a Business Development Company under the 1940 Act, the Sub-Administrator agrees to maintain and keep all books, accounts and other records of the Corporation that relate to activities performed by the Sub-Administrator hereunder and, if required by any applicable statutes, rules and regulations, including without limitation, the 1940 Act, will maintain and keep such books, accounts and records in accordance with such statutes, rules and regulations. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Sub-Administrator agrees that all records which it maintains for the Corporation shall at all times remain the property of the Corporation, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of the Agreement or otherwise on written request. The Sub-Administrator further agrees that all records which it maintains for the Corporation pursuant to Rule 31a-1 under the 1940 Act will be preserved for the periods prescribed by Rule 31a-2 under the 1940 Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Sub-Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

3. Confidentiality

The parties hereto agree that each shall treat confidentially all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto, including nonpublic personal information of natural persons pursuant to Regulation S-P of the SEC, shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

4. Compensation; Allocation of Costs and Expenses

In full consideration of the provision of the services of the Sub-Administrator, the Corporation shall reimburse the Administrator and the Administrator shall reimburse the Sub-Administrator for the costs and expenses incurred by the Sub-Administrator in performing its obligations and providing personnel and facilities hereunder.

The Corporation will bear all costs and expenses that are incurred in its operation and transactions not specifically assumed by the Corporation's investment adviser (the "Adviser"), pursuant to that certain Investment Management Agreement, dated as of [____], 2010 by and between the Corporation and the Adviser. Costs and expenses to be borne by the Corporation include, but are not limited to, those relating to: organization and offering; valuing the Corporation's assets and computing its net asset value per share (including the cost and expenses of any independent valuation firms, consultants or appraisers); expenses incurred by the Adviser or payable to third parties, including agents, consultants or other advisors and travel expense, in monitoring financial and legal affairs for the Corporation and in monitoring the Corporation's investments and enforcing the Corporation's rights in respect of such investments; performing due diligence on the Corporation's prospective portfolio companies; interest payable on debt, if any, incurred to finance the Corporation's investments; distributions on shares; offerings and repurchases of the Corporation's common stock and other securities; investment advisory and management fees; administration fees, if any, payable under this Agreement; transfer agent and custody fees and expenses; the allocated costs of providing managerial assistance to those portfolio companies that require it; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making and disposing of investments; brokerage fees and commissions; the Corporation's dues, fees and charges of any trade association of which the Corporation is a member as well as fees and expenses associated with marketing efforts (including attendance at investment conferences and similar events); federal and state registration fees; all costs of registration and listing the Corporation's shares on any securities exchange; federal, state and local taxes; independent directors' fees and expenses; costs of preparing and filing reports, registration statements, prospectuses or other documents required by the SEC, including printing costs; costs of any reports, proxy statements or other notices to stockholders, including printing and mailing costs; the expenses of holding shareholder meetings; the Corporation's allocable portion of the fidelity bond, directors and

officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration and operation, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; litigation and indemnification and other extraordinary or non recurring expenses; and all other expenses incurred by the Corporation or the Sub-Administrator in connection with administering the Corporation's business, including payments under this Agreement based upon the Corporation's allocable portion of the Sub-Administrator's overhead in performing its obligations under this Agreement, including rent and the allocable portion of the cost of the Corporation's officers and their respective staffs.

5. Limitation of Liability of the Sub-Administrator; Indemnification

The Sub-Administrator, its affiliates and their respective directors, officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with any of them (collectively, the "Indemnified Parties", shall not be liable to the Corporation for any action taken or omitted to be taken by the Sub-Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as sub-administrator for the Corporation, and the Administrator shall indemnify, defend and protect the Sub-Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Sub-Administrator, including without limitation the Indemnified Parties (each of whom shall be deemed a third party beneficiary hereof) and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Corporation or its security holders) arising out of or otherwise based upon the performance of any of the Sub-Administrator's duties or obligations under this Agreement or otherwise as sub-administrator for the Corporation. Notwithstanding the preceding sentence of this Paragraph 5 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Corporation or its security holders to which the Indemnified Parties would otherwise be subject by reason of criminal conduct, willful misfeasance, bad faith or gross negligence in the performance of the Sub-Administrator's duties or by reason of the reckless disregard of the Sub-Administrator's duties and obligations under this Agreement.

6. Activities of the Sub-Administrator

The services of the Sub-Administrator to the Corporation are not to be deemed to be exclusive, and the Sub-Administrator and each other person providing services as arranged by the Sub-Administrator is free to render services to others. It is understood that directors, officers, employees and stockholders of the Corporation are or may become interested in the Sub-Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Sub-Administrator and directors, officers, members, managers, employees, partners and stockholders of the Sub-Administrator and its affiliates are or may become similarly interested in the Corporation as officers, directors, stockholders or otherwise.

7. Duration and Termination of this Agreement

This Agreement shall become effective as of the date hereof, and shall remain in force with respect to the Corporation for two years thereafter, and thereafter continue from year to year, but only so long as such continuance is specifically approved at least annually by (i) the Board of Directors of the Corporation and (ii) a majority of those members of the Corporation's Board of Directors who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any such party.

This Agreement may be terminated at any time, without the payment of any penalty, by vote of the Corporation's Board of Directors, or by the Sub-Administrator, upon 60 days' written notice to the other party (which notice may be waived by such other party).

8. Amendments of this Agreement

This Agreement may not be amended or modified expect by an instrument in writing signed by all parties hereto.

9. Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign (as such term is defined in the 1940 Act and the regulations thereunder), delegate or otherwise transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. Any assignment by either party in accordance with the terms of this Agreement shall be pursuant to a written assignment agreement in which the assignee expressly assumed the assigning party's rights and obligations hereunder.

10. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York and the applicable provisions of the 1940 Act, if any. To the extent that the applicable laws of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the 1940 Act, if any, the latter shall control. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of New York and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

11. No Waiver

The failure of either party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waver of such provisions or rights or the right of such party thereafter to enforce such provisions, and no waiver shall be binding unless executed in writing by all parties hereto.

12. Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

13. Headings

The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

14. Counterparts

This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original instrument and all of which taken together shall constitute one and the same agreement.

15. Notices

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service (with signature required), by facsimile, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at their respective principal executive office addresses.

16. Entire Agreement

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to such subject matter.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MCC ADVISORS LLC

By: _____
Name: Brook Taube
Title: Managing Member

MEDLEY CAPITAL LLC

By: _____
Name: Andrew Fentress
Title: Managing Member

Form of Fee Waiver Agreement

THIS FEE WAIVER AGREEMENT (this "Agreement") dated as of November [_], 2010, is entered into by and between Medley Capital Corporation, a Delaware Corporation (the "Company"), and MCC Advisors LLC, a Delaware limited liability company (the "Adviser").

WHEREAS, the Company and the Adviser have separately entered into an Investment Management Agreement as of November [_], 2010 (the "Management Agreement");

WHEREAS, the Company and the Adviser have determined that it is appropriate and in the best interest of the Company that the Adviser waive a portion of the Base Management Fee (as defined in the Management Agreement) payable to the Adviser with respect to the cash on hand and cash equivalents held (the "Cash") through June 30, 2011 and the Adviser is willing to waiver such amounts on the terms and subject to the conditions hereof.

NOW THEREFORE, in consideration of the covenants and mutual promises hereinafter set forth, the parties hereto, intending to be legally bound hereby, mutually agree as follows:

1. Definitions. All capitalized terms used in this Agreement not defined herein shall have the respective meanings given to them in the Management Agreement.

2. Waiver With Respect to Cash. The Adviser agrees to waiver on a quarterly basis in arrears the portion of the Base Management Fee payable to the Adviser with respect to such Cash for the number of days during which such Cash is held by the Company as follows:

    a. For purposes of calculating the Base Management Fee payable under Section 8(a) of the Management Agreement, the Company's gross assets shall not include any Cash held through June 30, 2011.

3. Term and Termination. This waiver shall remain in effect until June 30, 2011.

4. Captions. The captions in this Agreement are included for convenience of reference only and in no other way define or delineate any of the provisions hereof or otherwise affect their construction or effect.

5. Interpretation. Nothing herein contained shall be deemed to require the Company to take any action contrary to the Company's governing documents, or any applicable statutory or regulatory requirement to which it is subject or by which it is bound, or to relieve or deprive the Company's Board of Directors of its responsibility for and control of the conduct of the affairs of the Company.

6. Amendments. This Agreement may be amended only by a written agreement signed by each of the parties hereto.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have cause this Agreement to be signed by their respective officers thereunto duly authorized as of the day and year first above written.

MEDLEY CAPITAL CORPORATION

By: _____
Name: Richard T. Allorto, Jr.
Title: Chief Financial Officer

MCC ADVISORS LLC

By: _____
Name: Brooke Taube
Title: Manager

Exhibit (n)(2)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Pre-effective Amendment No. 3 to Registration Statement No. 333-166491 of Medley Capital BDC LLC on Form N-2 of our report for MOF I BDC LLC on the statement of financial condition, including the schedule of investments, dated July 1, 2010, appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the caption "Independent Registered Public Accounting Firm" in the Prospectus.

/s/ Rothstein Kass & Company, P.C.

Roseland, New Jersey
November 22, 2010

Exhibit (n)(6)

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Independent Registered Public Accounting Firm” and to the inclusion of our report dated June 30, 2010, in Amendment No. 3 of the Registration Statement (Form N-2 No. 333-166491) and related Prospectus of Medley Capital BDC LLC dated November 22, 2010.

/s/ Ernst & Young LLP

New York, New York
Date: November 19, 2010

CODE OF ETHICS OF MEDLEY CAPITAL CORPORATION AND MCC ADVISORS LLC

I. INTRODUCTION

This Code of Ethics (the "**Code**") has been jointly adopted by MCC Advisors LLC ("**MCC**" or the "**Firm**"), and Medley Capital Corporation ("**Medley BDC**"), in order to establish applicable policies, guidelines, and procedures that promote ethical practices and conduct by all MCC and Medley BDC employees, officers, directors and other persons, and that prevent violations of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), and the Investment Company Act of 1940, as amended (the "**Company Act**").[1] All recipients of the Code must read it carefully and should retain a copy for future reference. The Code consists of several policies primarily designed to address potential conflicts of interest, including:

- the Personal Investment Policy,
- the Inside Information Policy, and
- the Gifts, Entertainment, and Political Contributions Policy.

MCC and Medley BDC require that all employees, officers, and directors of MCC and Medley BDC observe the applicable standards of care set forth in these policies and not seek to evade the provisions of the Code in any way, including through indirect acts by family members or other associates. Further, all activities involving Medley BDC are subject to the Company Act and the policies and procedures adopted by Medley BDC in connection therewith as set forth in the Medley BDC Regulatory Compliance Manual. The obligations set forth in the Code and the Regulatory Compliance Manual are in addition to and not in lieu of any other policies and procedures adopted by MCC in respect of the conduct of its business.

About MCC

MCC is a registered investment adviser which sources investment opportunities, conducts industry research, performs diligence on potential investments, structures investments and monitors portfolio companies on an ongoing basis on behalf of Medley BDC, and may provide similar services prospectively to other funds and accounts, (each of Medley BDC and such other funds and accounts are referred to herein as a "**Fund**," "**Client**" or "**Advisory Client**"). MCC's investment staff draws on its expertise in lending to predominantly privately-held borrowers in a range of sectors, including industrials and transportation, energy and natural resources, financials and real estate. In addition, MCC Advisors seeks to diversify the portfolio of loans of its Advisory Clients by company type, asset type, transaction size, industry and geography. The principals of MCC have worked together since 2003, during which time they have focused on implementing their private debt strategy. MCC's disciplined and consistent approach to origination, portfolio construction and risk management is designed to allow it to achieve compelling risk-adjusted returns for its Advisory Clients.

[1] The Code of Ethics is adopted by each of MCC and Medley BDC pursuant to and in accordance with the requirements of each of Rule 206(4)-7 under the Advisers Act and Rule 38a-1 under the Company Act.

About Medley BDC

Medley BDC is an MCC Advisory Client which operates as a direct lender that has elected to be treated as a business development company under the Company Act. Medley BDC targets private debt transactions ranging in size from $10 to $50 million to borrowers principally located in North America. Medley BDC's private debt transactions are generally structured to combine elements of both equity and fixed-income investments and may take the form of secured loans to corporate and asset-based borrowers, and may utilize structures such as sale leaseback transactions, direct asset purchases or other hybrid structures that we believe replicate the economics and risk profile of secured loans. Medley BDC may also selectively make subordinated debt and equity investments in borrowers to which we have extended secured debt financing.

II. STATEMENT OF STANDARDS OF BUSINESS CONDUCT

As a fundamental mandate, MCC demands the highest standards of ethical conduct and care from all of its employees, officers, and directors (together, "**MCC Employees**" or "**Employees**"). For purposes of this Code and Regulatory Compliance Manual, MCC Employees or Employees includes the employees of MCC and its Affiliates (as defined below). All MCC Employees must abide by this basic business standard and must not take inappropriate advantage of their position with the Firm. Each Employee is under a duty to exercise his or her authority and responsibility for the primary benefit of our Advisory Clients and the Firm and may not have outside interests that inappropriately conflict with the interests of the Firm or of the Firm's Advisory Clients. Each Employee must avoid circumstances or conduct that adversely affect or that appear to adversely affect MCC or MCC's Clients. Every Employee must comply with applicable federal securities laws and must report violations of the Code to MCC's Chief Compliance Officer, Richard T. Allorto (the "**CCO**").

MCC will provide every Employee, and each non-Employee director of Medley BDC with a copy of the Code. Employees should maintain a copy of the Code in their personal files. The Code and any amendments are available at all times from the CCO.

III. DEFINITIONS

The capitalized terms below have the given definitions for purposes of the Code and the related policies:

A. "**Access Person**" with respect to MCC means (A) any Employee, officer, partner or director of MCC (or persons with similar roles with respect to MCC); (B) any person that provides advice on behalf of MCC and is subject to supervision and control of MCC; (C) any Medley BDC Director who, in the case of (B), (i) has access to nonpublic information regarding any client's purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any Client (including Medley BDC); (ii) is involved in making securities recommendations to Clients (including Medley BDC); or (iii) has access to such recommendations that are nonpublic; and (D) any person with access to the Firm's office, systems and/or facilities, pursuant to a consulting, staffing, office-sharing or similar arrangement, such that they could reasonably expected to have access to nonpublic information.

B. "**Advisory Client**" means any individual, group of individuals, partnership, trust, company, or other investment fund entity for whom MCC acts as investment adviser or

whom MCC has solicited to act as an investment adviser within the past six (6) months. For example, Medley BDC is an Advisory Client. For the avoidance of doubt, Advisory Clients may include public and private pooled investment vehicles and managed accounts managed by MCC, but do not include the individual investors in such funds or accounts ("**Investors**"), although certain protections afforded Advisory Clients pursuant to the Code and Regulatory Compliance Manual do extend to Investors through Rule 206(4)-8 of the Advisers Act.[2]

C. "**Advisory Person**" shall mean any MCC Employee who, in connection with his or her regular functions or duties: (i) makes any recommendation for the purchase or sale of a security (e.g., Portfolio Manager); (ii) participates in the determination of which recommendation shall be made (e.g., analyst); (iii) effects a securities transaction (e.g., trader); or (iv) has knowledge concerning which securities are being recommended to be purchased or sold (e.g., certain finance and administrative personnel and others who regularly have access to trade blotter information).

D. "**Affiliate**" shall mean any company, partnership, or other entity that is controlled by or under common control with MCC.[3]

E. "**Affiliate Account**" means: (i) the personal securities account of an Access Person (or the account of any Family Member of such Access Person), as defined herein; (ii) the securities account for which any Access Person serves as custodian, trustee, or otherwise acts in a fiduciary capacity or with respect to which any such person either has authority to make investment decisions or from time to time makes investment recommendations; and (iii) the securities account of any person, partnership, joint venture, trust or other entity in which an Access Person or his or her Family Member has "Beneficial Ownership" or other "Beneficial Interest."

F. A security is "**Being Considered for Purchase**" when a recommendation to purchase a security has been made and communicated and, with respect to the person making the recommendation, when such person seriously considers making such a recommendation. In all cases, a security which has been recommended for purchase pursuant to an Investment Committee (as hereinafter defined) memorandum or other formal Investment Committee recommendation shall be deemed to be a security Being Considered for Purchase.

G. "**Beneficial Interest**" means an interest whereby a person can, directly or indirectly, control the disposition of a security or derive a monetary, pecuniary, or other right or benefit from the purchase, sale, or ownership of a security (e.g., interest payments or dividends).

H. "**Beneficial Ownership,**" of a security or account means, consistent with Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 16-a-1(a)(2) thereunder, ownership of securities or securities accounts, by or for the benefit of a person or his or her Family Members. Beneficial Ownership specifically includes any security or account in which the employee or any Family Member holds a direct or indirect Beneficial Interest or retains voting power (or the ability to direct such a vote) or

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2 Rule 206(4)-8 prohibits advisers of pooled investment vehicles from making false or misleading statements to, or otherwise defrauding, investors or prospective investors in those pooled vehicles.

3 MCC and Medley BDC are subject to numerous restrictions with respect to Affiliates as defined in the Company Act.

investment power (which includes the power to acquire or dispose of, or the ability to direct the acquisition or disposition of, a Security or securities accounts), directly or indirectly (e.g., by exercising a power of attorney or otherwise).

I. **"Compliance Representatives"** means an MCC Employee or consultant engaged primarily in compliance-related matters or otherwise identified and designated by the CCO to perform compliance-related duties on behalf of the Firm.

J. "**Disinterested Director**" means a Medley BDC Director who is not an interested person of Medley BDC within the meaning of Section 2(a)(19) of the Company Act.

K. "**Exempt Security**" is any security that falls into any of the following categories: (i) registered open-end mutual fund shares; (ii) security purchases or sales that are part of an automatic dividend reinvestment plan (e.g., DRIP accounts, etc.); (iii) College Direct Savings Plans (e.g., NY 529 College Savings Program, etc.); (iv) Open-end Unit Investment Trusts that hold securities in proportion to a broad based market index (e.g., QQQ, Spiders); (v) bankers acceptances, bank certificates of deposit or time deposits, commercial paper and other short term high quality debt instruments with one year or less to maturity; and (vi) treasury obligations (e.g., T-Bills, Notes and Bonds) or other securities issued/guaranteed by the U.S. Government, its agencies, or instrumentalities (e.g., FNMA, GNMA).

L. "**Family Member**" means the spouse, child, parent, sibling, or other relative (whether related by blood, marriage or otherwise) of an Employee, who either resides in the same household with, or is financially dependent upon the Employee, or whose investments are controlled by that person. The term also includes any unrelated individual whose investments are controlled and whose financial support is materially contributed to by the Employee, such as a domestic partner or spousal equivalent and any person considered a "significant other."

M. **"Investment Committee"** means the group (or groups) of Advisory Persons, as such may be established by Senior Management from time to time, with primary responsibility and authority for making investment recommendations and decisions for MCC Adviser on behalf of Advisory Clients.

N. **"Investor Relations Representatives"** means an MCC Employee or consultant engaged primarily in investor relations-related matters or otherwise identified and designated by the CCO to perform investor relations-related duties on behalf of the Firm.

O. "**Medley BDC Director**" means any person who serves as a director on the board of directors of Medley BDC, including Disinterested Directors.

P. "**Medley BDC Portfolio Security**" means, with respect to a Medley BDC Director, any Security of an issuer in which he or she knows, or, in the course of his or her duties as a Director, should have known, Medley BDC has a current investment or with respect to which a Security is Being Considered for Purchase by Medley BDC.

Q. "**Personal Securities Trade**" means a trade in a Security (as defined below) in which an employee or a Family Member has a Beneficial Ownership or other Beneficial Interest.

R. "**Portfolio Manager"** means the Investment Committee member with primary investment authority for a particular MCC Client.

S. "**Reportable Security**" means every Security in which an employee or a Family Member has a Beneficial Ownership or other Beneficial Interest except that a Reportable Security shall not include an Exempt Security, as defined above.

T. **"Restricted List"** means a list of issuers and/or Securities which MCC Employees and Access Persons are generally prohibited from purchasing.

U. "**Security**" means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, reorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or a put, call, straddle, option or privilege, entered into on a national securities exchange relating to foreign currency, or in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

V. **"Senior Management"** means Andrew D. Fentress, Brook B. Taube and Seth B. Taube.

IV. GUIDELINES AND PROCEDURES

A. General Guidelines

All MCC Employees must disclose to the Firm any interest they may have in an entity that is not affiliated with MCC and that has a known business relationship with the Firm. All Medley BDC Directors must disclose to Medley BDC any interests they may have in any entity that is not affiliated with Medley BDC and that has a known business relationship with Medley BDC. Disclosure in this area must be timely so that MCC may consider the matter and take appropriate action. MCC and Medley BDC recognize, however, that they have business relationships with many companies and that certain interests and activities such as owning a relatively small interest in publicly traded securities of such organizations, serving as a trustee of a family trust, or participating in a non-profit organization do not necessarily give rise to a conflict of interest.

B. Procedures and General Prohibitions

1. From time to time, MCC Employees may be invited to join the board of directors or accept board observation rights of MCC portfolio companies or outside entities. As a general matter, other than in limited circumstances (e.g., for non-profit or other civic organizations, or in furtherance of investment opportunities on behalf of the Firm or its Advisory Clients, including Medley BDC), Employees should seek the approval of the CCO prior to accepting and assuming the position of director (or accepting any board observation rights) of any outside corporation (or other entity). Any MCC Employee who is invited to serve as a director or board observer of any entity that is not an affiliate or portfolio company of MCC must promptly notify the CCO prior to accepting any such directorship or observation rights. In the event that the Firm approves the request, the company in question shall immediately be placed on MCC's "Restricted List" or otherwise flagged for special review and monitoring for potential conflicts.[4]

2. As a general matter and except as approved by the CCO in consultation with Senior Management, an MCC Employee may not act as an officer, general partner, consultant, agent, representatives, trustee, or employee of any *business* other than MCC or an affiliate of MCC.

3. Except as approved by the CCO or specifically permitted by law, Employees may not have a monetary interest, as principal, co-principal, agent, shareholder, or beneficiary, directly or indirectly, or through any substantial interest in any other corporation, partnership or business unit, in any transaction that conflicts with the interest of MCC or its Advisory Clients.

4. Except with the prior written approval of the CCO, Employees may not invest in any IPO or private placement, and specifically may not invest in any hedge fund or other private investment vehicle.

5. No MCC Employee, except in the course of his or her duties, shall reveal to any other person information regarding any Advisory Client or any security transactions being considered, recommended, or executed on behalf of any Advisory Client. No Medley BDC Director, except in the course of his or her duties, shall reveal to any other person information regarding Medley BDC or any Medley BDC Portfolio Security.

6. No Advisory Person shall make any recommendation concerning the purchase or sale of any Security by an Advisory Client without disclosing, to the extent known, the interest of the Firm or any MCC Employee, if any, in such Securities or the issuer thereof, including, without limitation (i) any direct or indirect beneficial ownership of any securities of such issuer; (ii) any contemplated transaction by such person in such securities; and (iii) any present proposed relationship with such issuer or its affiliates.

7. Subject to certain exceptions permitted by applicable law, Medley BDC shall not, directly or indirectly extend, maintain or arrange for the extension of credit or the renewal of an extension of credit, in the form of a personal loan to any officer or director of Medley BDC. Any Employee or Medley BDC Director who becomes aware that Medley BDC may be extending or arranging for the extension of credit to a director or officer, or person serving an equivalent function, should discuss the situation with the CCO to ensure that the extension of credit is in accord with this Code of Ethics and applicable law.

8. No Employee or Medley BDC Director shall engage in Insider Trading (as defined in the "Inside Information Policy") whether for his or her own benefit or for the benefit of others.

9. No Employee may communicate material, nonpublic information concerning any Security to anyone unless it is properly within his or her duties to do so. No Medley BDC Director may communicate material, nonpublic information concerning any Medley BDC Portfolio Security to anyone unless it is properly within his or her duties to do so.

10. Each Employee shall annually complete an "Adviser Disclosure Questionnaire" returning the completed questionnaire to MCC's CCO or a Compliance

4 The CCO shall maintain a log of all outside positions (whether or not affiliated with MCC) held by MCC Employees and Medley BDC Directors in order to monitor for conflicts of interest.

Representatives. Each Employee shall supplement the annual questionnaire as necessary to reflect any material change between annual filings.

11. Every Employee must avoid any activity that might give rise to a question as to whether the Firm's objectivity as a fiduciary has been compromised.

12. Access Persons (including all MCC Employees) are required to disclose to the CCO all personal securities holdings immediately upon commencement of employment (which shall include all personal securities holdings of the Access Person's Family Members), and in no case later than ten (10) days beyond the Access Person's start date. Access Persons are also required on a quarterly basis and no later than thirty (30) days after each quarter end to file a report indicating any transactions made in any Reportable Securities. On an annual basis, each Access Person is to disclose to the CCO all personal holdings of Reportable Securities.

13. The intentional creation, transmission or use of false rumors is inconsistent with the Firm's commitment to high ethical standard and may violate the antifraud provisions of the Advisers Act, among other securities laws of the United States. Accordingly, no Employee may maliciously create, disseminate, or use false rumors. This prohibition covers oral and writing communications, including the use of electronic communication media such as e-mail, PIN messages, instant messages, text messaging, blogs, and chat rooms. Because of the difficulty in identifying "false" rumors, the Firm discourages Employees from creating, passing or using any rumor.

V. ACKNOWLEDGEMENT

Unless MCC has distributed and received an acknowledgement with respect to a revised version of the Code and Regulatory Compliance Manual, each employee must certify at least annually (upon request by MCC) that he or she has read, understands, is subject to and has complied with the Regulatory Compliance Manual, including the Code. Any Employee who has any questions about the applicability of the Code to a particular situation should promptly consult with the CCO.

VI. REPORTING AND SANCTIONS

While compliance with the provisions of the Code is anticipated, Employees should be aware that in response to any violations, the Firm shall take whatever action is deemed necessary under the circumstances including, but without limitation, the imposition of appropriate sanctions. These sanctions may include, among others, the reversal of trades, reallocation of trades to client accounts, disgorgement of profits deemed improper, or, in more serious cases, employee suspension or termination. Moreover, Employees are required to report any violation(s) of the Code or the Regulatory Compliance Manual or any other inappropriate conduct to the CCO. The Firm prohibits retaliation against any such personnel who, in good faith, seeks help or reports known or suspected violations, including Employees who assist in making a report or who cooperate in an investigation. Any Employee who engages in retaliatory conduct will be subject to disciplinary action, which may include termination of employment.

VII. ADDITIONAL RESTRICTIONS AND WAIVERS BY MCC AND MEDLEY BDC

From time to time, the CCO (or a Compliance Representatives), in consultation with Senior Management, may determine that it is in the best interests of the Firm for certain Employees or other persons to be subject to additional restrictions or requirements in addition those set forth in the Code. In

such case, the affected persons will be notified of the additional restrictions or requirements and will be required to abide by them as if they were included in the Code. In addition, under extraordinary circumstances, the CCO (or a Compliance Representatives) may, after consultation with Senior Management, grant a waiver of certain of these restrictions or requirements contained in the Code on a case by case basis. In order for an Employee to rely on any such waiver, it must be granted in writing.

Any waiver of the Code for executive officers of Medley BDC or Medley BDC directors may be made only by the Medley BDC board of directors or a committee of the board and must be promptly disclosed to shareholders as required by law or relevant exchange rule or regulation as determined in consultation with Medley BDC outside legal counsel.

The CCO and the CCO of Medley BDC shall each maintain a log of all requests for exceptions and waivers and the determination with respect to such requests.

VIII. REVIEW BY THE BOARD OF DIRECTORS OF MEDLEY BDC

The CCO of Medley BDC will prepare a report to be considered by the board of directors (1) quarterly that identifies any violations of this Code with respect to Medley BDC requiring significant remedial action during the past quarter and the nature of that remedial action; and (2) annually, in writing, that (a) describes any issues arising under the Code since the last written report to the Board, including, but not limited to, information about material violations of the Code and sanctions imposed in response to such violations, and (b) identifies any recommended changes in existing restrictions or procedures based upon Medley BDC's and/or MCC's experience under the Code, evolving industry practices, or developments in applicable laws or regulations, and (c) certifies that Medley BDC and MCC have each adopted procedures reasonably designed to prevent violations of the Code, and of the federal securities laws in accordance with the requirements of the Advisers Act and the Company Act.

The Board of Medley BDC will also be asked to approve any material changes to the Code within six months after the adoption of such change, upon receiving certifications from each of Medley BDC and MCC that it has adopted procedures reasonably necessary to prevent violations of the Code, based on a determination that the Code contains provisions reasonably necessary to prevent MCC Employees and Access Persons from engaging in any prohibited conduct under the Code.

Adopted: November __, 2010