

# Medley Capital Corporation

Wells Fargo Securities

2012 Specialty Finance Symposium

# Disclaimer for Medley Capital Corporation Presentation

---

*These materials and any presentation of which they form a part are neither an offer to sell, nor a solicitation of an offer to purchase securities offered by Medley Capital Corporation. These materials are being provided for discussion purposes only.*

*Investors are advised to carefully consider the investment objective, risks and charges and expenses of Medley Capital Corporation before investing. Medley Capital Corporation's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission contain this and other information about Medley Capital Corporation and should be read carefully before investing.*

*The information herein is not complete and may be changed. These materials are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. These materials are not advice, a recommendation or an offer to enter into any transaction with Medley Capital Corporation or any of its affiliates. There is no guarantee that any of the goals, targets or objectives described in these materials will be achieved.*

*The data in these materials is proprietary information of Medley Capital Corporation and may not be disclosed, reproduced or otherwise disseminated to third parties in whole or in part without the Medley Capital Corporation's prior written consent. These materials are not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to applicable law or regulations.*

# Forward Looking Statements

---

*This presentation contains forward-looking statements. These statements include, without limitation, information with respect to future events or our future financial performance and results of operations. These forward looking statements are not guarantees of our future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. Factors that could affect our results and cause them to materially differ from those contained in the forward-looking statements include those that we discuss in “Forward-Looking Statements” and “Risk Factors” in our Annual Report on Form 10-Q filed with the Securities and Exchange Commission.*

# Medley Overview

---

- Medley is a private asset management firm focused on direct lending to middle market businesses in the United States
- Medley manages over \$1.6 billion in assets through private funds and Medley Capital Corporation (NYSE:MCC)
- Seasoned 42 person team with offices in New York and San Francisco
- National direct origination platform with significant experience in transaction sourcing, underwriting and loan servicing
- The Principals, as a team, have invested in excess of \$2 billion over the last 10 years in more than 100 investments

# Why MCC?

---

## Attractive Return

- Growing dividend
- Secure portfolio with no assets on non-accrual

## Market Opportunity

- Attractive yields in the lower middle market
- Reduced competition with exit of banks and favorable outlook going forward

## Experienced Team

- Benefits from Medley's broad platform and organizational depth
- Large team with significant origination capability and experience investing through multiple business cycles

## Direct Origination

- Non-sponsored transactions
- Consistent origination with higher returns

## Senior Secured Loans

- Focus on senior secured lending
- Typically lead deals and maintain majority position

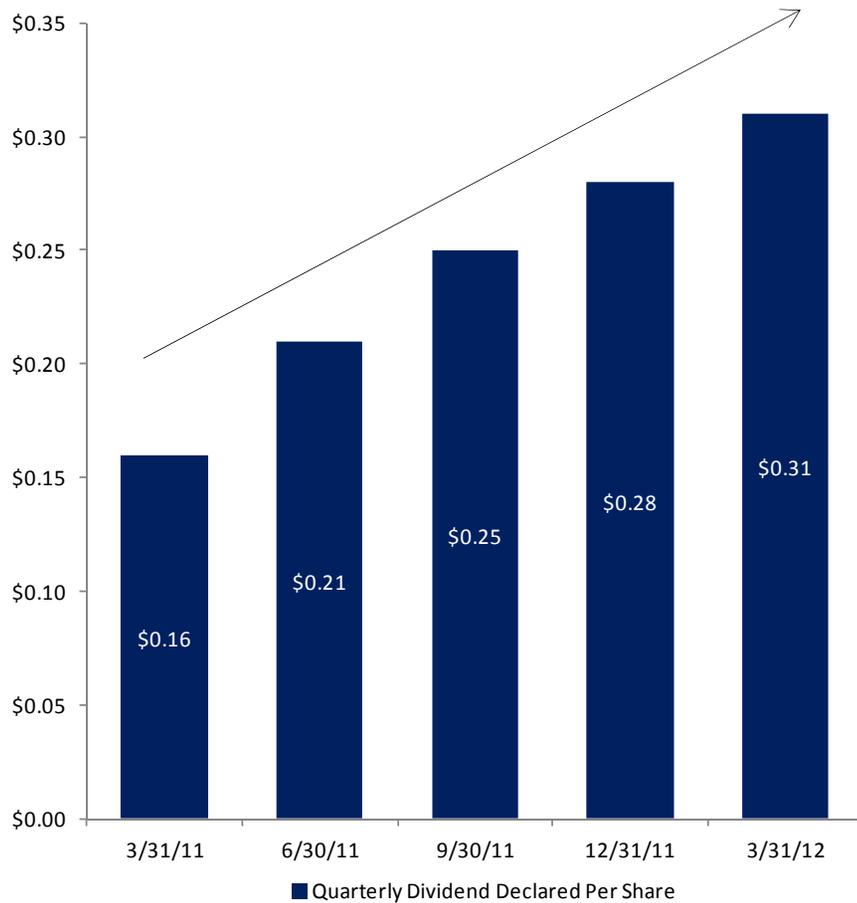
# MCC Performance Since IPO

---

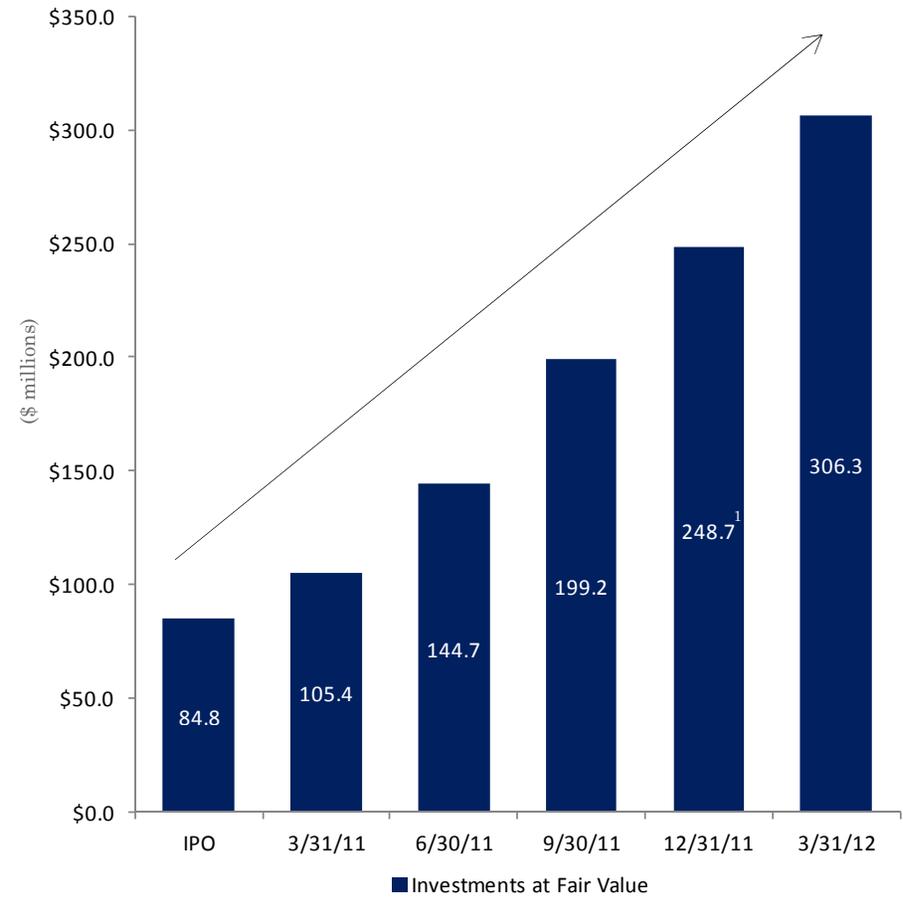
- Consistent quarterly dividend growth (\$0.31 for quarter ending 3/31/12)
- Visibility for future dividend increases based upon available investment capacity and existing pipeline
- 14.5% portfolio yield as of 3/31/12 with no assets on non-accrual
- \$125M revolving credit facility is now fully committed
- Completed \$40M offering of 7.125% senior notes due 2019
- Received SBA Green Light Letter

# Performance Since IPO

## Dividend Growth



## Portfolio Growth



1. Includes \$4.7M in assets due from counterparty.

# Attractive Market Opportunity in Private Debt

---

## Reduced Competition

Exit of banks and other lenders has created historically tight liquidity conditions

## Lower Risk

Asset values and LTV ratios have declined

## Disciplined Approach

Medley's team and investment process have performed through the challenging environment that began in 2007

## Attractive Position In Capital Structure

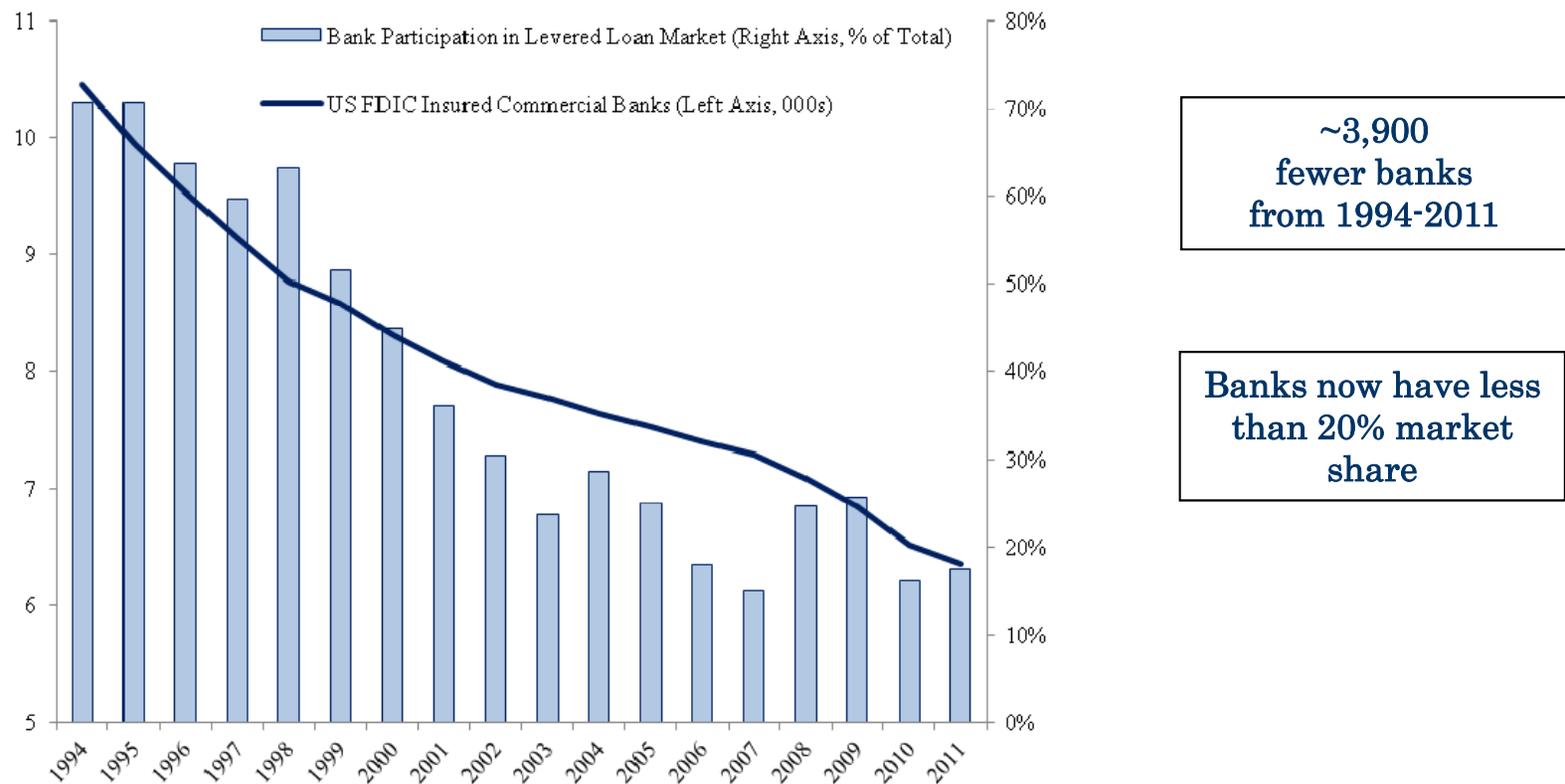
Senior loans secured against high-quality assets and enterprises

## Predictable Exit

Returns achievable even if public markets remain challenging

# Attractive Market Opportunity in Private Debt *(cont.)*

- 15+ years of banks reducing exposure to middle market lending <sup>(1,2)</sup>



1. Source: S&P LCD, as of 12/31/11. 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 12/31/11; S&P. LCD as of 12/31/11.

# Medley Investment Process

---

- Consistent and diligent approach to all investment and portfolio management

## Sourcing

- 25 investment professionals
- Significant repeat and referral deal flow
- Avoid broadly marketed and syndicated transactions
- Over 100 investments closed in last 10 years

## Due Diligence and Structuring

- Rigorous in-house financial, industry, legal and business diligence
- Third-party appraisal, audit and industry specific analysis
- Background and tax compliance checks
- Engage outside legal counsel with industry specific expertise

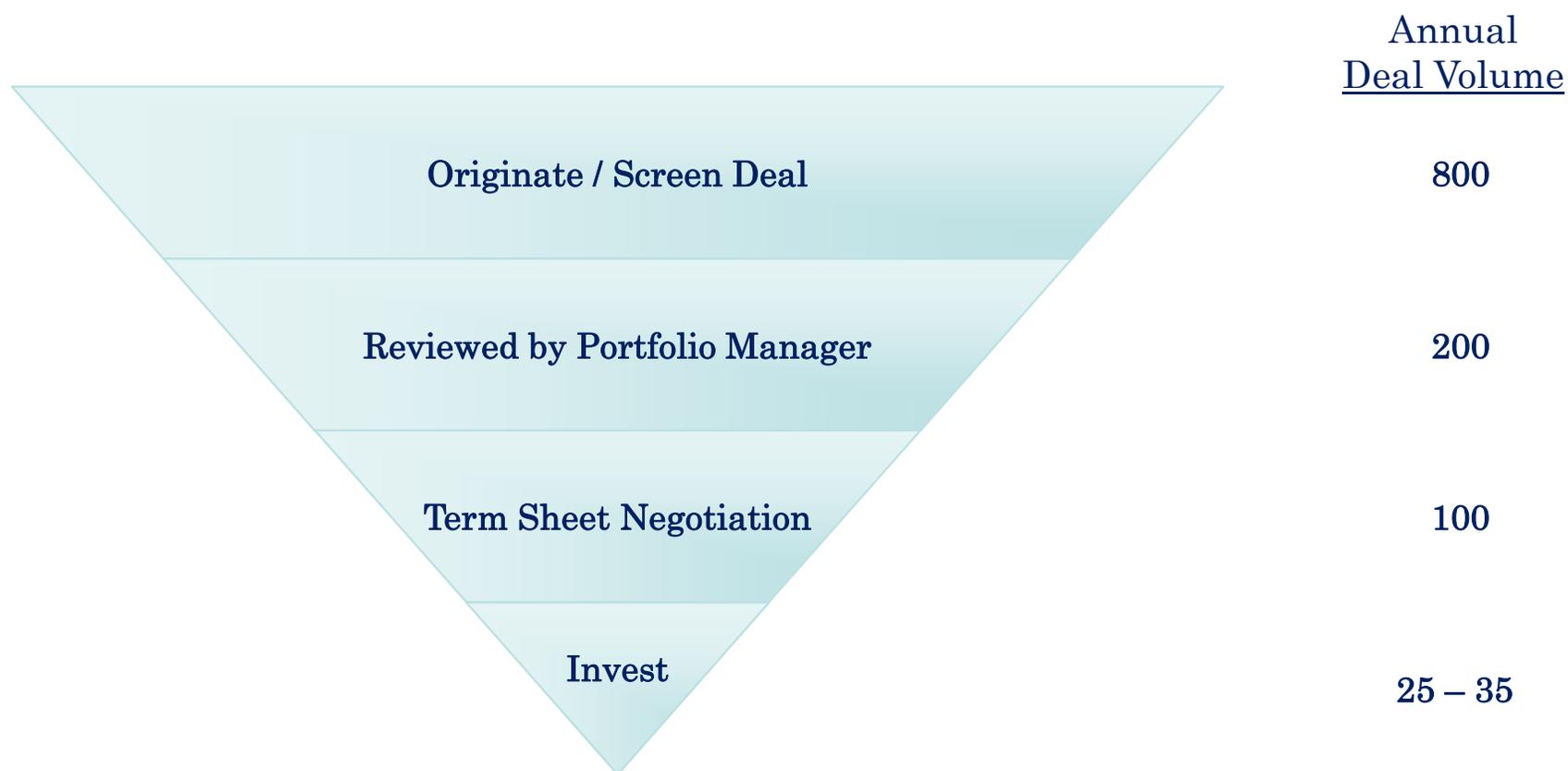
## Monitoring and Exit

- Monthly contact and quarterly visits with borrowers
- Proprietary reporting and monitoring as well as independent valuation
- Rigorous collateral valuation, cash monitoring and anti-fraud protection
- 13 investment professionals with deep workout experience

# Filtering – Highly Selective Underwriting Process

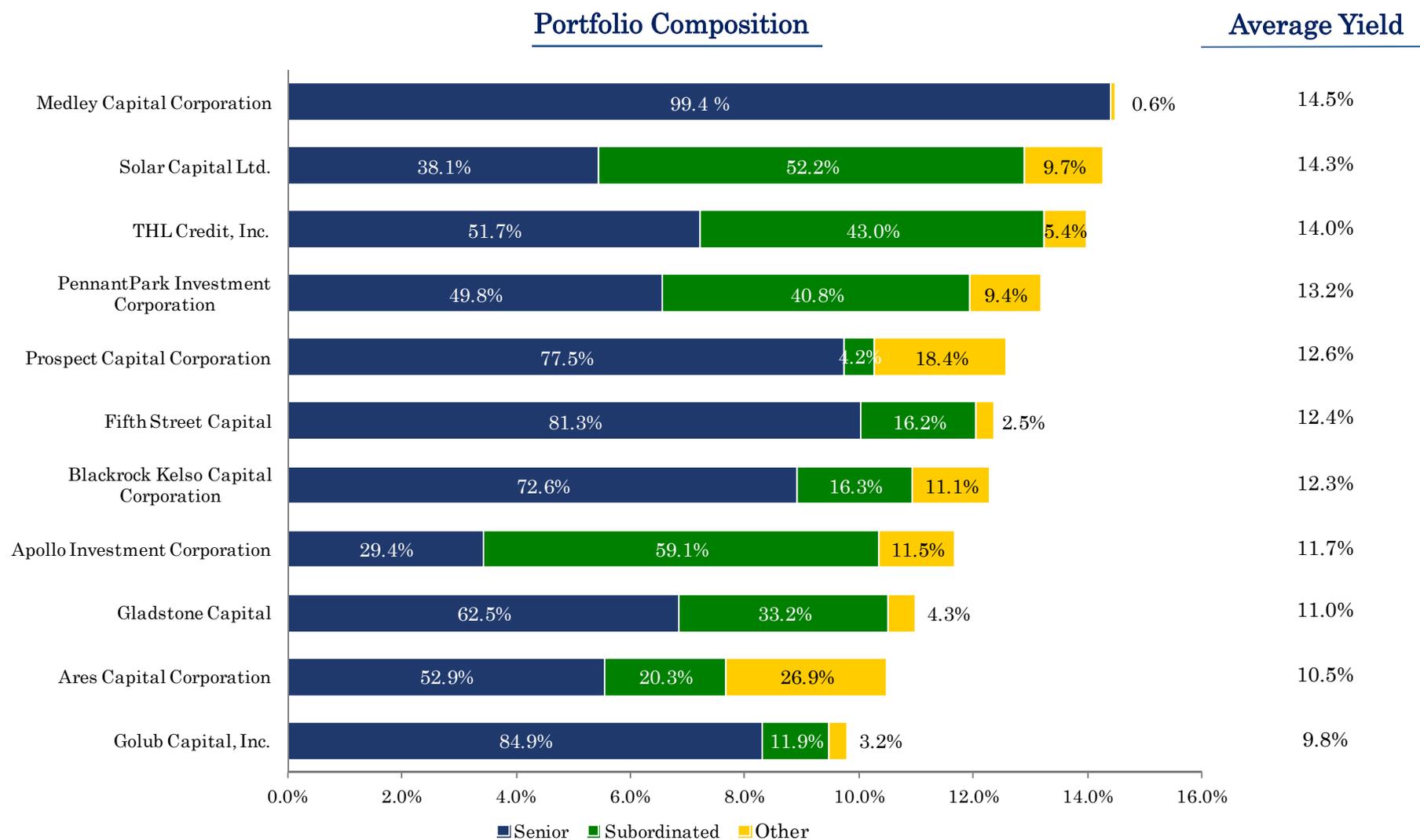
---

- Historically, Medley has invested in 3%-5% of opportunities screened annually





# High Quality Investment Portfolio



Source: Company filings, based on latest available data as of May 15, 2012.  
 Note: Portfolio composition reflects fair market value.

# Risk Management

---

## Portfolio Construction

### Broad Diversification

- Sector / industry
- Collateral
- Position size

### Careful Structuring

- UCC (lien) filings
- Cash control agreements
- Covenants
- Insurance

### Rigorous Due Diligence

- Systematic underwriting process
- Multiple stages of approval
- Third-party financial review
- Independent appraisals

## Asset Servicing

### Rigorous Oversight

- Weekly borrower calls
- Monthly financials, cash reconciliation
- Quarterly onsite visits
- Active covenant monitoring

### External Checks and Balances

- Independent valuation and collateral analysis
- Outside legal counsel
- Loan servicing – Deutsche Bank

# Concluding Summary

---

## ■ Compelling Market Opportunity

- Secured positions against high-quality assets and enterprises
- Less competition due to exit of traditional lending sources
- Contractual payments that are not dependent upon M&A or public equity market

## ■ Attractive Risk/Return Profile

- Lower asset values and conservative LTV ratios
- Higher returns available in the lower middle market

## ■ Qualified Team with Proven Track Record

- Principals have worked together for 10 years executing a consistent strategy in direct lending to middle market companies

## ■ Robust Pipeline of New Transactions

- Medley network has generated a pipeline of high quality transactions
- Strong direct origination relationships as well as capital markets contacts provide multiple channels for deal sourcing

# Appendix

## Select Financial Data

# Financial & Portfolio Highlights

## Financial Highlights

	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Net investment income per share	\$ 0.31	\$ 0.28	\$ 0.26	\$ 0.21	\$ 0.10
Net realized gains (losses)	-	-	-	-	-
Net unrealized gains (losses)	0.03	(0.03)	(0.03)	0.02	-
Net income per share	0.34	0.25	0.23	0.23	0.10
Net asset value per share	12.63	12.57	12.57	12.55	12.48

## Portfolio Highlights

- \$306.3M total fair value of investments as of March 31, 2012
- \$69.2M new originations during quarter ended March 31, 2012
- \$78.0M of backlog<sup>1</sup> as of May 2, 2012

## Asset Mix by Asset Class

	03/31/12	12/31/11	09/30/11	06/30/11	03/31/11
Senior Secured 1st Lien	59.8%	55.5%	55.1%	48.1%	41.6%
Senior Secured 2nd Lien	39.0%	43.3%	36.7%	18.5%	6.9%
Equity/Other	0.6%	0.6%	0.3%	0.0%	0.0%
Cash and Equivalents	0.6%	0.6%	7.9%	33.4%	51.5%

## Asset Mix by Rating

Rating	03/31/12	12/31/11	09/30/11	06/30/11	03/31/11
1	8.8%	10.9%	-	-	-
2	87.9%	84.9%	100.0%	100.0%	100.0%
3	3.3%	4.2%	-	-	-
4	-	-	-	-	-
5	-	-	-	-	-

1. Backlog represents transactions that Management reasonably expects to close in the coming ninety days.

# Select Financial & Portfolio Information

	As of and for the Three Months Ended				
	3/31/2012	12/31/2011	9/30/2011	6/30/2011	3/31/2011
Net investment income per share - basic & diluted	\$ 0.31	\$ 0.28	\$ 0.26	\$ 0.21	\$ 0.10
Net realized and unrealized gains per share - basic & diluted	0.03	(0.03)	(0.03)	0.02	-
GAAP EPS - basic & diluted	0.34	0.25	0.23	0.23	0.10
Dividend declared per share	0.31	0.28	0.25	0.21	0.16
Stockholders' equity	\$ 218,700,129	\$ 217,711,796	\$ 217,652,696	\$ 217,366,097	\$ 216,190,953
Net asset value per share	12.63	12.57	12.57	12.55	12.48
Market Capitalization <sup>1</sup>	\$ 195,201,674	\$ 180,132,867	\$ 174,590,317	\$ 203,342,294	\$ 210,963,300
Common stock data:					
High Price <sup>2</sup>	\$ 11.86	\$ 10.56	\$ 11.63	\$ 12.19	\$ 12.19
Low Price <sup>2</sup>	10.17	8.96	9.84	11.12	11.62
Closing Price	11.27	10.40	10.08	11.74	12.18
Investments at fair value	\$ 306,258,171	\$ 244,035,973	\$ 199,206,547	\$ 144,664,131	\$ 105,428,216
Investments at fair value including cash & cash equivalents (net of payable for unsettled trades)	308,195,032	245,481,673	216,408,190	217,259,879	217,447,397
% Fixed Rate	56.4%	65.0%	68.6%	58.5%	45.0%
% Floating Rate	42.4%	33.8%	23.0%	8.1%	3.4%
% Equity and other non-interest earning	0.6%	0.6%	0.4%	0.0%	0.0%
% Cash & cash equivalents	0.6%	0.6%	7.9%	33.4%	51.5%
Portfolio Companies	30	24	18	11	6
Weighted average yield to maturity on portfolio investments on cost	14.5%	14.4%	14.5%	14.9%	14.8%
Gross fundings for the quarter	\$ 69,236,000	\$ 52,536,664	\$ 54,369,554	\$ 38,419,322	\$ 30,844,251
Backlog	77,950,000	58,000,000	60,000,000	44,000,000	47,000,000
Non-accrual investments	-	-	-	-	-

1. Reflects common shares outstanding of 17,320,468 and a closing share price of \$11.27, \$10.40, \$10.08, \$11.74 and \$12.18 as of 3/31/12, 12/30/11, 9/30/11, 6/30/11 and 3/31/11, respectively.

2. Reflects the high and low closing share price during the periods ended 3/31/12, 12/30/11, 9/30/11, 6/30/11 and 3/31/11.

Note: Basic and diluted per share data reflects weighted average common shares outstanding of 17,320,468 as of 3/31/12, 12/31/11, 6/30/11 and 9/30/11 and 17,095,468 as of 3/31/11.

# Balance Sheet

	<b>As of</b>				
	<b>3/31/2012</b> (Unaudited)	<b>12/31/2011</b> (Unaudited)	<b>9/30/2011</b> (Audited)	<b>6/30/2011</b> (Unaudited)	<b>3/31/2011</b> (Unaudited)
<b>ASSETS</b>					
Investments at fair value					
Non-control/non-affiliate investments	\$ 260,364,140	\$ 198,238,921	\$ 153,385,565	\$ 98,541,136	\$ 59,273,023
Affiliate investments	45,894,031	45,797,052	45,820,982	46,122,995	46,155,193
Total investments at fair value	306,258,171	244,035,973	199,206,547	144,664,131	105,428,216
Cash and cash equivalents	1,936,861	1,445,700	17,201,643	82,445,680	112,019,181
Interest receivable	2,481,444	2,410,758	1,679,738	1,296,430	414,820
Deferred credit facility financing costs, net	2,968,110	1,180,244	1,259,382	-	-
Deferred offering costs	182,586	-	-	-	-
Due from Counterparty	-	4,665,511	-	-	-
Other assets	170,254	73,461	782,006	244,795	353,991
<b>TOTAL ASSETS</b>	<b>\$ 313,997,426</b>	<b>\$ 253,811,647</b>	<b>\$ 220,129,316</b>	<b>\$ 228,651,036</b>	<b>\$ 218,216,208</b>
<b>LIABILITIES</b>					
Credit facility payable	\$ 50,900,000	\$ 32,600,000	\$ -	\$ -	\$ -
Notes payable	40,000,000	-	-	-	-
Management and incentive fees payable, net	2,590,850	2,210,803	1,483,751	630,403	289,494
Payable for unsettled trades	-	-	-	9,849,932	-
Accounts payable and accrued expenses	870,705	629,256	626,261	460,613	376,912
Administrator expenses payable	382,238	296,246	346,293	329,516	190,246
Deferred Revenue	42,350	60,997	18,648	-	-
Interest and fees payable	331,637	190,283	1,667	-	-
Due to affiliate	79,517	112,266	-	6,689	94,309
Deferred offering costs payable	100,000	-	-	7,786	981,673
Accrued organizational costs	-	-	-	-	92,621
<b>TOTAL LIABILITIES</b>	<b>\$ 95,297,297</b>	<b>\$ 36,099,851</b>	<b>\$ 2,476,620</b>	<b>\$ 11,284,939</b>	<b>\$ 2,025,255</b>
<b>NET ASSETS</b>					
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 17,320,468 common shares issued and outstanding	17,320	17,320	17,320	17,320	17,320
Capital in excess of par value	214,509,815	214,509,815	214,509,815	214,611,621	214,619,407
Accumulated undistributed net investment income	4,240,073	3,681,120	3,220,089	2,338,229	1,554,226
Accumulated net realized gain from investments	163,568	166,521	55,000	55,000	-
Net unrealized appreciation (depreciation) on investments	(230,647)	(662,980)	(149,528)	343,927	-
Total net assets	218,700,129	217,711,796	217,652,696	217,366,097	216,190,953
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 313,997,426</b>	<b>\$ 253,811,647</b>	<b>\$ 220,129,316</b>	<b>\$ 228,651,036</b>	<b>\$ 218,216,208</b>
<b>NET ASSET VALUE PER SHARE</b>	<b>\$ 12.63</b>	<b>\$ 12.57</b>	<b>\$ 12.57</b>	<b>\$ 12.55</b>	<b>\$ 12.48</b>

# Transaction & Backlog Summary

Deal	Sector	Security	\$Amount <sup>1</sup>	Pricing		
				Fixed/Floating	Tenor	Yield
<b>Closed in Q2 FY11</b>						
Applied Natural Gas Fuels, Inc.	Oil and Gas	Senior - 1st lien	\$5.0	Fixed	3.0 years	13.9%
Aurora Flight Sciences Corporation	Aerospace & Defense	Senior - 2nd lien	15.0	Fixed	3.0 years	14.7%
			<b>Closed Q2 FY11:</b>			
			<b>\$20.0</b>			
<b>Closed in Q3 FY11</b>						
Sizzling Platter, LLC	Restaurant & Franchise	Senior - 1st lien	\$6.8	Fixed	5.0 years	13.7%
United Road Towing, Inc.	Personal, Food & Miscellaneous Services	Senior - 2nd lien	15.0	Fixed	5.5 years	14.9%
Bay Delta Maritime, LLC	Cargo Transport	Senior - 1st lien	6.7	Fixed	5.0 years	14.5% <sup>2</sup>
United Restaurant Group L.P.	Restaurant & Retail	Senior - 2nd lien	10.0	Floating	5.5 years	18.8%
			<b>Closed Q3 FY11:</b>			
			<b>\$38.4</b>			
<b>Closed in Q4 FY11</b>						
Gundle/SLT Environmental, Inc.	Diversified/Conglomerate Manufacturing	Senior - 2nd lien	\$6.0	Floating	5.5 years	14.1%
YRCW Receivables LLC	Cargo Transport	Senior - 2nd lien	6.9	Floating	3.0 years	12.1%
Sequel Youth and Family Services, LLC	Healthcare, Education and Childcare	Senior - 2nd lien	10.5	Fixed	3.0 years	14.7%
Cymax Storesusa, LLC	Furnishings, Housewares & Durable Consumer Products	Senior - 1st lien	6.0	Fixed	4.0 years	15.2% <sup>2</sup>
Tempel Steel Company	Mining, Steel, Iron and Nonprecious Metals	Senior - 1st lien	4.9	Fixed	5.0 years	12.9%
Flexera Software, LLC	Electronics	Senior - 1st/2nd lien	10.0	Floating	6.6 years	12.3%
Insight Pharmaceuticals, LLC	Personal, Food & Miscellaneous Services	Senior - 2nd lien	10.0	Floating	6.0 years	14.4%
			<b>Closed Q4 FY11:</b>			
			<b>\$54.4</b>			
<b>Closed in Q1 FY12</b>						
Renaissance Learning, LLC	Healthcare, Education and Childcare	Senior - 1st/2nd lien	\$4.8	Floating	6.4 years	11.4%
Hoffmaster Group, Inc.	Personal & Nondurable Consumer Products	Senior - 1st/2nd lien	10.0	Floating	6.6 years	10.8%
Tower International	Automobile	Senior - 1st lien	6.2	Fixed	5.7 years	10.6%
Kelley-Amerit Fleet Services	Business Services	Senior - 1st lien	19.0	Floating	5.0 years	14.4%
Meridian Behavioral Health, LLC	Healthcare, Education and Childcare	Senior - 1st lien	6.0	Fixed	5.0 years	15.4%
Tempel Steel Company	Mining, Steel, Iron and Nonprecious Metals	Senior - 1st lien	1.9	Fixed	5.0 years	12.9%
YRCW Receivables LLC	Cargo Transport	Senior - 2nd lien	2.8	Floating	3.0 years	12.1%
Hillex Poly Co	Chemicals, Plastics and Rubber	Senior - 1st lien	1.8	Floating	5.0 years	11.7%
			<b>Closed Q1 FY12:</b>			
			<b>\$52.5</b>			
<b>Closed in Q2 FY12</b>						
Welocalize, Inc.	Business Services	Senior - 1st lien	\$10.0	Floating	3.8 years	12.8%
Tempel Steel Company	Mining, Steel, Iron and Nonprecious Metals	Senior - 1st lien	3.0	Fixed	5.0 years	12.9%
U.S. Well Services, LLC	Oil and Gas	Senior - 1st lien	5.0	Fixed	5.0 years	15.0% <sup>2</sup>
Great Atlantic and Pacific Tea	Grocery	Senior - 1st lien	8.0	Floating	5.0 years	13.2%
RCS Management Corporation / SMS, Inc	Diversified/Conglomerate Service	Senior - 2nd lien	17.3	Floating	3.5 years	15.3%
Calloway Laboratories, Inc.	Healthcare, Education and Childcare	Senior - 1st lien	20.0	Floating	1.5 years	18.7%
Prestige Industries LLC	Business Services	Senior - 2nd lien	5.8	Fixed	5.0 years	14.3% <sup>2</sup>
Cymax Storesusa, LLC	Furnishings, Housewares & Durable Consumer Products	Senior - 1st lien	0.3	Fixed	4.0 years	15.2% <sup>2</sup>
			<b>Closed Q2 FY12:</b>			
			<b>\$69.2</b>			
<b>Backlog<sup>3</sup></b>						
Deal 1	Personal & Nondurable Consumer Products	Senior - 1st lien	\$6.2	Floating	5.0 years	16.0%
Deal 2	Furnishings, Housewares & Durable Consumer Products	Senior - 2nd lien	10.0	Floating	4.5 years	15.7%
Deal 3	Business Services	Senior - 1st lien	11.5	Floating	5.0 years	15.4%
Deal 4	Healthcare, Education and Childcare	Senior - 1st lien	10.5	Fixed	3.0 years	16.3%
Deal 5	Personal & Nondurable Consumer Products	Senior - 1st lien	12.5	Fixed	3.0 years	14.5%
Deal 6	Personal & Nondurable Consumer Products	Senior - 1st lien	5.0	Floating	5.0 years	18.4%
Deal 7	Cargo Transport	Senior - 1st lien	7.5	Floating	4.0 years	16.3%
Deal 8	Manufacturing	Senior - 1st lien	8.5	Floating	5.0 years	16.3%
Deal 9	Manufacturing	Senior - 1st lien	6.3	Floating	5.0 years	16.8%
			<b>Total Backlog:</b>			
			<b>\$78.0</b>			

1. Reflects investments at original cost.

2. Yield does not include warrants representing common equity ownership of 10%, 4%, 0.9% and 5.6% in Bay Delta, Cymax, U.S. Well Services and Prestige Industries, respectively.

3. Backlog represents transactions that Management reasonably expects to close in the coming ninety days.

# Corporate Information

## Board of Directors

BROOK TAUBE  
Chairman & Chief Executive Officer

ANDREW FENTRESS  
Managing Partner

SETH TAUBE  
Managing Partner

KARIN HIRTLE-GARVEY  
Independent Director

JOHN E. MACK  
Independent Director

ARTHUR AINSBERG  
Independent Director

RICHARD A. DORFMAN  
Independent Director

## Corporate Officers

BROOK TAUBE  
Chairman & Chief Executive Officer

RICHARD T. ALLORTO, JR.  
Chief Financial Officer, Chief  
Compliance Officer & Secretary

## Investment Committee

BROOK TAUBE  
Chairman & Chief Executive Officer

ANDREW FENTRESS  
Managing Partner

SETH TAUBE  
Managing Partner

## Research Coverage

BB&T CAPITAL MARKETS  
Vernon Plack - (804)-780-3257

CITIGROUP GLOBAL MARKETS  
Donald Fandetti - (212)-816-2971

GILFORD SECURITIES  
Casey Alexander - (212)-940-9276

JANNEY CAPITAL MARKETS  
John Rogers - (202)-955-4316

JMP SECURITIES  
John Hecht - (415)-835-3912

STIFEL NICOLAUS  
Greg Mason - (314)-342-2194

UBS INVESTMENT RESEARCH  
Dean Choksi - (212)-713-2382

WELLS FARGO SECURITIES  
Jonathan Bock - (443)-263-6410

## Corporate Counsel

MORRISON & FOERSTER, LLP  
New York, NY

## Independent Registered Public Accounting Firm

ERNST & YOUNG, LLP  
New York, NY

## Corporate Headquarters

375 Park Avenue, Suite 3304  
New York, NY 10152  
(212)-759-0777

## Securities Listing

NYSE: MCC

## Transfer Agent

AMERICAN STOCK TRANSFER  
(888) 777-0324

## Investor Relations

RICHARD T. ALLORTO, JR.  
(212)-759-0777