

Medley Capital Corp
Form 10-Q
May 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 10-Q

(Mark
One)

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

For the Quarterly Period Ended March 31, 2015
or

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

For the transition period from to

Commission file number: 1-35040

MEDLEY CAPITAL CORPORATION

Edgar Filing: Medley Capital Corp - Form 10-Q

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

27-4576073

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

375 Park Avenue, 33rd Floor, New York, NY 10152 10152

(Address of Principal Executive Offices)

(Zip Code)

(212) 759-0777

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

Large accelerated filer "

Accelerated filer x

Non-accelerated filer "

Smaller reporting company "

Edgar Filing: Medley Capital Corp - Form 10-Q

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

As of May 11, 2015 the Registrant had 57,907,607 shares of common stock, \$0.001 par value, outstanding.

MEDLEY CAPITAL CORPORATION

TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements

Consolidated Statements of Assets and Liabilities as of March 31, 2015 (unaudited) and September 30, 2014 F-1

Consolidated Statements of Operations for the three and six months ended March 31, 2015 and 2014 (unaudited) F-2

Consolidated Statements of Changes in Net Assets for the six months ended March 31, 2015 and 2014 (unaudited) F-3

Consolidated Statements of Cash Flows for the six months ended March 31, 2015 and 2014 (unaudited) F-4

Consolidated Schedules of Investments as of March 31, 2015 (unaudited) and September 30, 2014 F-5

Notes to Consolidated Financial Statements (unaudited) F-25

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 1

Item 3. Quantitative and Qualitative Disclosures About Market Risk 17

Item 4. Controls and Procedures 18

Part II. Other Information 19

Item 1. Legal Proceedings 19

Item 1A. Risk Factors 19

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 19

Item 3. Defaults Upon Senior Securities 19

Item 4. Other Information 19

Item 5. Exhibits 20

SIGNATURES 23

Medley Capital Corporation**Consolidated Statements of Assets and Liabilities**

	As of March 31, 2015 (unaudited)	September 30, 2014
ASSETS		
Investments at fair value		
Non-controlled/non-affiliated investments (amortized cost of \$1,225,385,079 and \$1,215,421,753, respectively)	\$ 1,164,170,162	\$ 1,185,859,238
Controlled investments (amortized cost of \$40,588,373 and \$39,899,954, respectively)	37,512,556	38,244,386
Affiliated investments (amortized cost of \$10,000,000 and \$19,943,150, respectively)	10,000,000	21,434,667
Total investments at fair value	1,211,682,718	1,245,538,291
Cash and cash equivalents	29,146,314	36,731,488
Interest receivable	13,625,886	13,095,503
Deferred financing costs, net	11,043,962	11,688,339
Fees receivable	1,311,597	1,930,079
Other assets	358,503	651,035
Receivable for dispositions and investments sold	4,572,775	14,289,610
Deferred offering costs	304,566	222,104
Total assets	\$ 1,272,046,321	\$ 1,324,146,449
LIABILITIES		
Revolving credit facility payable	\$ 194,000,000	\$ 146,500,000
Term loan payable	171,500,000	171,500,000
Notes payable	103,500,000	103,500,000
SBA debentures payable	110,000,000	100,000,000
Payable for investments originated, purchased and participated	-	54,995,000
Management and incentive fees payable (See note 6)	9,984,277	10,444,811
Accounts payable and accrued expenses	2,206,116	2,330,244
Interest and fees payable	1,195,528	2,096,171
Administrator expenses payable (See note 6)	1,098,338	1,012,466
Deferred tax liability	2,086,600	1,592,145
Deferred revenue	341,549	265,493
Due to affiliate	16,766	39,564
Offering costs payable	22,500	13,674
Total liabilities	\$ 595,951,674	\$ 594,289,568
Commitments (See note 8)		
NET ASSETS		
Common stock, par value \$.001 per share, 100,000,000 common shares authorized, 57,907,607 and 58,733,234 common shares issued and outstanding, respectively	\$ 57,908	\$ 58,733
Capital in excess of par value	731,514,288	739,443,065
Accumulated undistributed net investment income	20,516,952	21,673,794

Edgar Filing: Medley Capital Corp - Form 10-Q

Accumulated undistributed net realized gain/(loss) from investments	(9,617,167)	-
Net unrealized appreciation/(depreciation) on investments, net of deferred taxes	(66,377,334)	(31,318,711)
Total net assets	676,094,647	729,856,881
Total liabilities and net assets	\$ 1,272,046,321	\$ 1,324,146,449
NET ASSET VALUE PER SHARE	\$ 11.68	\$ 12.43

See accompanying notes to consolidated financial statements.

F-1

Medley Capital Corporation**Consolidated Statements of Operations**

	For the three months ended March 31		For the six months ended March 31	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
INVESTMENT INCOME				
Interest from investments				
Non-controlled/Non-affiliated investments:				
Cash	\$31,181,799	\$22,976,951	\$63,622,513	\$45,041,183
Payment-in-kind	1,784,136	2,625,971	3,634,864	5,251,629
Affiliated investments:				
Cash	340,600	276,883	805,152	553,872
Payment-in-kind	68,367	114,980	190,446	231,037
Controlled investments:				
Cash	393,423	-	794,576	-
Payment-in-kind	466,928	-	951,131	-
Total interest income	34,235,253	25,994,785	69,998,682	51,077,721
Interest from cash and cash equivalents	1,327	2,354	2,972	4,308
Fee income (See note 9)	2,539,341	5,400,886	6,623,198	11,984,234
Total investment income	36,775,921	31,398,025	76,624,852	63,066,263
EXPENSES				
Base management fees (See note 6)	5,546,027	4,078,221	11,330,204	7,743,187
Incentive fees (See note 6)	4,438,250	4,138,807	9,535,758	8,396,522
Interest and financing expenses	6,248,296	4,613,661	12,604,798	9,153,907
Administrator expenses (See note 6)	1,098,337	840,566	2,120,148	1,512,562
Professional fees	839,340	542,689	1,372,032	1,157,012
Directors fees	124,839	190,125	298,375	341,250
Insurance	142,822	136,720	285,645	276,285
General and administrative	585,010	302,007	934,859	899,450
Total expenses	19,022,921	14,842,796	38,481,819	29,480,175
NET INVESTMENT INCOME	17,753,000	16,555,229	38,143,033	33,586,088
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:				
Net realized gain/(loss) from investments	(9,400,583)	28,052	(9,617,167)	73,052
Net unrealized appreciation/(depreciation) on investments	4,136,169	(3,978,116)	(34,564,168)	(6,760,497)
Net unrealized appreciation/(depreciation) on participations	-	153,695	-	153,695
Change in provision for deferred taxes on unrealized gain on investments	(705,405)	(316,858)	(494,455)	(316,858)
Net gain/(loss) on investments	(5,969,819)	(4,113,227)	(44,675,790)	(6,850,608)

Edgar Filing: Medley Capital Corp - Form 10-Q

NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 11,783,181	\$ 12,442,002	\$(6,532,757)	\$26,735,480
WEIGHTED AVERAGE - BASIC AND DILUTED EARNINGS PER COMMON SHARE	\$0.20	\$0.28	\$(0.11)	\$0.64
WEIGHTED AVERAGE - BASIC AND DILUTED NET INVESTMENT INCOME PER COMMON SHARE	\$0.30	\$0.38	\$0.65	\$0.80
WEIGHTED AVERAGE COMMON STOCK OUTSTANDING - BASIC AND DILUTED (SEE NOTE 11)	58,499,797	43,883,259	58,617,823	42,002,482
DIVIDENDS DECLARED PER COMMON SHARE	\$0.30	\$0.37	\$0.67	\$0.74

See accompanying notes to consolidated financial statements.

Medley Capital Corporation**Consolidated Statements of Changes in Net Assets**

	For the six months ended March 31	
	2015	2014
	(unaudited)	(unaudited)
INCREASE FROM OPERATIONS:		
Net investment income	\$ 38,143,033	\$ 33,586,088
Net realized gain/(loss) from investments	(9,617,167)	73,052
Net unrealized appreciation/(depreciation) on investments	(34,564,168)	(6,760,497)
Net unrealized appreciation/(depreciation) on participations	-	153,695
Change in provision for deferred taxes on unrealized gain on investments	(494,455)	(316,858)
Net increase/(decrease) in net assets from operations	(6,532,757)	26,735,480
SHAREHOLDER DISTRIBUTIONS:		
Distributions declared from net investment income	(39,299,875)	(31,950,505)
Net decrease in net assets from shareholder distributions	(39,299,875)	(31,950,505)
CAPITAL SHARE TRANSACTIONS:		
Issuance of common stock, net of underwriting costs (0 and 6,000,000 shares, respectively)	-	81,060,000
Repurchase of common stock under stock repurchase program (825,677 and 0 shares, respectively)	(7,929,602)	-
Offering costs	-	(132,715)
Issuance of common stock under dividend reinvestment plan (0 and 130,808 shares, respectively)	-	1,693,167
Net increase in net assets from common share transactions	(7,929,602)	82,620,452
Total increase/(decrease) in net assets	(53,762,234)	77,405,427
Net assets at beginning of period	729,856,881	509,834,455
Net assets at end of period including accumulated undistributed net investment income of \$20,516,952 and \$13,820,206, respectively	\$ 676,094,647	\$ 587,239,882
 Net asset value per common share	 \$ 11.68	 \$ 12.69
Common shares outstanding at end of period	57,907,607	46,283,712

See accompanying notes to consolidated financial statements.

Medley Capital Corporation**Consolidated Statements of Cash Flows**

	For the six months ended March 31	
	2015	2014
	(unaudited)	(unaudited)
Cash flows from operating activities		
NET INCREASE/DECREASE IN NET ASSETS FROM OPERATIONS	\$ (6,532,757	) \$ 26,735,480
ADJUSTMENTS TO RECONCILE NET INCREASE/DECREASE IN NET ASSETS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES:		
Investment increases due to payment-in-kind interest	(4,762,063	) (5,320,542)
Net amortization of premium/(discount) on investments	(929,849	) (256,725)
Amortization of deferred financing costs	1,195,227	995,749
Net realized (gain)/loss from investments	9,617,167	(73,052)
Net deferred income taxes	494,455	316,858
Net unrealized (appreciation)/depreciation on investments	34,564,168	6,760,497
Net unrealized (appreciation)/depreciation on participations	-	(153,695)
Proceeds from sale and settlements of investments	173,857,867	143,038,959
Purchases, originations and participations	(178,491,717	) (353,760,353)
(Increase)/decrease in operating assets:		
Interest receivable	(530,383	) (2,769,222)
Fees receivable	618,482	(431,417)
Other assets	292,532	(51,687)
Receivable for dispositions and investments sold	9,716,835	(1,365,600)
Increase/(decrease) in operating liabilities:		
Payable for investments purchased, originated and participated	(54,995,000	) 1,122,292
Management and incentive fees payable, net	(460,534	) 1,317,376
Accounts payable and accrued expenses	(124,128	) 449,846
Interest and fees payable	(900,643	) 120,619
Administrator expenses payable	85,872	139,358
Deferred revenue	76,056	71,263
Due to affiliate	(22,798	) (78,694)
NET CASH USED BY OPERATING ACTIVITIES	(17,231,211	) (183,192,690)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of underwriting costs	-	82,753,167
Repurchase of common stock under stock repurchase program	(7,929,602) -
Offering costs paid	(73,636	) (347,836)
Borrowings on debt	101,500,000	251,300,000
Paydowns on debt	(44,000,000	) (103,600,000)
Financing costs paid	(550,850	) (847,149)
Payments of cash dividends	(39,299,875	) (31,950,505)
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,646,037	197,307,677
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,585,174	) 14,114,987
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	36,731,488	8,557,899

Edgar Filing: Medley Capital Corp - Form 10-Q

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 29,146,314	\$ 22,672,886
Supplemental Information:		
Interest paid during the period	\$ 12,271,761	\$ 7,999,150
Supplemental non-cash information		
Payment-in-kind interest income	\$ 4,776,441	\$ 5,482,666
Net amortization of premium/(discount) on investments	\$ 929,849	\$ 256,725
Amortization of deferred financing costs	\$ (1,195,227	) \$ (995,749
Issuance of common stock in connection with dividend reinvestment plan	\$ -	\$ 1,693,167

See accompanying notes to consolidated financial statements.

F-4

Medley Capital Corporation**Consolidated Schedule of Investments****March 31, 2015****(Unaudited)**

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
<u>Non-Controlled/ Non-Affiliated Investments:</u>							
AAR Intermediate Holdings LLC ⁽¹¹⁾	Energy: Oil & Gas	Senior Secured First Lien Term					
		Loan (LIBOR + 12.00%, 1.00% LIBOR Floor) ⁽¹⁸⁾	3/30/2019	30,726,073	28,803,671	28,263,488	4.2 %
		Senior Secured First Lien Term					
		Loan (LIBOR + 12.00%, 1.00% LIBOR Floor) ⁽¹⁸⁾	6/30/2015	2,874,954	2,874,954	2,866,769	0.4 %
		Warrants to purchase 1.80% of outstanding company equity.	3/30/2019	-	2,274,480	1,439,417	0.2 %
				33,601,027	33,953,105	32,569,674	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term					
		Loan (LIBOR + 10.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	3/20/2020	33,000,000	33,000,000	33,000,000	4.9 %
				33,000,000	33,000,000	33,000,000	
AESC Holding Corp, Inc.	Retail	Senior Secured Second Lien Term					
		Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	5/27/2019	20,000,000	20,000,000	20,200,000	3.0 %
				20,000,000	20,000,000	20,200,000	

Edgar Filing: Medley Capital Corp - Form 10-Q

Albertville Quality Foods, Inc. ⁽¹¹⁾	Beverage, Food & Tobacco	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap) ⁽¹⁷⁾	10/31/2018	17,452,830	17,452,830	17,801,887	2.6 %
				17,452,830	17,452,830	17,801,887	
Alora Pharmaceuticals LLC ⁽¹¹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	9/13/2018	12,540,442	12,540,442	12,620,830	1.9 %
				12,540,442	12,540,442	12,620,830	
AM3 Pinnacle Corporation	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	10/22/2018	7,504,265	7,504,265	7,407,159	1.1 %
				7,504,265	7,504,265	7,407,159	
ARBOC Specialty Vehicles LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.50% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	3/21/2018	20,340,500	20,340,500	20,985,313	3.1 %
				20,340,500	20,340,500	20,985,313	
Aurora Flight Sciences Corporation	Aerospace & Defense	Senior Secured Second Lien Term Loan (11.25% Cash, 2.00% PIK)	3/16/2016	16,295,174	16,295,174	16,295,174	2.4 %
				16,295,174	16,295,174	16,295,174	

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Autosplice, Inc. ⁽⁷⁾⁽⁹⁾	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	6/30/2019	14,817,844	14,817,844	15,128,971	2.2 %
				14,817,844	14,817,844	15,128,971	
BayDelta Maritime LLC	Transportation: Cargo	Warrants to purchase 10% of the outstanding equity	6/30/2016	-	25,000	332,876	0.1 %
				-	25,000	332,876	
Be Green Packaging, LLC ⁽⁷⁾⁽⁹⁾	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽¹⁸⁾	12/13/2018	5,000,000	5,000,000	4,884,608	0.7 %
		Senior Secured First Lien Delayed Draw (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽¹⁸⁾	12/13/2018	3,208,333	3,208,333	3,124,643	0.5 %
		Revolver (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽¹⁸⁾	12/13/2018	354,167	354,167	335,567	0.0 %
		1.48% Partnership Interest in RCAF VI CIV XXIII, L.P.		-	416,250	236,338	0.0 %
				8,562,500	8,978,750	8,581,156	
Brantley Transportation LLC ⁽¹¹⁾	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00%)	8/2/2017	9,037,500	9,161,230	8,716,335	1.3 %
				9,037,500	9,161,230	8,716,335	
California Products Corporation	Chemicals, Plastics & Rubber	Senior Secured Second Lien Term Loan (13.00%)	5/27/2019	13,750,000	13,750,000	14,025,000	2.1 %
				13,750,000	13,750,000	14,025,000	
			9/30/2015	35,305,460	29,198,477	11,020,683	1.6 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Calloway Laboratories, Inc. ⁽¹⁰⁾⁽¹⁹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (17.00% PIK)					
		Warrants to purchase 15.00% of the outstanding equity	9/30/2015	-	68,433	-	0.0 %
				35,305,460	29,266,910	11,020,683	

F-6

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Capstone Nutrition	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	4/28/2019	20,000,000	20,000,000	20,105,600	3.0 %
		384.62 Units of Common Stock ⁽¹²⁾	4/28/2019	-	400,000	595,938	0.1 %
				20,000,000	20,400,000	20,701,538	
CP OPCO LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.75% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	9/30/2020	20,000,000	20,000,000	19,779,407	2.9 %
				20,000,000	20,000,000	19,779,407	
ContMid Intermediate Inc. ⁽¹¹⁾	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	10/25/2019	15,000,000	15,000,000	14,865,724	2.2 %
				15,000,000	15,000,000	14,865,724	
ConvergeOne Holdings Corporation	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	6/17/2021	12,500,000	12,384,883	12,171,750	1.8 %
				12,500,000	12,384,883	12,171,750	
Crow Precision Components LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	9/30/2019	10,000,000	10,000,000	9,996,713	1.5 %
				10,000,000	10,000,000	9,996,713	
DHISCO Electronic Distribution, Inc. ⁽⁷⁾⁽¹¹⁾⁽²³⁾	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan A (LIBOR + 9.00%, 1.50% LIBOR Floor)	11/10/2019	31,238,095	31,238,095	30,998,187	4.6 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Senior Secured First Lien Term Loan B (LIBOR + 10.50% PIK)	2/10/2018	5,954,887	5,954,887	5,929,294	0.9%
		Revolving Credit Facility ⁽²⁵⁾	5/10/2017	-	-	-	0.0%
		Equity - 1,230,769 Units ⁽²¹⁾	2/10/2018	-	1,230,769	1,773,228	0.3%
				37,192,982	38,423,751	38,700,709	
DLR Restaurants LLC ⁽¹¹⁾	Hotel, Gaming & Leisure	Senior Secured First Lien Term Loan (11.00% Cash, 2.50% PIK)	4/18/2018	23,217,691	23,217,691	23,157,093	3.4%
		Unsecured Debt (12.00% Cash, 4.00% PIK)	4/18/2018	270,574	270,574	269,812	0.0%
				23,488,265	23,488,265	23,426,905	
DreamFinders Homes LLC ⁽⁷⁾⁽⁹⁾	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash)	10/1/2018	14,704,339	14,568,298	15,242,884	2.3%
		5,000 units of outstanding equity	10/1/2018	-	180,000	2,919,061	0.4%
				14,704,339	14,748,298	18,161,945	
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	3/6/2018	18,050,000	18,050,000	17,716,978	2.6%
				18,050,000	18,050,000	17,716,978	

F-7

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Essex Crane Rental Corp. ⁽¹¹⁾	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 10.50% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	5/13/2019	20,000,000	20,000,000	20,032,800	3.0 %
				20,000,000	20,000,000	20,032,800	
FC Operating LLC ⁽¹⁰⁾	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.75% Cash, 1.25% LIBOR Floor) ⁽¹⁸⁾	11/14/2017	10,356,053	10,356,053	6,278,917	0.9 %
				10,356,053	10,356,053	6,278,917	
FKI Security Group LLC ⁽¹¹⁾	Capital Equipment	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	3/30/2020	15,000,000	15,000,000	15,000,000	2.2 %
				15,000,000	15,000,000	15,000,000	
Footprint Acquisition LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash) ⁽¹⁷⁾	2/27/2020	5,250,102	5,250,102	5,250,102	0.8 %
				5,000,000	5,000,000	5,000,000	0.7 %
				-	-	-	0.0 %
				10,250,102	10,250,102	10,250,102	
Freedom Powersports LLC ⁽⁷⁾⁽⁹⁾	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.50% LIBOR Floor) ⁽¹⁸⁾	9/26/2019	10,200,000	10,200,000	10,292,447	1.5 %
		Senior Secured First Lien Delayed Draw (LIBOR + 11.50% Cash, 1.50% LIBOR Floor) ⁽⁶⁾	9/26/2019	-	-	43,504	0.0 %

Edgar Filing: Medley Capital Corp - Form 10-Q

				10,200,000	10,200,000	10,335,951	
Harrison Gypsum LLC (11)	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.50% PIK, 1.50% LIBOR Floor) ⁽¹⁷⁾	12/21/2017	31,213,259	31,213,259	30,923,912	4.6 %
				31,213,259	31,213,259	30,923,912	
Heligear Acquisition Co.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	20,000,000	20,000,000	19,575,000	2.9 %
				20,000,000	20,000,000	19,575,000	
Help/Systems LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	6/28/2020	15,000,000	15,000,000	15,185,850	2.2 %
				15,000,000	15,000,000	15,185,850	
Integra Telecom Holdings, Inc. ⁽³⁰⁾	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.25% LIBOR Floor) ⁽¹⁷⁾	2/22/2020	5,514,545	5,535,867	5,414,842	0.8 %
				5,514,545	5,535,867	5,414,842	
JD Norman Industries, Inc.	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 10.25% Cash) ⁽¹⁷⁾	3/6/2019	23,100,000	23,100,000	23,562,000	3.5 %
				23,100,000	23,100,000	23,562,000	
Jordan Reses Supply Company LLC	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00%, 1.00% LIBOR Floor)	4/24/2020	20,000,000	20,000,000	20,246,419	3.0 %
				20,000,000	20,000,000	20,246,419	

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK) ⁽¹⁸⁾	2/19/2019	15,570,772	14,774,305	14,728,393	2.2 %
		Warrants to purchase 2.38% of the outstanding equity	2/19/2019	-	955,680	614,558	0.1 %
				15,570,772	15,729,985	15,342,951	
Lucky Strike Entertainment, L.L.C.	Hotel, Gaming & Leisure	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 2.00% PIK) ⁽¹⁸⁾	12/24/2019	10,254,472	10,254,472	10,402,547	1.5 %
				10,254,472	10,254,472	10,402,547	
Lydell Jewelry Design Studio LLC ⁽¹¹⁾	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 5.50% Cash, 7.5% PIK, 1.50% LIBOR Floor) ⁽¹⁷⁾	9/13/2018	13,895,158	13,658,886	11,442,385	1.7 %
		Warrants to purchase 13.3% of the outstanding membership units	9/13/2018	-	-	-	0.0 %
				13,895,158	13,658,886	11,442,385	
LVI Services, Inc.	Construction & Building	Unsecured Debt (11.00% Cash)	10/24/2019	22,920,000	22,920,000	22,787,064	3.4 %
				22,920,000	22,920,000	22,787,064	
Marine Accessories Corporation	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 1.00% PIK) ⁽¹⁷⁾	11/26/2018	9,977,687	9,977,687	10,277,018	1.5 %
				9,977,687	9,977,687	10,277,018	
			3/4/2016	14,816,667	14,816,667	14,971,717	2.2 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Merchant Cash and Capital LLC ⁽⁷⁾⁽⁹⁾	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Delayed Draw (LIBOR + 8.00% Cash, 3.00% LIBOR Floor) ⁽¹⁷⁾					
		Senior Secured Second Lien Term Loan (12.00% Cash)	8/19/2016	15,000,000	15,000,000	15,128,100	2.2 %
				29,816,667	29,816,667	30,099,817	
Meridian Behavioral Health LLC ⁽⁷⁾⁽⁹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 11.50%, 2.50% LIBOR Floor) ⁽¹⁸⁾	11/14/2016	10,289,141	10,059,917	10,367,030	1.5 %
		Senior Secured First Lien Term Loan B (LIBOR + 11.50%, 2.50% LIBOR Floor) ⁽¹⁸⁾	11/14/2016	6,600,000	6,600,000	6,653,747	1.0 %
		Warrants to purchase 8% of the outstanding equity	11/14/2016	-	536,296	2,372,939	0.4 %
				16,889,141	17,196,213	19,393,716	
Miratech Intermediate Holdings, Inc. ⁽⁷⁾⁽⁹⁾⁽¹¹⁾	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	5/9/2019	14,769,231	14,769,231	14,769,674	2.2 %
		Senior Secured First Lien Delayed Draw (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽⁶⁾	5/9/2019	-	-	443	0.0 %
				14,769,231	14,769,231	14,770,117	

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Modern VideoFilm, Inc. ⁽¹⁰⁾	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor, 3.00% PIK) ⁽¹⁷⁾	9/25/2017	15,158,682	14,066,794	4,899,483	0.7 %
		Warrants to purchase 5.6% of the outstanding equity	9/25/2017	-	339,573	-	0.0 %
				15,158,682	14,406,367	4,899,483	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	3/10/2019	9,667,982	9,667,982	9,694,569	1.4 %
				9,667,982	9,667,982	9,694,569	
Nation Safe Drivers Holdings, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor) ⁽¹⁸⁾	9/29/2020	35,278,846	35,278,846	35,041,160	5.2 %
				35,278,846	35,278,846	35,041,160	
Nielsen & Bainbridge LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 9.25% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	8/15/2021	25,000,000	25,000,000	24,718,345	3.7 %
				25,000,000	25,000,000	24,718,345	
Northern Lights MIDCO LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.50% LIBOR Floor)	11/21/2019	4,641,250	4,641,250	4,717,970	0.7 %
				4,641,250	4,641,250	4,717,970	
Omnivere LLC	Services: Business	Senior Secured First Lien Term Loan A	5/5/2019	24,581,538	23,824,020	19,580,500	2.9 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		(LIBOR + 12.00% Cash, 1.00% PIK) ⁽¹⁸⁾ Senior Secured First Lien Term Loan C (LIBOR + 12.00% Cash, 1.00% PIK) ⁽¹⁸⁾ Warrants to purchase outstanding equity (20)	5/5/2019	3,192,294	3,192,294	2,542,831	0.4 %
				-	872,698	-	0.0 %
				27,773,832	27,889,012	22,123,331	
Oxford Mining Company, LLC ⁽⁷⁾⁽⁹⁾	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 3.00% PIK, 0.75% LIBOR Floor)	12/31/2018	11,953,390	11,953,390	11,857,380	1.8 %
				11,953,390	11,953,390	11,857,380	
The Plastics Group, Inc.	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,212,340	21,212,340	21,478,555	3.2 %
				21,212,340	21,212,340	21,478,555	

F-10

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (18.00% PIK)	1/31/2017	7,247,045	7,177,139	6,696,269	1.0 %
		Warrants to purchase 0.63% of the outstanding common units	1/31/2017	-	151,855	-	0.0 %
				7,247,045	7,328,994	6,696,269	
Prince Mineral Holding Corp. ⁽⁸⁾	Metals & Mining	Senior Secured First Lien Note (12.00%)	12/15/2019	6,800,000	6,739,650	6,579,000	1.0 %
				6,800,000	6,739,650	6,579,000	
RCS Management Corporation & Specialized Medical Services, Inc. ⁽⁷⁾	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.50% LIBOR Floor, 0.50% PIK) ⁽¹⁷⁾	2/29/2016	28,673,335	28,673,335	28,673,335	4.2 %
				28,673,335	28,673,335	28,673,335	
Red Skye Wireless LLC ⁽⁷⁾⁽⁹⁾	Retail	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	6/27/2018	26,815,799	26,815,799	27,085,180	4.0 %
				26,815,799	26,815,799	27,085,180	
Reddy Ice Corporation	Beverage, Food & Tobacco	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor) ⁽¹⁷⁾	11/1/2019	17,000,000	17,000,000	15,787,220	2.3 %
				17,000,000	17,000,000	15,787,220	
Response Team Holdings, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 2.00% LIBOR	3/28/2019	25,407,711	25,407,711	25,788,827	3.8 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Floor) ⁽¹⁷⁾					
		Preferred Equity (12.00% PIK)	3/28/2019	5,226,084	4,860,289	5,179,781	0.8 %
		Warrants to purchase 6.17% of the outstanding common units	3/28/2019	-	429,012	1,281,128	0.2 %
				30,633,795	30,697,012	32,249,736	
Safeworks LLC ⁽¹¹⁾	Capital Equipment	Unsecured Debt (12.00% Cash)	1/31/2020	15,000,000	15,000,000	15,137,740	2.2 %
				15,000,000	15,000,000	15,137,740	
Sendero Drilling Company LLC ⁽⁷⁾⁽⁹⁾	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash) ⁽¹⁷⁾	3/18/2019	16,092,375	15,425,829	15,454,252	2.3 %
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	-	793,523	3,181,628	0.5 %
				16,092,375	16,219,352	18,635,880	
Seotowncenter, Inc. ⁽¹¹⁾	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	9/11/2019	27,500,000	27,500,000	27,645,029	4.1 %
		3,249.697 shares of Common Stock ⁽¹³⁾	9/11/2019	-	500,000	633,253	0.1 %
				27,500,000	28,000,000	28,278,282	
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor) ⁽¹⁷⁾	8/19/2019	7,000,000	7,000,000	6,934,718	1.0 %
		250,000 Class A Units ⁽¹⁴⁾	8/19/2019	-	250,000	268,197	0.0 %
				7,000,000	7,250,000	7,202,915	

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
T. Residential Holdings LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	20,000,000	20,000,000	20,093,800	3
				20,000,000	20,000,000	20,093,800	
Taylor Freight Services LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor) ⁽¹⁸⁾	11/1/2017	15,176,384	15,176,384	13,926,913	2
				15,176,384	15,176,384	13,926,913	
Tempel Steel Company ⁽⁸⁾	Metals & Mining	Senior Secured First Lien Note (12.00%)	8/15/2016	11,000,000	10,928,304	9,308,750	1
				11,000,000	10,928,304	9,308,750	
Tenere Acquisition Corp. ⁽⁷⁾⁽⁹⁾	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	12/15/2017	11,245,656	11,245,656	11,510,569	1
				11,245,656	11,245,656	11,510,569	
Transtelco Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor) ⁽¹⁷⁾	11/19/2017	18,960,000	18,960,000	18,969,670	2
				18,960,000	18,960,000	18,969,670	
Untangle, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash) ⁽¹⁷⁾	4/18/2019	9,652,500	9,652,500	9,600,087	1
				9,652,500	9,652,500	9,600,087	
Velocity Pooling Vehicle LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) ⁽¹⁷⁾	5/14/2022	24,000,000	20,858,305	20,841,266	3
				24,000,000	20,858,305	20,841,266	

Edgar Filing: Medley Capital Corp - Form 10-Q

Water Capital USA, Inc. ⁽¹⁰⁾	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (7.00% Cash, 7.00% PIK)	1/3/2015	27,947,299	27,298,353	-	0
				27,947,299	27,298,353	-	
Wheels Up Partners LLC ⁽¹¹⁾	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	10/15/2021	18,932,579	18,932,579	19,254,622	2
				18,932,579	18,932,579	19,254,622	
Window Products, Inc.	Construction & Building	Senior Secured Second Lien Term Loan (LIBOR + 10.75% Cash, 1.00% LIBOR Floor) ⁽¹⁸⁾	12/27/2019	14,000,000	14,000,000	14,280,000	2
				14,000,000	14,000,000	14,280,000	
Subtotal Non-Controlled / Non-Affiliated Investments				\$1,232,233,304	\$1,225,385,079	\$1,164,170,162	
<u>Control Investments:</u> ⁽⁵⁾							
United Road Towing Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash) ⁽¹⁸⁾	2/21/2020	17,000,000	17,000,000	16,834,547	2
		Preferred Equity Class C (8.00% PIK)	2/21/2020	18,802,789	17,466,376	18,681,135	2
		Preferred Equity Class C-1 (8.00% PIK)	2/21/2020	551,521	551,521	51,511	0
		Preferred Equity Class A-2 (8.00% PIK)	2/21/2020	4,804,103	4,472,380	1,316,353	0
		65,809.73 Class B Common Units ⁽¹⁵⁾	2/21/2020	-	1,098,096	629,010	0
				41,158,413	40,588,373	37,512,556	
Subtotal Control Investments				\$41,158,413	\$40,588,373	\$37,512,556	

Company ⁽¹⁾	Industry	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽³⁾	Fair Value	% of Net Assets ⁽⁴⁾
<u>Affiliated Investments:</u>							
US Multifamily, LLC ⁽²²⁾	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	1.0 %
		Preferred Equity - 33,300 Units ⁽¹⁶⁾	9/10/2019	-	3,330,000	3,330,000	0.5 %
				6,670,000	10,000,000	10,000,000	
Subtotal Affiliated Investments				\$6,670,000	\$10,000,000	\$10,000,000	
Total Investments, March 31, 2015				\$1,280,061,717	\$1,275,973,452	\$1,211,682,718	179.2 %

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

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

(3) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$34.4 million, \$76.9 million and \$42.5 million, respectively. The tax cost of investments is \$1,254.1 million.

(4) Percentage is based on net assets of \$676,094,647 as of March 31, 2015.

(5) Control Investments are defined by the Investment Company Act of 1940 ("1940 Act") as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.

(6) The entire commitment was unfunded at March 31, 2015. As such, no interest is being earned on this investment.

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

(8) Securities are exempt from registration under Rule 144a of the Securities Act of 1933. These securities represent a fair value of \$15.9 million and 2.3% of net assets as of March 31, 2015 and are considered restricted.

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

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

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

(12) 384.62 Units represents 1.55% ownership of INI Parent, Inc.

(13) 3,249.697 shares of Common Stock represents 2.917% ownership of Boostability Holdings, Inc.

(14) 250,000 Class A Units represents 0.882% ownership of Stancor, Inc.

(15) 65,809.73 Class B Common Units Represents 65.8% ownership of United Road Towing, Inc.

(16) 33,300 Units represents 18.167% ownership of US Multifamily, LLC.

(17) The interest rate on these loans is subject to a base rate plus 1 Month LIBOR, which at March 31, 2015 was 0.17%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at March 31, 2015, the prevailing rate in effect at March 31, 2015 was the base rate plus the LIBOR Floor.

(18) The interest rate on these loans is subject to a base rate plus 3 Month LIBOR, which at March 31, 2015 was 0.26%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at

Edgar Filing: Medley Capital Corp - Form 10-Q

March 31, 2015, the prevailing rate in effect at March 31, 2015 was the base rate plus the LIBOR Floor.

(19) Investment consists of senior secured first lien term loan A (par and fair value of \$8,617,939 and \$7,066,710, respectively), senior secured first lien term loan B (par and fair value of \$21,198,452 and \$1,483,892, respectively) and senior secured first lien term loan - Willow Street Medical Laboratory LLC (par and fair value of \$5,489,069 and \$2,470,081, respectively).

(20) Warrants to purchase 12.50% of Omnivere Holding Company, LLC and 38.89% of Omnivere, LLC.

(21) 1,230,769 Units represents 4.17% ownership of DHSICO Electronic Distribution, Inc.

(22) Investment changed its name from AmveStar Holdings LLC during Q2 2015.

(23) Investment changed its name from Pegasus Solutions, Inc. during Q2 2015.

(24) 150 Units represents 15.0% of Footprint Holding Company, Inc.

(25) The investment earns 0.50% commitment fee on all unused commitment. At March 31, 2015, there was \$3,047,619.05 of unused commitment.

See accompanying notes to consolidated financial statements.

Medley Capital Corporation

Consolidated Schedule of Investments

September 30, 2014

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Non-Controlled/ Non-Affiliated Investments:							
AAR Intermediate Holdings, LLC ⁽¹¹⁾	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 12.00%, 1.00% LIBOR Floor) ⁽²⁰⁾	3/30/2019	36,831,683	34,324,994	34,323,923	4.7 %
		Senior Secured First Lien Term Loan (LIBOR + 12.00%, 1.00% LIBOR Floor) ⁽²⁰⁾	6/30/2015	3,168,317	3,168,317	3,168,317	0.4 %
		Warrants to purchase 1.98% of outstanding company equity.	3/30/2019	-	2,507,760	2,507,760	0.3 %
				40,000,000	40,001,071	40,000,000	
Accupac, Inc.	Containers, Packaging & Glass	Senior Secured Second Lien Term Loan (12.29% Cash)	11/10/2018	10,000,000	10,000,000	10,000,000	1.4 %
				10,000,000	10,000,000	10,000,000	
Aderant North America, Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.75% , 1.25% LIBOR Floor) ⁽¹⁹⁾	6/20/2019	4,550,000	4,550,000	4,614,519	0.6 %
				4,550,000	4,550,000	4,614,519	

Edgar Filing: Medley Capital Corp - Form 10-Q

Albertville Quality Foods, Inc. ⁽¹¹⁾	Beverage, Food & Tobacco	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor, 3.00% LIBOR Cap) ⁽¹⁹⁾	10/31/2018	17,452,830	17,452,830	17,697,519	2.4	%
				17,452,830	17,452,830	17,697,519		
Allen Edmonds Corporation	Retail	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	5/27/2019	20,000,000	20,000,000	20,206,400	2.8	%
				20,000,000	20,000,000	20,206,400		

F-14

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Alora Pharmaceuticals LLC ⁽¹¹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	9/13/2018	13,300,000	13,300,000	13,544,587	1.9%
				13,300,000	13,300,000	13,544,587	
AM3 Pinnacle Corporation ⁽⁹⁾	Media: Broadcasting & Subscription	Senior Secured First Lien Term Loan (10.00%)	10/22/2018	7,834,944	7,834,944	7,834,944	1.1%
				7,834,944	7,834,944	7,834,944	
Amerit Fleet Services, Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.70% Cash, 1.00% LIBOR Floor, 1.50% PIK) ⁽¹⁹⁾	12/21/2016	8,206,151	8,206,151	8,196,960	1.1%
				8,206,151	8,206,151	8,196,960	
ARBOC Specialty Vehicles LLC	Automotive	Senior Secured First Lien Term Loan (LIBOR + 12.50% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	3/21/2018	20,965,500	20,965,500	21,149,368	2.9%
				20,965,500	20,965,500	21,149,368	
Aurora Flight Sciences Corporation	Aerospace & Defense	Senior Secured Second Lien Term Loan (11.25% Cash, 2.00% PIK)	3/16/2016	16,131,380	16,131,380	16,131,380	2.2%
				16,131,380	16,131,380	16,131,380	
Autosplice, Inc. ⁽⁹⁾	High Tech Industries	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	6/30/2019	14,817,844	14,817,844	14,817,844	2.0%
				14,817,844	14,817,844	14,817,844	
BayDelta Maritime LLC	Transportation: Cargo	Warrants to purchase 10% of the	6/30/2016	-	25,000	524,692	0.1%

Edgar Filing: Medley Capital Corp - Form 10-Q

		outstanding equity		-	25,000	524,692	
Be Green Manufacturing and Distribution Centers LLC (9)(12)	Containers, Packaging & Glass	Senior Secured First Lien Term Loan (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽²⁰⁾	12/13/2018	5,000,000	5,000,000	4,928,350	0.7%
		Senior Secured First Lien Delayed Draw (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽²⁰⁾	12/13/2018	1,791,667	1,791,667	1,731,958	0.2%
		Revolver (LIBOR + 10.00%, 1.00% LIBOR Floor) ⁽²⁰⁾	12/13/2018	354,167	354,167	341,250	0.0%
		1.63% Partnership Interest in Be Green Packaging LLC		-	416,250	287,947	0.0%
				7,145,834	7,562,084	7,289,505	

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Brantley Transportation LLC ⁽¹¹⁾	Energy: Oil & Gas	Senior Secured First Lien Term Loan (12.00%)	8/2/2017	9,375,000	9,520,135	9,375,000	1.3 %
				9,375,000	9,520,135	9,375,000	
California Products Corporation	Chemicals, Plastics and Rubber	Senior Secured Second Lien Term Loan (13.00%)	5/27/2019	13,750,000	13,750,000	13,879,800	1.9 %
				13,750,000	13,750,000	13,879,800	
Calloway Laboratories, Inc. ⁽¹⁰⁾⁽²¹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (17.00% PIK)	9/30/2015	31,800,948	28,573,477	15,484,032	2.1 %
		Warrants to purchase 15.00% of the outstanding equity	9/30/2015	-	68,433	-	0.0 %
				31,800,948	28,641,910	15,484,032	
CP OPOCO LLC	Services: Consumer	Senior Secured First Lien Term Loan (LIBOR + 6.75% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	9/30/2020	20,000,000	20,000,000	20,000,000	2.7 %
				20,000,000	20,000,000	20,000,000	
ContMid, Inc. ⁽¹¹⁾	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	10/25/2019	15,000,000	15,000,000	15,000,000	2.1 %
				15,000,000	15,000,000	15,000,000	
ConvergeOne Holdings Corporation	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	6/17/2021	12,500,000	12,378,218	12,458,750	1.7 %
				12,500,000	12,378,218	12,458,750	
Cornerstone Research & Development,	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan (LIBOR + 9.50%	4/28/2019	20,000,000	20,000,000	20,013,000	2.7 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Inc.		Cash, 1.00% LIBOR Floor) ⁽²⁰⁾					
		384.62 Units of Common Stock ⁽¹³⁾	4/28/2019	-	400,000	346,272	0.0%
				20,000,000	20,400,000	20,359,272	
Crow Precision Components LLC	Aerospace & Defense	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	9/30/2019	10,000,000	10,000,000	10,000,000	1.4%
				10,000,000	10,000,000	10,000,000	
Dispensing Dynamics International ⁽⁸⁾	Consumer goods: Non-durable	Senior Secured Note (12.50%)	1/1/2018	2,800,000	2,759,638	3,031,000	0.4%
				2,800,000	2,759,638	3,031,000	

F-16

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾	
DLR Restaurants LLC ⁽⁹⁾⁽¹¹⁾⁽¹²⁾	Hotels, Gaming & Leisure	Senior Secured First Lien Term Loan (11.00% Cash, 2.50% PIK)	4/18/2018	20,434,015	20,434,015	20,892,695	2.9	%
		Unsecured Debt (12.00% Cash, 4.00% PIK)	4/18/2018	265,166	265,166	265,166	0.0	%
				20,699,181	20,699,181	21,157,861		
DreamFinders Homes LLC ⁽⁹⁾⁽¹²⁾	Construction & Building	Senior Secured First Lien Term Loan B (LIBOR + 14.50% Cash) ⁽²⁰⁾	10/1/2018	12,296,397	12,145,238	12,470,916	1.7	%
		Warrants to purchase 5% of outstanding equity	10/1/2018	-	180,000	1,748,827	0.2	%
				12,296,397	12,325,238	14,219,743		
Dynamic Energy Services International LLC	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	3/6/2018	18,525,000	18,525,000	18,533,151	2.5	%
				18,525,000	18,525,000	18,533,151		
Essex Crane Rental Corp. ⁽¹¹⁾	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 10.50% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	5/13/2019	20,000,000	20,000,000	19,922,200	2.7	%
				20,000,000	20,000,000	19,922,200		
Exide Technologies ⁽⁷⁾⁽¹⁰⁾	Services: Business	Senior Secured First Lien Note (8.63%)	2/1/2018	10,000,000	8,335,950	2,487,500	0.3	%
				10,000,000	8,335,950	2,487,500		
FC Operating LLC	Retail	Senior Secured First Lien Term Loan (LIBOR + 10.75% Cash, 1.25% LIBOR Floor) ⁽²⁰⁾	11/14/2017	10,350,000	10,350,000	9,854,959	1.4	%

Edgar Filing: Medley Capital Corp - Form 10-Q

10,350,000 10,350,000 9,854,959

Freedom Powersports LLC ⁽⁹⁾	Automotive	Senior Secured First Lien Term Loan (LIBOR + 11.50% Cash, 1.50% LIBOR Floor) ⁽²⁰⁾	9/26/2019	10,200,000	10,200,000	10,200,000	1.4	%
		Senior Secured First Lien Delayed Draw (LIBOR + 11.50% Cash, 1.50% LIBOR Floor) ⁽⁶⁾	9/26/2019	-	-	-	0.0	%
				10,200,000	10,200,000	10,200,000		
GSG Fasteners, LLC ⁽¹¹⁾	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	11/18/2018	8,662,500	8,662,500	8,835,750	1.2	%
				8,662,500	8,662,500	8,835,750		

F-17

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Harrison Gypsum LLC ⁽¹¹⁾	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 0.50% PIK, 1.50% LIBOR Floor) ⁽¹⁹⁾	12/21/2017	25,459,294	25,459,294	25,078,678	3.4 %
				25,459,294	25,459,294	25,078,678	
HD Vest, Inc.	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 1.25% LIBOR Floor) ⁽¹⁹⁾	6/18/2019	8,750,000	8,750,000	8,925,000	1.2 %
				8,750,000	8,750,000	8,925,000	
Help/Systems LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	6/28/2020	15,000,000	15,000,000	15,208,500	2.1 %
				15,000,000	15,000,000	15,208,500	
HGDS Acquisition LLC	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash, 3.50% PIK) ⁽¹⁹⁾	3/28/2018	10,101,921	10,101,921	10,019,085	1.4 %
				10,101,921	10,101,921	10,019,085	
Ingenio LLC ⁽²²⁾	Services: Consumer	Senior Secured First Lien Term Loan (11.25%)	3/14/2019	23,634,540	23,634,540	23,606,415	3.2 %
				23,634,540	23,634,540	23,606,415	
Integra Telecom	Telecommunications	Senior Secured Second Lien Term Loan (LIBOR + 8.50% Cash, 1.25% LIBOR Floor) ⁽¹⁹⁾	2/22/2020	12,132,000	12,154,991	12,374,640	1.7 %
				12,132,000	12,154,991	12,374,640	
	Services: Consumer		1/15/2018	3,333,000	3,333,000	3,424,659	0.5 %

Edgar Filing: Medley Capital Corp - Form 10-Q

Interface Security Systems ⁽⁸⁾		Senior Secured First Lien Note (9.25%)			3,333,000	3,333,000	3,424,659	
JD Norman Industries, Inc.	Metals & Mining	Senior Secured First Lien Term Loan (LIBOR + 10.25% Cash) ⁽¹⁹⁾	3/6/2019	23,700,000	23,700,000	23,790,060	3.4 %	
				23,700,000	23,700,000	23,790,060		
Lexmark Carpet Mills, Inc.	Consumer goods: Durable	Senior Secured First Lien Term Loan (LIBOR + 10.00%, 1.00% LIBOR Floor, 2.50% LIBOR Cap) ⁽¹⁹⁾	9/30/2018	29,875,880	29,875,880	30,573,482	4.2 %	
				29,875,880	29,875,880	30,573,482		

F-18

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Lighting Science Group Corporation	Containers, Packaging & Glass	Senior Secured Second Lien Term (LIBOR + 10.00% Cash, 2.00% PIK) ⁽²⁰⁾	2/19/2019	15,415,114	14,544,245	14,985,957	2.1 %
		Warrants to purchase 2.38% of the outstanding equity	2/19/2019	-	955,680	165,000	0.0 %
				15,415,114	15,499,925	15,150,957	
Linc Energy Finance (USA), Inc. ⁽⁸⁾	Energy: Oil & Gas	Senior Secured First Lien Note (12.50%)	10/31/2017	3,500,000	3,413,382	3,765,335	0.5 %
				3,500,000	3,413,382	3,765,335	
Lucky Strike Entertainment, L.L.C.	Hotels, Gaming & Leisure	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 2.00% PIK) ⁽²⁰⁾	12/24/2018	11,504,472	11,504,472	11,622,163	1.6 %
				11,504,472	11,504,472	11,622,163	
Lydell Jewelry Design Studio LLC ⁽¹¹⁾	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 10.50%, 1.50% LIBOR Floor) ⁽¹⁹⁾	9/13/2018	13,072,000	13,072,000	12,312,125	1.7 %
		Warrants to purchase 13.3% of the outstanding membership units	9/13/2018	-	-	-	0.0 %
				13,072,000	13,072,000	12,312,125	
Marine Accessories Corporation	Consumer goods: Non-durable	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash, 1.00% LIBOR Floor, 1.00% PIK) ⁽¹⁹⁾	11/26/2018	9,927,669	9,927,669	10,031,115	1.4 %
				9,927,669	9,927,669	10,031,115	
Merchant Cash and Capital	Banking, Finance,	Senior Secured First Lien Delayed Draw	3/4/2016	12,203,330	12,203,333	12,316,558	1.7 %

Edgar Filing: Medley Capital Corp - Form 10-Q

LLC ⁽⁹⁾ (¹²)	Insurance & Real Estate	(LIBOR + 8.00% Cash, 3.00% LIBOR Floor) ⁽¹⁹⁾					
		Senior Secured Second Lien Term Loan (12.00% Cash)	8/19/2016	15,000,000	15,000,000	15,000,000	2.2 %
				27,203,330	27,203,333	27,316,558	

F-19

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Meridian Behavioral Health LLC ⁽⁹⁾	Healthcare & Pharmaceuticals	Senior Secured First Lien Term Loan A (LIBOR + 11.50%, 2.50% LIBOR Floor) ⁽²⁰⁾	11/14/2016	10,289,141	10,003,035	10,392,032	1.4 %
		Senior Secured First Lien Term Loan B (LIBOR + 11.50%, 2.50% LIBOR Floor) ⁽²⁰⁾	11/14/2016	4,600,000	4,600,000	4,600,000	0.6 %
		Warrants to purchase 8% of the outstanding equity	11/14/2016	-	536,296	2,138,477	0.3 %
				14,889,141	15,139,331	17,130,509	
Miratech Intermediate Holdings, Inc. ^{(9) (11)}	Automotive	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	5/9/2019	16,000,000	16,000,000	16,059,360	2.2 %
		Senior Secured First Lien Delayed Draw (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽⁶⁾	5/9/2019	-	-	54,794	0.0 %
				16,000,000	16,000,000	16,114,154	
Modern VideoFilm, Inc. ⁽¹⁰⁾	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor, 3.00% PIK) ⁽¹⁹⁾	9/25/2017	14,433,924	13,567,026	4,211,819	0.6 %
		Warrants to purchase 4.5% of the outstanding equity	9/25/2017	-	339,573	-	0.0 %
				14,433,924	13,906,599	4,211,819	
Momentum Telecom, Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% LIBOR	3/10/2019	9,792,982	9,792,982	9,947,124	1.4 %

Edgar Filing: Medley Capital Corp - Form 10-Q

		Floor) ⁽¹⁹⁾		9,792,982	9,792,982	9,947,124	
Nation Safe Drivers Holdings, Inc. ⁽⁹⁾	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 8.00% Cash, 2.00% LIBOR Floor) ⁽²⁰⁾	9/29/2020	35,278,846	35,278,846	35,278,846	4.8 %
				35,278,846	35,278,846	35,278,846	
Nielsen & Bainbridge LLC	Consumer goods: Durable	Senior Secured Second Lien Term Loan (LIBOR + 9.25% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	8/15/2021	25,000,000	25,000,000	25,000,000	3.4 %
				25,000,000	25,000,000	25,000,000	
Northstar Aerospace, Inc.	Aerospace & Defense	Senior Secured First Lien Note (10.25% Cash)	10/15/2019	25,000,000	25,000,000	25,000,000	3.4 %
				25,000,000	25,000,000	25,000,000	
Northstar Group Services, Inc. ⁽²³⁾	Construction & Building	Unsecured Debt (11.00% Cash)	10/24/2019	22,920,000	22,920,000	22,920,916	3.1 %
				22,920,000	22,920,000	22,920,916	

F-20

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾
Omnivere LLC	Services: Business	Senior Secured First Lien Term Loan A (LIBOR + 12.00% Cash, 1.00% PIK) ⁽²⁰⁾	5/5/2019	18,409,339	17,586,630	16,384,311	2.2 %
		Senior Secured First Lien Term Loan C (LIBOR + 12.00% Cash, 1.00% PIK) ⁽²⁰⁾	5/5/2019	3,176,202	3,176,202	2,826,820	0.4 %
		Warrants to purchase 12.50% of the outstanding equity	5/5/2019	-	872,698	-	0.0 %
The Plastics Group Acquisition Corp	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	2/28/2019	21,585,541	21,635,530	19,211,131	
				20,999,119	20,999,119	21,215,200	2.9 %
Prestige Industries LLC	Services: Business	Senior Secured Second Lien Term Loan (18.00% PIK)	1/31/2017	6,621,208	6,535,242	6,034,768	0.8 %
		Warrants to purchase 0.63% of the outstanding common units	1/31/2017	-	151,855	-	0.0 %
				6,621,208	6,687,097	6,034,768	
Prince Mineral Holding Corp. ⁽⁸⁾	Metals & Mining	Senior Secured First Lien Note (12.00%)	12/15/2019	6,800,000	6,734,981	7,302,588	1.0 %
				6,800,000	6,734,981	7,302,588	
RCS Capital Corporation	Banking, Finance, Insurance & Real Estate	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	4/29/2021	7,200,000	7,200,000	7,338,600	1.0 %
				7,200,000	7,200,000	7,338,600	

Edgar Filing: Medley Capital Corp - Form 10-Q

RCS Management Corporation & Specialized Medical Services, Inc.	Healthcare & Pharmaceuticals	Senior Secured Second Lien Term Loan (LIBOR + 11.00% Cash, 1.50% LIBOR Floor, 0.50% PIK) ⁽¹⁹⁾	4/30/2015	25,604,168	25,604,168	25,604,168	3.5	%
				25,604,168	25,604,168	25,604,168		
Red Skye Wireless LLC ⁽⁹⁾⁽¹²⁾	Retail	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	6/27/2018	25,065,799	25,065,799	25,691,626	3.5	%
				25,065,799	25,065,799	25,691,626		
Reddy Ice Corporation	Beverage, Food & Tobacco	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 1.25% LIBOR Floor) ⁽¹⁹⁾	11/1/2019	17,000,000	17,000,000	16,222,930	2.2	%
				17,000,000	17,000,000	16,222,930		

F-21

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾	
Response Team Holdings, LLC	Construction & Building	Senior Secured First Lien Term Loan (LIBOR + 8.50% Cash, 1.00% PIK, 2.00% LIBOR Floor) ⁽¹⁹⁾	3/28/2019	25,280,688	25,280,688	25,646,246	3.5	%
		Preferred Equity (12.00% PIK)	3/28/2019	4,922,899	4,524,750	4,719,386	0.6	%
		Warrants to purchase 6.17% of the outstanding common units	3/28/2019	-	429,012	1,508,887	0.2	%
				30,203,587	30,234,450	31,874,519		
Safeworks LLC ⁽¹¹⁾	Capital Equipment	Unsecured Debt (12.00% Cash)	1/31/2020	15,000,000	15,000,000	15,000,000	2.2	%
				15,000,000	15,000,000	15,000,000		
Sendero Drilling Company LLC ^{(9) (12)}	Energy: Oil & Gas	Senior Secured First Lien Term Loan (LIBOR + 11.00% Cash) ⁽¹⁹⁾	3/18/2019	19,080,000	18,350,454	18,808,201	2.6	%
		Warrants to purchase 5.52% of the outstanding common units	3/18/2019	-	793,523	2,730,402	0.4	%
				19,080,000	19,143,977	21,538,603		
Seotowncenter, Inc. ⁽¹¹⁾	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	9/11/2019	27,500,000	27,500,000	27,500,000	3.8	%
		3,249.697 shares of Common Stock ⁽¹⁴⁾	9/11/2019	-	500,000	500,000	0.1	%
				27,500,000	28,000,000	28,000,000		
Stancor, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 8.00% Cash, 0.75% LIBOR Floor) ⁽¹⁹⁾	8/19/2019	7,000,000	7,000,000	7,000,000	1.0	%

Edgar Filing: Medley Capital Corp - Form 10-Q

		250,000 Class A Units (15)	8/19/2019	-	250,000	250,000	0.0	%
				7,000,000	7,250,000	7,250,000		
T. Residential Holdings LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (12.00%)	3/28/2019	20,000,000	20,000,000	20,250,000	2.8	%
				20,000,000	20,000,000	20,250,000		
Taylorred Freight Services LLC	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.50% Cash, 2.00% PIK, 1.50% LIBOR Floor) ⁽²⁰⁾	11/1/2017	14,529,667	14,529,667	12,777,970	1.8	%
				14,529,667	14,529,667	12,777,970		

F-22

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Assets ⁽³⁾
Tempel Steel Company ⁽⁸⁾	Metals & Mining	Senior Secured First Lien Note (12.00%)	8/15/2016	11,000,000	10,905,262	11,110,000	1
				11,000,000	10,905,262	11,110,000	
Tenere Acquisition Corp. ⁽⁹⁾⁽¹²⁾	Chemicals, Plastics & Rubber	Senior Secured First Lien Term Loan (11.00% Cash, 2.00% PIK)	12/15/2017	11,132,618	11,132,618	11,526,596	1
				11,132,618	11,132,618	11,526,596	
Transtelco Inc.	Telecommunications	Senior Secured First Lien Term Loan (LIBOR + 9.00% Cash, 1.50% LIBOR Floor) ⁽¹⁹⁾	11/19/2017	19,056,000	19,056,000	19,169,192	2
				19,056,000	19,056,000	19,169,192	
Untangle, Inc.	Services: Business	Senior Secured First Lien Term Loan (LIBOR + 12.00% Cash) ⁽¹⁹⁾	4/18/2019	9,937,500	9,937,500	9,995,436	1
				9,937,500	9,937,500	9,995,436	
Velocity Pooling Vehicle LLC	Automotive	Senior Secured Second Lien Term Loan (LIBOR + 7.25% Cash, 1.00% LIBOR Floor) ⁽¹⁹⁾	5/14/2022	24,000,000	20,717,234	21,281,947	2
				24,000,000	20,717,234	21,281,947	
Water Capital USA, Inc. ⁽¹⁰⁾	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (7.00% Cash, 7.00% PIK)	1/3/2015	26,973,612	26,973,612	18,153,241	2
				26,973,612	26,973,612	18,153,241	
Wheels Up Partners LLC ⁽¹¹⁾	Aerospace & Defense	Senior Secured First Lien Delayed Draw (LIBOR + 8.55% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	10/15/2021	19,552,000	19,552,000	19,635,487	2
				19,552,000	19,552,000	19,635,487	

Edgar Filing: Medley Capital Corp - Form 10-Q

Window Products, Inc.	Construction & Building	Senior Secured Second Lien Term Loan (LIBOR + 10.75% Cash, 1.00% LIBOR Floor) ⁽²⁰⁾	12/27/2019	14,000,000	14,000,000	14,066,360	1
				14,000,000	14,000,000	14,066,360	
Subtotal Non-Controlled / Non-Affiliated Investments				\$1,222,128,441	\$1,215,421,753	\$1,185,859,238	

F-23

Company ⁽¹⁾	Industry ⁽²⁴⁾	Type of Investment	Maturity	Par Amount ⁽²⁾	Cost ⁽¹⁸⁾	Fair Value	% of Net Assets ⁽³⁾	
<u>Control Investments:</u> ⁽⁴⁾								
United Road Towing Inc.	Services: Business	Senior Secured Second Lien Term Loan (LIBOR + 9.00% Cash) ⁽²⁰⁾	2/21/2020	17,000,000	17,000,000	17,000,000	2.3	%
		Preferred Equity Class C (8.00% PIK)	2/21/2020	18,802,789	17,466,376	18,572,916	2.5	%
		Preferred Equity Class A-2 (8.00% PIK)	2/21/2020	4,667,205	4,335,482	1,573,374	0.2	%
		65,809.73 Class B Common Units ⁽¹⁶⁾	2/21/2020	-	1,098,096	1,098,096	0.2	%
				40,469,994	39,899,954	38,244,386		
Subtotal Control Investments				\$40,469,994	\$39,899,954	\$38,244,386		
<u>Affiliated Investments:</u>								
AmveStar Holdings LLC	Banking, Finance, Insurance & Real Estate	Senior Secured First Lien Term Loan (10.00% Cash)	9/10/2019	6,670,000	6,670,000	6,670,000	0.9	%
		Preferred Equity - 33,300 Units ⁽¹⁷⁾	9/10/2019	-	3,330,000	3,330,000	0.5	%
				6,670,000	10,000,000	10,000,000		
Cymax Stores, Inc. ⁽⁷⁾	Consumer goods: Durable	Senior Secured First Lien Term Loan (10.00% Cash, 5.00% PIK)	8/1/2015	9,473,964	9,264,996	9,154,881	1.3	%
		190 Class B Common Units ⁽⁵⁾	8/1/2015	-	678,154	2,279,786	0.3	%
				9,473,964	9,943,150	11,434,667		
Subtotal Affiliated Investments				\$16,143,964	\$19,943,150	\$21,434,667		

**Total Investments,
September 30, 2014**

\$1,278,742,399 \$1,275,264,857 \$1,245,538,291 170.7%

- (1) All of our investments are domiciled in the United States except for Cymax Stores, Inc. which is domiciled in Canada and denominated in USD. Certain investments also have international operations.
- (2) Par amount includes accumulated PIK interest and is net of repayments.
- (3) Percentage is based on net assets of \$729,856,881 as of September 30, 2014.
- (4) Control Investments are defined by the Investment Company Act of 1940 ("1940 Act") as investments in companies in which the Company owns more than 25% of the voting securities or maintains greater than 50% of the board representation.
- (5) 190 Class B Common Units represent 19% ownership of Cymax Stores, Inc.
- (6) The entire commitment was unfunded at September 30, 2014. As such, no interest is being earned on this investment.
- (7) The investment is not a qualifying asset as defined under Section 55(a) of 1940 Act, in a whole, or in part.
- (8) Securities are exempt from registration under Rule 144a of the Securities Act of 1933. These securities represent a fair value of \$28.6 million and 3.9% of net assets as of September 30, 2014 and are considered restricted.
- (9) The investment has an unfunded commitment as of September 30, 2014 (See note 8).
- (10) The investment was on non-accrual status as of September 30, 2014.
- (11) A portion of this investment was sold via a participation agreement (See note 3).
- (12) Includes an analysis of the value of any unfunded loan commitments.
- (13) 384.62 Units represents 1.961% ownership of INI Parent, Inc.
- (14) 3,249.697 shares of Common Stock represents 2.917% ownership of Boostability Holdings, Inc.
- (15) 250,000 Class A Units represents 0.882% ownership of Stancor, Inc.
- (16) 65,809.73 Class B Common Units Represents 65.8% ownership of United Road Towing, Inc.
- (17) 33,300 Units represents 18.167% ownership of Amvestar Holdings LLC.
- (18) Gross unrealized appreciation, gross unrealized depreciation, and net depreciation for federal income tax purposes totaled \$38.9 million, \$46.9 million and \$8.0 million, respectively. The tax cost of investments is \$1,253.5 million.
- (19) The interest rate on these loans is subject to a base rate plus 1 Month LIBOR, which at September 30, 2014 was 0.16%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 1 Month LIBOR rate at September 30, 2014, the prevailing rate in effect at September 30, 2014 was the base rate plus the LIBOR Floor.
- (20) The interest rate on these loans is subject to a base rate plus 3 Month LIBOR, which at September 30, 2014 was 0.24%. As the interest rate is subject to a minimum LIBOR Floor which was greater than the 3 Month LIBOR rate at September 30, 2014, the prevailing rate in effect at September 30, 2014 was the base rate plus the LIBOR Floor.
- (21) Investment consists of senior secured first lien term loan A (par and fair value of \$7,308,565 and \$5,846,852, respectively), senior secured first lien term loan B (par and fair value of \$19,454,808 and \$6,614,635, respectively) and senior secured first lien term loan - Willow Street Medical Laboratory LLC (par and fair value of \$5,037,575 and \$3,022,545, respectively).
- (22) Investment changed its name from Ingenio Acquisition LLC during FY 2014.
- (23) Investment changed its name from NCM Group Holdings LLC during FY 2014.
- (24) The September 30, 2014 industry groupings have been modified to conform with the March 31, 2015 industry groupings.

See accompanying notes to consolidated financial statements.

MEDLEY CAPITAL CORPORATION

Notes to Consolidated Financial Statements

March 31, 2015

(Unaudited)

Note 1. Organization

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

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

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

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

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

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

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

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

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

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries, MOF I BDC, SBIC LP, MCC Investment Holdings LLC, MCC Investment Holdings RT1 LLC, MCC Investment Holdings Sendero LLC, MCC Investment Holdings Omnivere LLC, MCC Investment Holdings AAR LLC and MCC Investment Holdings AmveStar LLC. All references made to the “Company,” “we,” and “us” herein include Medley Capital Corporation and its consolidated subsidiaries, except as stated otherwise. Additionally, the accompanying consolidated financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

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

Organizational Expenses

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

Offerings

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

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

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

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

Deferred Offering Costs

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

Deferred Financing Costs

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

Indemnification

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

Revenue Recognition

Interest income, adjusted for amortization of premiums and accretion of discounts, is recorded on an accrual basis.

Origination/closing, amendment and transaction break-up fees associated with investments in portfolio companies are recognized as income when we become entitled to such fees. Fee income for the three and six months ended March 31, 2015 was approximately \$2.5 million and \$6.6 million, respectively. For the three and six months ended March 31, 2014 fee income was approximately \$5.4 million and \$12.0 million, respectively (discussed in Note 9).

Prepayment penalties received by the Company for debt instruments paid back to the Company prior to the maturity date are recorded as income upon repayment of debt.

Administrative agent fees received by the Company are capitalized as deferred revenue and recorded as income when the services are rendered.

The Company holds debt investments in its portfolio that contain a payment-in-kind (“PIK”) interest provision. The PIK interest, which represents contractually deferred interest added to the investment balance that is generally due at maturity, is recorded on the accrual basis to the extent such amounts are expected to be collected. PIK interest is not accrued if the Company does not expect the issuer to be able to pay all principal and interest when due. For the three and six months ended March 31, 2015, the Company earned approximately \$2.3 million and \$4.8 million in PIK, respectively. For the three and six months ended March 31, 2014, the Company earned approximately \$2.7 million and \$5.5 million in PIK, respectively.

Investment transactions are accounted for on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of investment, without regard to unrealized gains or losses previously recognized. The Company reports changes in fair value of investments as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

Management reviews all loans that become 90 days or more past due on principal or interest or when there is reasonable doubt that principal or interest will be collected for possible placement on management’s designation of non-accrual status. Interest Receivable is analyzed regularly and may be reserved against when deemed uncollectible. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management’s judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management’s judgment, are likely to remain current, although we may make exceptions to this general rule if the loan has sufficient collateral value and is in the process of collection. At March 31, 2015, four portfolio companies were on non-accrual status with a combined fair value of approximately \$22.2 million, or 1.8% of the fair value of our portfolio. At September 30, 2014, four portfolio companies were on non-accrual status with a combined fair value of approximately \$40.3 million, or 3.2% of the fair value of our portfolio.

Investment Classification

The Company classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, we would be deemed to “control” a portfolio company if we owned more than 25% of its outstanding voting securities

and/or had the power to exercise control over the management or policies of such portfolio company. We refer to such investments in portfolio companies that we “control” as “Control Investments.” Under the 1940 Act, we would be deemed to be an “Affiliated Person” of a portfolio company if we own between 5% and 25% of the portfolio company’s outstanding voting securities or we are under common control with such portfolio company. We refer to such investments in Affiliated Persons as “Affiliated Investments.”

Valuation of Investments

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

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

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

The “Market Approach” uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business.

The “Income Approach” converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

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

- valuations of comparable public companies (Guideline Comparable approach),
- recent sales of private and public comparable companies (Guideline Comparable approach),
- recent acquisition prices of the company, debt securities or equity securities (Acquisition Price Approach),
- external valuations of the portfolio company, offers from third parties to buy the company (Estimated Sales Proceeds approach),

· subsequent sales made by the company of its investments (Expected Sales Proceeds approach); and

· estimating the value to potential buyers.

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

· discounting the forecasted cash flows of the portfolio company or securities (Discounted Cash Flow “DCF” approach); and

· Black-Scholes model or simulation models or a combination thereof (Income Approach – Option Model) with respect to the valuation of warrants.

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

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

our quarterly valuation process begins with each portfolio investment being initially valued by the investment professionals responsible for monitoring the portfolio investment;

· preliminary valuation conclusions are then documented and discussed with senior management; and

an independent valuation firm engaged by our board of directors reviews approximately one third of these preliminary valuations each quarter on a rotating quarterly basis on non-fiscal year-end quarters, such that each of these investments will be valued by independent valuation firms at least twice per annum when combined with the fiscal year-end review of all the investments by independent valuation firms.

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

· 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.

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

Fair Value of Financial Instruments

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

New Accounting Pronouncements

In June 2013, the FASB issued Accounting Standards Update 2013-08 “Financial Services-Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements” (“ASU 2013-08”). ASU 2013-08 clarifies the characteristics of an investment company and requires reporting entities to disclose information about the following items: (i) the type and amount of financial support provided to investee companies, including situations in which the Company assisted an investee in obtaining financial support, (ii) the primary reasons for providing the financial support, (iii) the type and amount of financial support the Company is contractually required to provide to an investee, but has not yet provided, and (iv) the primary reasons for the contractual requirement to provide the financial support. The amendments in ASU 2013-08 are effective for an entity’s interim and annual reporting periods in fiscal years that begin after December 15, 2013. The adoption of this standard did not have a material effect on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the guidance is effective for annual and interim periods beginning after December 15, 2015. For all other entities, it is effective for annual periods beginning after December 15, 2015, and interim periods beginning after December 15, 2016. Early adoption is permitted.

Federal Income Taxes

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

The Company is subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its ordinary income in any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. There is no provision for federal excise tax for 2014 accrued at March 31, 2015.

The Company's Taxable Subsidiaries accrue income taxes payable based on the applicable corporate rates on the unrealized gains generated by the investments held by the Taxable Subsidiaries. Such deferred tax liabilities amounted to \$0.7 million and \$0.5 million for the three and six months ended March 31, 2015, respectively, and are recorded as deferred tax liability on the consolidated statements of assets and liabilities. The change in deferred tax liabilities is included as a component of net unrealized appreciation/(depreciation) on investments in the consolidated statement of operations. Deferred tax liabilities amounted to \$0.3 million for the three and six months ended March 31, 2014 and were recorded as deferred tax liability on the consolidated statement of assets and liabilities and were included as a component of net unrealized appreciation/(depreciation) on investments in the consolidated statement of operations.

As of March 31, 2015 and September 30, 2014, \$2.1 million and \$1.6 million, respectively, were included in "Net unrealized appreciation/(depreciation) on investments, net of deferred taxes" in the accompanying consolidated statements of assets and liabilities.

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

The Company accounts for income taxes in conformity with ASC Topic 740 - Income Taxes ("ASC 740"). ASC 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions deemed to meet a "more-likely-than-not" threshold would be recorded as a

tax benefit or expense in the current period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the consolidated statement of operations. There were no material uncertain income tax positions at March 31, 2015. Although we file federal and state tax returns, our major tax jurisdiction is federal. The Company's inception-to-date federal tax years remain subject to examination by the Internal Revenue Service.

Segments

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

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

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

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

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

Note 3. Investments

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

	Amortized Cost	Percentage	Fair Value	Percentage	
Senior Secured First Lien Term Loans	\$ 782,754	61.3	% \$ 719,726	59.4	%
Senior Secured Second Lien Term Loans	371,159	29.1	368,463	30.4	
Senior Secured First Lien Notes	37,668	3.0	35,463	2.9	
Unsecured Debt	38,190	3.0	38,195	3.2	
Equity/Warrants	46,202	3.6	49,836	4.1	
Total	\$ 1,275,973	100.0	% \$ 1,211,683	100.0	%

Edgar Filing: Medley Capital Corp - Form 10-Q

The composition of our investments as of September 30, 2014 as a percentage of our total portfolio, at amortized cost and fair value were as follows (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage	
Senior Secured First Lien Term Loans	\$ 776,904	60.9	% \$747,740	60.0	%
Senior Secured Second Lien Term Loans	359,835	28.2	359,209	28.8	
Senior Secured First Lien Notes	60,482	4.8	56,121	4.5	
Unsecured Debt	38,185	3.0	38,186	3.1	
Equity/Warrants	39,859	3.1	44,282	3.6	
Total	\$ 1,275,265	100.0	% \$1,245,538	100.0	%

F-32

In connection with certain of the Company's investments, the Company receives warrants which are obtained for the objective of increasing the total investment returns and are not held for hedging purposes. At March 31, 2015 and September 30, 2014, the total fair value of warrants was \$9.5 million and \$11.6 million, respectively, and were included in investments at fair value on the consolidated statement of assets and liabilities.

Total unrealized losses related to warrants for the three and six months ended March 31, 2015 were \$2.2 million and \$0.2 million, respectively and were recorded on the consolidated statement of operations in those accounts. The warrants are received in connection with individual investments and are not subject to master netting arrangements. During the three months and six months ended March 31, 2015, the Company acquired 0, and 1 warrant positions, respectively. Total unrealized gains related to warrants for the three and six months ended March 31, 2014 were \$0.3 million and \$1.2 million, respectively and were recorded on the consolidated statement of operations in those accounts. The warrants are received in connection with individual investments and are not subject to master netting arrangements. During the three months and six months ended March 31, 2014, the Company acquired 3, and 4 warrant positions, respectively.

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

	Fair Value	Percentage	
Services: Business	\$155,676	12.8	%
Healthcare & Pharmaceuticals	112,657	9.3	
Construction & Building	107,512	8.9	
Banking, Finance, Insurance & Real Estate	99,953	8.2	
Metals & Mining	82,231	6.8	
Automotive	81,798	6.8	
Energy: Oil & Gas	77,639	6.4	
Hotel, Gaming & Leisure	72,530	6.0	
Aerospace & Defense	65,122	5.4	
Containers, Packaging & Glass	56,924	4.7	
Retail	53,564	4.4	
Chemicals, Plastics & Rubber	47,014	3.9	
Telecommunications	46,251	3.8	
Beverage, Food & Tobacco	33,589	2.8	
Capital Equipment	30,138	2.5	
Consumer goods: Durable	24,718	2.0	
Consumer goods: Non-durable	21,719	1.8	
Services: Consumer	19,779	1.6	
High Tech Industries	15,129	1.2	
Media: Broadcasting & Subscription	7,407	0.6	
Transportation: Cargo	333	0.1	
Total	\$1,211,683	100.0	%

The following table shows the portfolio composition by industry grouping at fair value at September 30, 2014. The September 30, 2014 industry groupings have been modified to conform with the March 31, 2015 industry groupings (dollars in thousands):

	Fair Value	Percentage	
Services: Business	\$ 166,252	13.3	%
Banking, Finance, Insurance & Real Estate	127,262	10.2	
Construction & Building	103,004	8.3	
Energy: Oil & Gas	93,212	7.5	
Healthcare & Pharmaceuticals	92,123	7.4	
Automotive	83,745	6.7	
Aerospace & Defense	70,767	5.7	
Metals & Mining	67,281	5.4	
Consumer goods: Durable	67,008	5.4	
Retail	55,753	4.5	
Telecommunications	53,950	4.3	
Services: Consumer	47,031	3.9	
Chemicals, Plastics & Rubber	46,622	3.7	
Consumer goods: Non-durable	34,210	2.7	
Beverage, Food & Tobacco	33,920	2.7	
Hotels, Gaming & Leisure	32,780	2.6	
Containers, Packaging & Glass	32,440	2.6	
Capital Equipment	15,000	1.2	
High Tech Industries	14,818	1.2	
Media: Broadcasting & Subscription	7,835	0.6	
Transportation: Cargo	525	0.1	
Total	\$ 1,245,538	100.0	%

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

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

	Fair Value	Percentage	
Midwest	\$403,688	33.3	%
Southwest	229,366	18.9	
West	203,752	16.8	
Southeast	184,617	15.3	

Edgar Filing: Medley Capital Corp - Form 10-Q

Northeast	122,411	10.1	
Mid-Atlantic	67,849	5.6	
Total	\$1,211,683	100.0	%

The following table shows the portfolio composition by geographic location at fair value at September 30, 2014 (dollars in thousands):

	Fair Value	Percentage	
Midwest	\$363,598	29.2	%
West	277,875	22.3	
Southeast	245,773	19.7	
Southwest	204,172	16.4	
Northeast	110,519	8.9	
Mid-Atlantic	32,166	2.6	
International	11,435	0.9	
Total	\$1,245,538	100.0	%

F-34

Transactions With Affiliated Companies

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

Name of Investment	Fair Value at September 30, 2014	Purchases (Sales) of/Advances to Affiliates	Transfers In/(Out) of Affiliates	Fair Value at March 31, 2015	Income Earned	Capital Loss
Controlled Investments						
United Road Towing, Inc.	\$ 38,244,386	\$ -	\$ -	\$ 37,512,556	\$ 1,745,707	\$ -
Non-Controlled Affiliates						
US Multifamily, LLC	10,000,000	-	-	10,000,000	333,500	-
Cymax Stores, Inc.	11,434,667	\$(11,685,980)	\$ -	-	662,098	-
Total Controlled Investments and Non-Controlled Affiliates	\$ 59,679,053	\$(11,685,980)	\$ -	\$ 47,512,556	\$ 2,741,305	\$ -

Name of Investment	Fair Value at September 30, 2013	Purchases (Sales) of/Advances to Affiliates	Transfers In/(Out) of Affiliates	Fair Value at March 31, 2014	Income Earned	Capital Loss
Non-Controlled Affiliates						
Cymax Stores, Inc.	9,139,377	\$ -	\$ -	\$ 9,804,849	\$ 784,909	\$ -
Total Non-Controlled Affiliates	\$ 9,139,377	\$ -	\$ -	\$ 9,804,849	\$ 784,909	\$ -

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

Loan Participation Sales

The Company sells portions of its investments via participation agreements to a managed account, managed by an affiliate and non-affiliate of the Company. At March 31, 2015, there were 15 participation agreements outstanding with an aggregate fair value of \$302.6 million. At September 30, 2014, there were 14 participation agreements outstanding with an aggregate fair value of \$260.9 million. Such investments where the Company has retained a proportionate interest are included in the consolidated schedule of investments. All of these investments are classified within Level 3 of the fair value hierarchy, as defined in Note 4.

During the three and six months ended March 31, 2015, the Company made interest and principal payments to the sub-participant in the aggregate amount of \$3.8 million and \$13.6 million, respectively. During the three and six months ended March 31, 2014, the Company made interest and principal payments to the sub-participant in the aggregate amount of \$1.8 million and \$24.3 million. Under the terms of the participation agreements, the Company will make periodic payments to the sub-participant equal to the sub-participant's proportionate share of any principal and interest payments received by the Company from the underlying investee companies.

MCC Senior Loan Strategy JV I LLC

On March 27, 2015, the Company and Great American Life Insurance Company (“Great American Life”) entered into a limited liability company operating agreement to co-manage MCC Senior Loan Strategy JV I LLC (the “Joint Venture”). The Company and Great American Life have committed to provide \$100 million of equity to the Joint Venture, with the Company providing \$87.5 million and Great American Life providing \$12.5 million. In addition, the Joint Venture intends to seek a credit facility from a third party financing provider. The Joint Venture is expected to invest primarily in first lien middle market and other corporate debt securities. All portfolio and other material decisions regarding the Joint Venture must be submitted to the Joint Venture’s board of managers, which is comprised of four members, two of whom are selected by the Company and the other two are selected by Great American Life. As a result, consistent with precedent transactions that have been reviewed and approved by the SEC, the Company has concluded that it does not control the Joint Venture. As of March 31, 2015, the Joint venture had not commenced operations.

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

Note 4. Fair Value Measurements

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ -	\$-	\$719,726	\$719,726
Senior Secured Second Lien Term Loans	-	-	368,463	368,463
Senior Secured First Lien Notes	-	15,888	19,575	35,463
Unsecured Debt	-	-	38,195	38,195
Equity/Warrants	-	615	49,221	49,836
Total	\$ -	\$16,503	\$1,195,180	\$1,211,683

The following table presents the fair value measurements of our investments, by major class according to the fair value hierarchy, as of September 30, 2014 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Senior Secured First Lien Term Loans	\$ -	\$-	\$747,740	\$747,740
Senior Secured Second Lien Term Loans	-	-	359,209	359,209
Senior Secured First Lien Notes	-	2,487	53,634	56,121
Unsecured Debt	-	-	38,186	38,186
Equity/Warrants	-	-	44,282	44,282
Total	\$ -	\$2,487	\$1,243,051	\$1,245,538

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

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien Notes	Unsecured Debt	Equities/Warrants	Total
Balance as of September 30, 2014	\$747,740	\$359,209	\$53,634	\$38,186	\$44,282	\$1,243,051
Purchases and other adjustments to cost	5,807	1,429	15	5	1,024	8,280
Originations	94,860	49,500	-	-	6,231	150,591
Sales	(13,156)	(26,576)	(12,118)	-	(2,233)	(54,083)
Settlements	(81,788)	(12,487)	-	-	-	(94,275)
Net realized gains (losses) from investments	127	(542)	(2,401)	-	1,321	(1,495)
Net transfers in and/or out of Level 3	-	-	(18,326)	-	(105)	(18,431)

Edgar Filing: Medley Capital Corp - Form 10-Q

Net unrealized gains (losses)	(33,864)	(2,070)	(1,229)	4	(1,299)	(38,458)
Balance as of March 31, 2015	\$ 719,726	\$ 368,463	\$ 19,575	\$ 38,195	\$ 49,221	\$ 1,195,180

F-37

The following table provides a reconciliation of the beginning and ending balances for investments that use level 3 inputs for the six months ended March 31, 2014 (dollars in thousands):

	Senior Secured First Lien Term Loans	Senior Secured Second Lien Term Loans	Senior Secured First Lien Notes	Unsecured Debt	Equities/ Warrants	Total
Balance as of September 30, 2013	\$ 408,802	\$ 251,963	\$ 77,259	\$ 255	\$ 2,955	\$ 741,234
Purchases and other adjustments to cost	60,810	1,761	4,940	5	1,756	69,272
Issuance	182,847	80,930	-	-	5,046	268,823
Sales	-	-	(2,985)	-	-	(2,985)
Settlements	(71,626)	(47,191)	-	-	-	(118,817)
Net realized gains (losses) from investments	(16)	44	45	-	-	73
Net transfers in and/or out of Level 3	-	-	(13,260)	-	-	(13,260)
Net unrealized gains (losses)	(5,434)	(1,867)	548	2	1,517	(5,234)
Balance as of March 31, 2014	\$ 575,383	\$ 285,640	\$ 66,547	\$ 262	\$ 11,274	\$ 939,106

Net change in unrealized loss included in earnings related to investments still held as of March 31, 2015 and 2014, was approximately \$16.3 million and \$5.3 million, respectively.

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

Sales represent net proceeds received from investments sold.

Settlements represent principal paydowns received.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the six months ended March 31, 2015, two of our Senior Secured Notes with a fair value of \$18.3 million and one of our warrants with a fair value of \$0.1 million transferred from Level 3 to Level 2 because of the increase in availability of the transaction data or the inputs to the valuation became observable.

F-38

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

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$625,105	Income Approach (DCF)	Market yield	0.0% - 17.05% (11.48%)
Senior Secured First Lien Term Loans	22,123	Market Approach (Guideline Comparable)	2015 EBITDA Multiple ⁽¹⁾	5.50x - 6.00x (5.75x)
Senior Secured First Lien Term Loans	6,279	Market Approach (Guideline Comparable)	NTM Revenue Multiple ⁽¹⁾	0.15x - 0.25x (0.20x)
Senior Secured First Lien Term Loans	33,606	Income Approach	Expected Sales Proceeds	N/A
Senior Secured First Lien Term Loans	5,250	Market Approach (Recent Acquisition Price)	Market Approach (Recent Acquisition Price)	N/A
Senior Secured First Lien Term Loans	4,899	Market Approach (Guideline Comparable)	LTM and 2015 EBITDA Multiple ⁽¹⁾	4.50x -5.50x (5.25x)/4.50x -5.50x (5.25x)
Senior Secured First Lien Term Loans	11,021	Market Approach (Guideline Comparable) and Income Approach (DCF)	Revenue Multiple ⁽¹⁾ and Market Yield	1.71x - 1.91x (1.91x)
Senior Secured First Lien Term Loans	11,443	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM and 2015 EBITDA Multiple ⁽¹⁾ / Discount Rate	4.50x - 5.00x (4.75x); 4.50x - 5.00x (4.75x); 20.0% - 22.0% (21.93%)
	314,840	Income Approach (DCF)	Market yield	9.75% - 15.05% (11.53%)

Edgar Filing: Medley Capital Corp - Form 10-Q

Senior Secured Second Lien Term Loans				
Senior Secured Second Lien Term Loans	20,623	Income Approach (DCF)	Cost of equity	17.00%-21.30% (18.40%)
Senior Secured Second Lien Term Loans	33,000	Market Approach (Recent Acquisition Price)	Market Approach (Recent Acquisition Price)	N/A
Senior Secured First Lien Notes	19,575	Market Approach (Recent Acquisition Price)	Market Approach (Recent Acquisition Price)	N/A
Unsecured Debt	38,195	Income Approach (DCF)	Market yield	11.42% - 16.11% (11.58%)
Equity	10,180	Income Approach (DCF)	Market yield	8.75% - 12.23% (10.52%)
Equity	596	Market Approach (Recent Acquisition Price)	Market Approach (Recent Acquisition Price)	N/A
Equity	20,678	Option Model	EBITDA Multiple ⁽¹⁾ / Discount Rate/Volatility	5.5x-6.0x (5.75x) / 12.5% -14.5% (13.5%) / 12.9% - 50.6% (25.0%)
Equity	2,009	Market Approach (Guideline Comparable)	LTM and 2015 EBITDA Multiple ⁽¹⁾	5.25x -8.00x (7.18x)/5.25x -8.50x (6.74x)
Equity	3,821	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple ⁽¹⁾	5.75x - 6.50x (6.54x); 6.50x - 6.75x (5.99x)
Warrants	-	Market Approach (Guideline Comparable)	2015 EBITDA Multiple ⁽¹⁾	5.50x - 6.00x (5.75x)
Warrants	-	Market Approach (Guideline Comparable)/Income Approach (DCF)	LTM and 2015 EBITDA Multiple ⁽¹⁾ / Discount Rate	4.50x - 5.00x (4.75x); 4.50x - 5.00x (4.75x); 20.0% - 22.0% (21.0%)
Warrants	8,275	Market Approach (Guideline Comparable)	LTM and NTM EBITDA Multiple ⁽¹⁾	3.50x - 3.75x (5.10x); 6.50x - 6.50x (5.06x)
Warrants	-	Market Approach (Guideline Comparable)	NTM EBITDA Multiple ⁽¹⁾	4.0x - 5.0x (4.5x)

Edgar Filing: Medley Capital Corp - Form 10-Q

Warrants	-	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾	1.71x - 1.91x (1.91x)
Warrants	333	Market Approach (Guideline Comparable)/Option Model	LTM and NTM EBITDA Multiple ⁽¹⁾ , Volatility	5.50x - 6.00x (5.75x); 5.00x - 5.50x (5.25x); 13.43% - 38.48% (45.0%)
Equity	3,329	Income Approach (DCF)	Discount Rate	8.00%-12.00% (10.00%)
Total	\$1,195,180			

F-39

The following table presents the quantitative information about Level 3 fair value measurements of our investments, as of September 30, 2014 (dollars in thousands):

	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Senior Secured First Lien Term Loans	\$586,982	Income Approach (DCF)	Market yield	9.3% - 35.0% (12.8%)
Senior Secured First Lien Term Loans	19,211	Market Approach (Guideline Comparable)	EBITDA Multiple ⁽¹⁾	5.6x - 5.6x (5.6x)
Senior Secured First Lien Term Loans	118,862	Market Approach (Recent Acquisition Price)	Recent Arms-Length Transaction	N/A
Senior Secured First Lien Term Loans	4,212	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾ / EBIDTA Multiple ⁽¹⁾	0.4x - 0.4x (0.4x)/4.2x - 4.2x (4.2x)
Senior Secured First Lien Term Loans	9,637	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾ / Discount Rate	1.75x - 1.75x (1.75x) / 0.3x - 0.3x (0.3x)
Senior Secured First Lien Term Loans	8,836	Market Approach (Sales Proceed)	N/A	N/A
Senior Secured Second Lien Term Loans	266,930	Income Approach (DCF)	Market yield	9.3% - 21.3% (12.4%)
Senior Secured Second Lien Term Loans	92,279	Market Approach (Recent Acquisition Price)	Recent Arms-Length Transaction	N/A
Senior Secured First Lien Notes	17,566	Mark-to-Market	N/A	N/A
Senior Secured First Lien Notes	7,303	Income Approach (DCF)	Market yield	9.7% - 9.7% (9.7%)
Senior Secured First Lien Notes	28,765	Market Approach (Recent Acquisition Price)	Recent Arms-Length Transaction	N/A

Edgar Filing: Medley Capital Corp - Form 10-Q

Unsecured Debt	23,186	Income Approach (DCF)	Market yield	11.0% - 15.5% (11.1%)
Unsecured Debt	15,000	Market Approach (Recent Acquisition Price)	Recent Arms-Length Transaction	N/A
Equity/Warrants	9,286	Market Approach (Guideline Comparable)	EBIDTA Multiple ⁽¹⁾	4.3x - 8.3x (5.9x)
Equity	4,719	Income Approach (DCF)	Market yield	13.0% - 13.0% (13.0%)
Equity	21,244	Income Approach (Option-pricing Model)	EBITDA Multiple ⁽¹⁾ /Discount Rate/Volatility	5.0x-5.0x (5.0x) / 13.0% - 13.0% (13.0%) / 25.0% - 25.0% (25.0%)
Warrants	-	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾ / Discount Rate	1.8x - 1.8x (1.8x) / 25.0% - 25.0% (25.0%)
Warrants	2,280	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾	0.2x - 0.2x (0.2x)
Warrants	165	Income Approach (Option-pricing Model)	N/A	N/A
Warrants	-	Market Approach (Guideline Comparable)	Revenue Multiple ⁽¹⁾ / EBITDA Multiple ⁽¹⁾	0.4x - 0.4x (0.4x) / 4.2x - 4.2x (4.2x)
Equity/Warrants	6,588	Market Approach (Recent Acquisition Price)	Recent Arms-Length Transaction	N/A
Total	\$1,243,051			

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

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

The significant unobservable inputs used in the fair value measurement of the Company's equity/warrants investments are comparable company EBITDA multiples. Increases in EBITDA multiples in isolation would result in higher fair value measurements.

Note 5. Borrowings

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

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

The Company's outstanding debt as of March 31, 2015 and September 30, 2014 was as follows (dollars in thousands):

	As of March 31, 2015			September 30, 2014		
	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value	Aggregate Principal Amount Available	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$346,000	\$ 194,000	\$194,000	\$346,000	\$ 146,500	\$146,500
Term Loan Facility	171,500	171,500	171,500	171,500	171,500	171,500
2019 Notes	40,000	40,000	40,000	40,000	40,000	40,000
2023 Notes	63,500	63,500	63,500	63,500	63,500	63,500
SBA Debentures	130,000	110,000	110,000	100,000	100,000	100,000
Total	\$751,000	\$ 579,000	\$579,000	\$721,000	\$ 521,500	\$521,500

Credit Facility

On June 2, 2014, we entered into Amendment No. 5 to our existing Senior Secured Revolving Credit Agreement (the “Revolver Amendment”) and Amendment No. 5 our existing Senior Secured Term Loan Credit Agreement (the “Term Loan Amendment,” together with the “Revolver Amendment,” the “Amendments”), each with certain lenders party thereto and ING Capital LLC, as administrative agent. The Amendments amend certain provisions of our Senior Secured Revolving Credit Agreement (the "Revolving Credit Facility") and the Senior Secured Term Loan Credit Agreement (the "Term Loan Facility," together with the Revolving Credit Facility, each as amended, the "Facilities").

F-41

The Facilities were amended to, among other things, (i) in the case of the Revolving Credit Facility, to reduce the interest rate (A) for LIBOR loans, to LIBOR (with no minimum) plus 2.75% and (B) for base rate loans, to the base rate plus 1.75%, to extend the revolving period until June 2017 and to extend the final maturity date until June 2018, (ii) in the case of the Term Loan Facility, to reduce the interest rate (A) for LIBOR loans, to LIBOR (with no minimum) plus 3.25% and (B) for base rate loans, to the base rate plus 2.25%, and to extend the final maturity date until June 2019 and (iii) increase the maximum amount of the accordion feature which permits subsequent increases in commitments under the Revolving Facility and/or Term Loan Facility to \$600 million.

Concurrently with the effectiveness of the Amendments, the Company closed an additional \$101.0 million of commitments under its Revolving Credit Facility and an additional \$51.5 million of commitments under its Term Loan Facility.

As of March 31, 2015, total commitments under the Facilities are \$517.5 million, comprised of \$346.0 million committed to the Revolving Credit Facility and \$171.5 million funded under the Term Loan Facility.

At March 31, 2015, the carrying amount of our borrowings under the Facilities approximated their fair value. The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of our borrowings under the Facilities are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. At March 31, 2015 and September 30, 2014, the Facilities would be deemed to be Level 3, as defined in Note 4.

As of March 31, 2015 and September 30, 2014, \$5.9 million and \$5.9 million, respectively, of financing costs related to the Revolving Facility have been capitalized and are being amortized over their respective terms. As of March 31, 2015 and September 30, 2014, \$3.1 million and \$3.1 million of financing costs related to the Term Loan Facility have been capitalized and are being amortized over their respective terms.

For the three and six months ended March 31, 2015 and 2014, the components of interest expense, commitment fees related to the Revolving Facility, amortized deferred financing costs, weighted average stated interest rate and weighted average outstanding debt balance for the Facilities were as follows (dollars in thousands):

	For the three months ended March 31		For the six months ended March 31	
	2015	2014	2015	2014
Revolving Facility interest	\$ 1,365	\$ 622	\$ 2,785	\$ 1,009

Edgar Filing: Medley Capital Corp - Form 10-Q

Revolving Facility commitment fee	201	323	402	841
Term Facility interest	1,474	1,256	2,980	2,519
Amortization of deferred financing costs	365	318	737	642
Agency and Other Fees	19	19	39	39
Total interest and fees expense	\$ 3,424	\$ 2,538	\$ 6,943	\$ 5,050
Weighted average stated interest rate	3.2	% 4.4	% 3.2	% 4.2
Weighted average outstanding balance	\$ 356,811	\$ 172,154	\$ 358,382	\$ 167,154

As of March 31, 2015 and September 30, 2014, there was \$194.0 million and \$146.5 million, respectively, outstanding under the Revolving Facility. As of March 31, 2015 and September 30, 2014, there was \$171.5 million outstanding under the Term Loan Facility.

Unsecured Senior Notes

On March 21, 2012, the Company issued \$40.0 million in aggregate principal amount of 7.125% unsecured notes that mature on March 30, 2019 (the "2019 Notes"). The 2019 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after March 30, 2015. The 2019 Notes bear interest at a rate of 7.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2012. The 2019 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol "MCQ".

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of 6.125% unsecured notes that mature on March 30, 2023 (the "2023 Notes," and together with the 2019 Notes, the "Unsecured Notes"). The 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after March 30, 2016. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2013. The 2023 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol "MCV".

On March 26, 2013, the Company closed an additional \$3.5 million in aggregate principal amount of the 2023 Notes, pursuant to the partial exercise of the underwriters' option to purchase additional notes.

At March 31, 2015, the carrying amount and fair value of the 2019 Notes was \$40.0 million and \$40.4 million, respectively. At March 31, 2014, the carrying amount and fair value of the 2019 Notes was \$40.0 million and \$41.1 million, respectively. At March 31, 2015, the carrying amount and fair value of the 2023 Notes was \$63.5 million and \$64.1 million, respectively. At March 31, 2014, the carrying amount and fair value of the 2023 Notes was \$63.5 million and \$62.0 million, respectively. The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the Unsecured Senior Notes, which are publicly traded, is based upon closing market quotes as of the measurement date. At March 31, 2015 and September 30, 2014 the Unsecured Senior Notes would be deemed to be Level 1, as defined in Note 4.

As of March 31, 2015 and September 30, 2014, \$1.5 million and \$1.5 million, respectively, of financing costs related to the 2019 notes have been deferred and are being amortized over their respective terms. As of March 31, 2015 and September 30, 2014, \$2.1 million and \$2.1 million, respectively, of financing costs related to the 2023 notes have been deferred and are being amortized over their respective terms.

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

	For the three months ended March 31		For the six months ended March 31	
	2015	2014	2015	2014
2019 Unsecured Notes interest	\$ 713	\$ 713	\$ 1,425	\$ 1,425
2023 Unsecured Notes interest	972	972	1,945	1,945
Amortization of deferred financing costs	104	104	210	210
Total interest and fees expense	\$ 1,789	\$ 1,789	\$ 3,580	\$ 3,580
Weighted average stated interest rate	6.6	% 6.6	% 6.5	% 6.5
Weighted average outstanding balance	\$ 103,500	\$ 103,500	\$ 103,500	\$ 103,500

As of March 31, 2015 and 2014, \$40.0 million and \$63.5 million in aggregate principal amount of the 2019 Notes and the 2023 notes were outstanding, respectively.

SBA Debentures

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

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

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

As of March 31, 2015, SBIC LP had \$65.0 million in regulatory capital and had \$110.0 million SBA-guaranteed debentures outstanding. As of September 30, 2014, SBIC LP had \$50.0 million in regulatory capital and had \$100.0 million SBA-guaranteed debentures outstanding.

Our fixed-rate SBA debentures as of March 31, 2015 and September 30, 2014 were as follows (dollars in thousands):

Rate Fix Date	March 31, 2015 ⁽¹⁾			September 30, 2014		
	Debenture Amount	Fixed Interest Rate	All-in	Debenture Amount	Fixed Interest Rate	All-in
September 2013	\$5,000	4.404	%	\$5,000	4.404	%
March 2014	39,000	3.951		39,000	3.951	
September 2014	50,000	3.370		50,000	3.370	
September 2014	6,000	3.775		6,000	3.775	
Weighted Average Rate/Total	\$100,000	3.673	%	\$100,000	3.673	%

⁽¹⁾ The fixed weighted average rate on the \$100.0 million of outstanding debentures was fixed at an average annualized rate of 3.673%. The remaining \$10.0 million of outstanding debentures have an interim financing rate of 1.440% and are set to pool in September 2015.

As of March 31, 2015, the carrying amount of the SBA-guaranteed debentures approximated their fair value. The fair values of the SBA-guaranteed debentures are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value of the SBA-guaranteed debentures are estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any. At March 31, 2015, and September 30, 2014 the SBA-guaranteed debentures would be deemed to be Level 3, as defined in Note 4.

As of March 31, 2015 and September 30, 2014, \$4.0 million and \$3.4 million, respectively, of financing costs related to the SBA Debentures have been deferred and are being amortized over their respective terms.

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

Edgar Filing: Medley Capital Corp - Form 10-Q

	For the three months ended		For the six months ended	
	March 31		March 31	
	2015	2014	2015	2014
SBA Debentures interest	\$ 909	\$ 209	\$ 1,834	\$ 381
Amortization of deferred financing costs	127	78	248	143
Total interest and fees expense	\$ 1,036	\$ 287	\$ 2,082	\$ 524
Weighted average stated interest rate	3.7	% 1.9	% 3.7	% 1.9
Weighted average outstanding balance	\$ 100,822	\$ 44,000	\$ 100,407	\$ 40,231

F-44

Note 6. Agreements

Investment Management Agreement

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

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

The incentive fee consists of the following two parts:

The first, calculated and payable quarterly in arrears is based on our pre-incentive fee net investment income earned during the calendar quarter for which the Incentive Fee is being calculated. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter including the base management fee, expenses payable under the administration agreement (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets calculated as of the end of the calendar quarter immediately preceding the calendar quarter for which the incentive fee is being

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

- (1) no incentive fee for any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.50% (10.0% annualized) in any calendar quarter; and
- (3) 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% (10.0% annualized) in any calendar quarter.

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

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

For the three and six months ended March 31, 2015, the Company incurred base management fees to MCC Advisors of \$5.5 million and \$11.3 million, respectively. For the three and six months ended March 31, 2014, the Company incurred base management fees to MCC Advisors of \$4.1 million and \$7.7 million, respectively. For the three and six months ended March 31, 2015, we incurred \$4.4 million and \$9.5 million in incentive fees related to pre-incentive fee net investment income, respectively. For the three and six months ended March 31, 2014, we incurred \$4.1 million and \$8.4 million in incentive fees related to pre-incentive fee net investment income, respectively.

As of March 31, 2015 and September 30, 2014, \$10.0 million and \$10.4 million were included in “management and incentive fees payable,” in the accompanying consolidated statements of assets and liabilities.

Administration Agreement

On January 19, 2011, the Company entered into an administration agreement with MCC Advisors. Pursuant to this agreement, MCC Advisors furnishes us with office facilities and equipment, clerical, bookkeeping, recordkeeping and other administrative services related to the operations of the Company. We reimburse MCC Advisors for our allocable portion of overhead and other expenses incurred by it performing its obligations under the administration agreement, including rent and our allocable portion of the cost of certain of our officers and their respective staff. From time to time, our administrator may pay amounts owed by us to third-party service providers and we will subsequently reimburse our administrator for such amounts paid on our behalf. For the three and six months ended March 31, 2015, we incurred \$1.1 million and \$2.1 million in administrator expenses. For the three and six months ended March 31, 2014, we incurred \$0.8 million and \$1.5 million in administrator expenses, respectively.

Note 7. Related Party Transactions

Investment in Loan Participations

As discussed in Note 1, the Loan Assets contributed to the Company by MOF LP and MOF LTD upon consummation of the Company’s IPO were in the form of loan participations with an affiliated entity managed by affiliates of MCC Advisors. On June 30, 2011, the Company cancelled its participation agreements with an affiliate and executed loan assignment agreements for its investment in Bennu Glass, Inc., Velum Global Credit Management LLC (both were no longer held as of March 31, 2015) and Water Capital USA, Inc. The Company is now a direct lender of record to these borrowers.

Due to Affiliate

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

Other Related Party Transactions

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

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

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

Note 8. Commitments and Contingencies*Commitments*

As of March 31, 2015, we had commitments under loan and financing agreements to fund up to \$66.1 million to 13 portfolio companies. These commitments are primarily composed of senior secured term loans and a revolver. As of September 30, 2014, we had commitments under loan and financing agreements to fund up to \$70.2 million to 13 portfolio companies. These commitments are primarily composed of senior secured term loans and a revolver. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments as of March 31, 2015 and September 30, 2014 is shown in the table below (dollars in thousands):

	As of	
	March 31, 2015	September 30, 2014
Miratech Intermediate Holdings, Inc. (DDTL)	\$14,769	\$ 14,769
Red Skye Wireless LLC	12,000	15,000
Oxford Mining Company LLC (DDTL)	8,136	-
Sendero Drilling Company LLC	5,495	5,495
RCS Management Corporation & Specialized Medical Services, Inc	5,000	-
Freedom Powersports LLC - (DDTL)	4,800	4,800
DreamFinders Homes - TLB	3,247	7,073
DHISCO Electronic Distribution, Inc. - Revolver	3,048	-
Autosplice, Inc	3,026	3,026
Merchant Cash and Capital LLC (First Lien)	2,683	5,297
Tenere Acquisition Corp.	2,000	2,000
Be Green Packaging, LLC - Delayed Draw TL	958	2,375
Meridian Behavioral Health, LLC (Term Loan B)	500	2,500
Be Green Packaging, LLC - Revolver	479	479
Nation Safe Drivers Holdings, Inc.	-	4,721
AM3 Pinnacle Corporation	-	165
DLR Restaurants LLC	-	2,500
Total	\$66,141	\$ 70,200

Legal Proceedings

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

proceedings will have a material effect on our financial condition or results of operations.

F-47

Note 9. Fee Income

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

	For the three months ended March 31	
	2015	2014
Origination fee	\$ 919	\$ 4,330
Prepayment fee	543	-
Amendment fee	932	887
Transaction break-up fee	-	-
Administrative agent fee	135	122
Other fees	10	62
Fee income	\$ 2,539	\$ 5,401

	For the six months ended March 31	
	2015	2014
Origination fee	\$ 2,938	\$ 7,361
Prepayment fee	1,613	3,026
Amendment fee	1,693	1,173
Transaction break-up fee	-	100
Administrative agent fee	281	236
Other fees	98	88
Fee income	\$ 6,623	\$ 11,984

Note 10. Directors Fees

The independent directors receive an annual fee of \$55,000. They also receive \$7,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the chairman of the audit committee receives an annual fee of \$25,000 and the chairman of each other committee receives an annual fee of \$10,000 for their additional services in these capacities. In addition, other members of the audit committee receive an annual fee of \$12,500 and other members of each other committee receive an annual fee of \$6,000. No compensation is paid to directors who are "interested persons" of the Company (as such term is defined in the 1940 Act). For the three and six months ended March 31, 2015, we accrued \$0.1 million and \$0.3 million for directors' fees expense. For the three and six months ended March 31, 2014, we accrued \$0.2 million and \$0.3 million for directors' fees expense.

Note 11. Earnings Per Share

In accordance with the provisions of ASC Topic 260 - Earnings per Share ("ASC 260"), basic earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following information sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations for the three and six months ended March 31, 2015 and 2014 (dollars in thousands except share and per share amounts):

Basic and diluted	For the three months ended March 31, 2015	For the six months ended March 31, 2015
Net increase / (decrease) in net assets from operations	\$ 11,783	\$ (6,533)
Weighted average common shares outstanding	58,499,797	58,617,823
Earnings per common share-basic and diluted	\$ 0.20	\$ (0.11)

	For the three months ended March 31, 2014	For the six months ended March 31, 2014
Basic and diluted		
Net increase / (decrease) in net assets from operations	\$ 12,442	\$ 26,735
Weighted average common shares outstanding	43,883,259	42,002,482
Earnings per common share-basic and diluted	\$ 0.28	\$ 0.64

Note 12. Financial Highlights

The following is a schedule of financial highlights for the six months ended March 31, 2015 and 2014:

	For the six months ended March 31	
	2015	2014
Per share data:		
Net asset value per share at beginning of period	\$ 12.43	\$ 12.70
Net investment income ⁽¹⁾	0.65	0.80
Net realized gains (losses) on investments	(0.16)	-
Net unrealized appreciation/(depreciation) on investments	(0.59)	(0.16)
Net unrealized appreciation/(depreciation) on participations	-	0.01
Provision for deferred taxes on unrealized gain/(loss) on investments	(0.01)	(0.01)
Net increase (decrease) in net assets	(0.11)	0.64
Dividends declared	(0.67)	(0.74)
Issuance of common stock, net of underwriting costs	-	0.11
Repurchase of common stock under repurchase program	0.03	-
Offering costs	-	(0.01)
Other ⁽²⁾	-	(0.01)
Net asset value at end of period	\$ 11.68	\$ 12.69
Net assets at end of period	\$ 676,094,647	\$ 587,239,882
Shares outstanding at end of period	57,907,607	46,283,712
Per share market value at end of period	\$ 9.15	\$ 13.61
Total return based on market value ⁽³⁾	(19.02)%	4.38 %
Total return based on net asset value ⁽⁴⁾	(1.79)%	5.68 %
Portfolio turnover rate	15.90 %	14.36 %

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

	For the six months ended March 31			
	2015		2014	
Ratios: ⁽⁵⁾				
Ratio of net investment income, net of management fee waiver to average net assets	11.10	%	13.29	%
Ratio of total expenses net of management fee waiver to average net assets	11.20	%	11.67	%
Ratio of incentive fees to average net assets	2.77	%	3.32	%
Supplemental Data:				
Ratio of operating expenses, net of management fee waiver and credit facility related expenses to average net assets	8.42	%	8.34	%
Percentage of non-recurring fee income ⁽⁶⁾	8.28	%	18.63	%
Average debt outstanding ⁽⁷⁾	\$ 562,288,462		\$ 310,885,165	
Average debt outstanding per common share	\$ 9.59		\$ 7.40	
Asset coverage ratio per unit ⁽⁸⁾	2,442		2,633	
Average market value per unit				
Facilities ⁽⁹⁾	N/A		N/A	
SBA debentures ⁽⁹⁾	N/A		N/A	
Notes due 2019	\$ 25.33		\$ 25.82	
Notes due 2023	\$ 24.87		\$ 23.72	

- (1) Net investment income based on total weighted average common stock outstanding equals \$0.65 and \$0.80 per share for the six months ended March 31, 2015 and 2014, respectively.
- (2) Represents the impact of the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.
- (3) Total annual return is historical and assumes changes in share price, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales change for the period.
- (4) Total annual return is historical and assumes changes in net assets value, reinvestments of all dividends and distributions at prices obtained under the Company's dividend reinvestment plan, and no sales change for the period.
- (5) Ratios are annualized.
- (6) Represents the impact of the non-recurring fees over investment income.
- (7) Based on daily weighted average balance of debt outstanding during the period.
- (8) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness. Asset coverage ratio per unit does not include unfunded commitments. The inclusion of unfunded commitments in the calculation of the asset coverage ratio per unit would not cause us to be below the required amount of regulatory coverage.
- (9) The Facilities and SBA debentures are not registered for public trading.

Note 13. Dividends

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

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

Edgar Filing: Medley Capital Corp - Form 10-Q

The following table summarizes the Company's dividend declarations and distributions during the six months ended March 31, 2015 and 2014:

Date Declared	Record Date	Payment Date	Amount Per Share
For the six months ended March 31, 2015			
10/30/2014	11/26/2014	12/12/2014	0.37
2/9/2015	2/25/2015	3/13/2015	0.30
			\$ 0.67

F-50

Date Declared	Record Date	Payment Date	Amount Per Share
For the six months ended March 31, 2014			
10/30/2013	11/22/2013	12/13/2013	0.37
2/5/2014	2/26/2014	3/14/2014	0.37
			\$ 0.74

Note 14. Stock Repurchase Program

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

	For the three months ended March 31, 2015	For the six months ended March 31, 2015	
Dollar amount repurchased	\$ 7,930	\$ 7,930	
Shares Repurchased	825,677	825,677	
Average price per share	\$ 9.60	\$ 9.60	
Weighted average discount to Net Asset Value	18.3	% 18.3	%

On February 5, 2015, our board of directors approved a share repurchase program pursuant to which we can purchase up to an aggregate amount of \$30 million of our common stock between the period of the approval date and February 5, 2016. Any stock repurchases will be made through the open market at times, and in such amounts, as management deems appropriate. This program may be limited or terminated at any time without prior notice. The Company's net asset value per share was increased by approximately \$0.03 as a result of the share repurchases.

Note 15. Subsequent Events

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

On April 15, 2015, the Company funded \$10.0 million of regulatory capital to SBIC LP which will allow us to receive an additional capital commitment of \$20.0 million from the SBA once approved.

Edgar Filing: Medley Capital Corp - Form 10-Q

On May 6, 2015, the Company's board of directors declared a quarterly dividend of \$0.30 per share payable on June 12, 2015, to stockholders of record at the close of business on May 20, 2015.

F-51

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

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

Except as otherwise specified, references to “we,” “us,” “our,” or the “Company,” refer to Medley Capital Corporation. “MCC Advisors” and the “Adviser” refer to MCC Advisors LLC, our investment adviser. MCC Advisors is a majority owned subsidiary of Medley LLC, which is controlled by Medley Management Inc., a publicly traded asset management firm, which in turn is controlled by Medley Group LLC, an entity wholly-owned by the senior professionals of Medley LLC. “Medley” refers, collectively, to the activities and operations of Medley Capital LLC, Medley LLC, Medley Management Inc., Medley Group LLC, MCC Advisors, associated investment funds and their respective affiliates.

Forward-Looking Statements

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

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

the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or MCC Advisors;

our contractual arrangements and relationships with third parties;

any future financings by us;

the ability of MCC Advisors to attract and retain highly talented professionals;

fluctuations in foreign currency exchange rates;

the impact of changes to tax legislation and, generally, our tax position; and

the unfavorable resolution of legal proceedings.

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

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

Overview

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

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

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

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

Revenues

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

Expenses

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

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

expenses incurred by MCC Advisors payable to third parties, including agents, consultants or other advisers, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;

- interest payable on debt, if any, incurred to finance our investments;
- the costs of all offerings of common stock and other securities, if any;

- the base management fee and any incentive fee;

- distributions on our shares;

- administration fees payable under our administration agreement;

- the allocated costs incurred by MCC Advisors in providing managerial assistance to those portfolio companies that request it;

- amounts payable to third parties relating to, or associated with, making investments;

- transfer agent and custodial fees;

- registration fees and listing fees;

- U.S. federal, state and local taxes;

- independent director fees and expenses;

- costs of preparing and filing reports or other documents with the SEC or other regulators;

- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;

- our fidelity bond;

- directors and officers/errors and omissions liability insurance, and any other insurance premiums;

- indemnification payments;

- direct costs and expenses of administration, including audit and legal costs; and

all other expenses reasonably incurred by us or MCC Advisors in connection with administering our business, such as the allocable portion of overhead under our administration agreement, including rent and other allocable portions of the cost of certain of our officers and their respective staffs (including travel expenses).

Portfolio and Investment Activity

As of March 31, 2015, our portfolio consisted of investments in 72 portfolio companies with a fair value of approximately \$1,211.7 million. During the three months ended March 31, 2015, we invested \$15.0 million in 1 new portfolio company and \$39.3 million in 10 existing portfolio companies, and we had \$63.4 million in aggregate amount of exits and repayments, resulting in net exits and repayments of \$9.1 million for the period.

As of March 31, 2014, our portfolio consisted of investments in 69 portfolio companies with a fair value of approximately \$959.0 million. During three months ended March 31, 2014, we invested \$139.8 million in 8 new portfolio companies and \$30.9 million in 6 existing portfolio companies, and we had \$29.8 million in aggregate amount of exits and repayments, resulting in net investments of \$140.9 million for the period.

During the six months ended March 31, 2015, we invested \$89.8 million in 5 new portfolio companies and \$58.4 million in 14 existing portfolio companies, and we had \$143.6 million in aggregate amounts of exits and repayments, resulting in net investments of \$4.6 million for the period. During the six months ended March 31, 2014, we invested \$287.4 million in 20 new portfolio companies and \$43.9 million in 8 existing portfolio companies, and we had \$121.8 million in aggregate amounts of exits and repayments, resulting in net investments of \$209.5 million for the period.

As of March 31, 2015, our average portfolio company investment and our largest portfolio company investment at amortized cost and fair value was approximately \$17.7 million and \$16.8 million, and \$38.4 million and \$38.7

million, respectively.

As of March 31, 2014, our average portfolio company investment and our largest portfolio company investment at amortized cost and fair value was approximately \$14.1 million and \$13.9 million, and \$26.0 million and \$25.5 million, respectively.

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

	Amortized Cost	Percentage		Fair Value	Percentage	
Senior Secured First Lien Term Loans	\$ 782,754	61.3	%	\$719,726	59.4	%
Senior Secured Second Lien Term Loans	371,159	29.1		368,463	30.4	
Senior Secured First Lien Notes	37,668	3.0		35,463	2.9	
Unsecured Debt	38,190	3.0		38,195	3.2	
Equity/Warrants	46,202	3.6		49,836	4.1	
Total	\$ 1,275,973	100.0	%	\$ 1,211,683	100.0	%

The following table summarizes the amortized cost and the fair value of investments as of September 30, 2014 (dollars in thousands):

	Amortized Cost	Percentage	Fair Value	Percentage
Senior Secured First Lien Term Loans	\$ 776,904	60.9	% \$747,740	60.0
Senior Secured Second Lien Term Loans	359,835	28.2	359,209	28.8
Senior Secured First Lien Notes	60,482	4.8	56,121	4.5
Unsecured Debt	38,185	3.0	38,186	3.1
Equity/Warrants	39,859	3.1	44,282	3.6
Total	\$ 1,275,265	100.0	% \$1,245,538	100.0

As of March 31, 2015, the weighted average loan to value ratio (“LTV”) of our portfolio investments based upon fair market value was approximately 61.9%. We believe that the LTV ratio for a portfolio investment is a useful indicator of the riskiness of the portfolio investment, 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 portfolio investments and believe that LTV is a useful indicator for management.

As of March 31, 2015, our income-bearing investment portfolio, which represented nearly 96.5% of our total portfolio, had a weighted average yield based upon cost of our portfolio investments of approximately 12.4%, and 78.6% of our income-bearing investment portfolio bore interest based on floating rates, such as LIBOR, and 21.4% bore interest at fixed rates.

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

Credit Rating	Definition
---------------	------------

- | | |
|---|---|
| 1 | Investments that are performing above expectations. |
| 2 | Investments that are performing within expectations, with risks that are neutral or favorable compared to risks at the time of origination.

All new loans are rated ‘2’. |
| 3 | Investments that are performing below expectations and that require closer monitoring, but where no loss of interest, dividend or principal is expected. |

Companies rated '3' may be out of compliance with financial covenants, however, loan payments are generally not past due.

4 Investments that are performing below expectations and for which risk has increased materially since origination.

Some loss of interest or dividend is expected but no loss of principal.

In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 180 days past due).

5 Investments that are performing substantially below expectations and whose risks have increased substantially since origination.

Most or all of the debt covenants are out of compliance and payments are substantially delinquent.

Some loss of principal is expected.

5

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

Investment Performance Rating	Fair Value	Percentage
1	\$109,484	9.0 %
2	1,039,027	85.8
3	40,973	3.4
4	6,279	0.5
5	15,920	1.3
Total	\$1,211,683	100.0 %

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2014 (dollars in thousands):

Investment Performance Rating	Fair Value	Percentage
1	\$64,873	5.2 %
2	1,121,981	90.1
3	18,347	1.5
4	-	-
5	40,337	3.2
Total	\$1,245,538	100.0 %

Results of Operations

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

	For the three months ended March 31	
	2015	2014
Total investment income	\$ 36,776	\$ 31,398
Total expenses, net	19,023	14,843
Net investment income	17,753	16,555
Net realized gains (losses)	(9,401)	28
Net unrealized gains (losses) on investments	4,136	(3,978)
Net unrealized gains (losses) on participations	-	154
Provision for deferred taxes on unrealized gains/(loss) on investments	(705)	(317)
Net increase in net assets resulting from operations	\$ 11,783	\$ 12,442

Edgar Filing: Medley Capital Corp - Form 10-Q

	For the six months ended March 31	
	2015	2014
Total investment income	\$ 76,625	\$ 63,066
Total expenses, net	38,482	29,480
Net investment income	38,143	33,586
Net realized gains (losses)	(9,617)	73
Net unrealized gains (losses) on investments	(34,564)	(6,761)
Net unrealized gains (losses) on participations	-	154
Provision for deferred taxes on unrealized gains/(loss) on investments	(495)	(317)
Net increase in net assets resulting from operations	\$ (6,533)	\$ 26,735

Investment Income

For the three and six months ended March 31, 2015, investment income totaled \$36.8 million and \$76.6 million, respectively, of which \$34.3 million and \$70.0 million was attributable to portfolio interest and \$2.5 million and \$6.6 million to fee income.

For the three and six months ended March 31, 2014, investment income totaled \$31.4 million and \$63.1 million, respectively, of which \$26.0 million and \$51.1 million was attributable to portfolio interest and \$5.4 million and \$12.0 million to fee income.

Operating Expenses

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

	For the three months ended March 31	
	2015	2014
Base management fees	\$ 5,546	\$ 4,078
Incentive fees	4,438	4,139
Interest and financing expenses	6,248	4,614
Administrator expenses	1,098	840
Professional fees	840	543
Directors fees	125	190
Insurance	143	137
General and administrative	585	302
Expenses	\$ 19,023	\$ 14,843

	For the six months ended March 31	
	2015	2014
Base management fees	\$ 11,330	\$ 7,743
Incentive fees	9,536	8,397
Interest and financing expenses	12,605	9,154
Administrator expenses	2,120	1,513
Professional fees	1,372	1,157
Directors fees	298	341
Insurance	286	276
General and administrative	935	899
Expenses	\$ 38,482	\$ 29,480

For the three months ended March 31, 2015, total operating expenses increased by \$4.2 million, or 28.2%, compared to the three months ended March 31, 2014. For the six months ended March 31, 2015, total operating expenses increased by \$9.0 million, or 30.5%, compared to the six months ended March 31, 2014.

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

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

Net Realized Gains/Losses from Investments

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

During the three and six months ended March 31, 2015, we recognized \$9.4 million and \$9.6 million of realized losses on our portfolio investments, respectively. During the three and six months ended March 31, 2014, we recognized \$28,052 and \$73,052 of realized gains on our portfolio investments, respectively.

Net Unrealized Appreciation/Depreciation on Investments

Net change in unrealized appreciation or depreciation on investments reflects the net change in the fair value of our investment portfolio. For the three and six months ended March 31, 2015, we had \$4.1 million of unrealized appreciation and \$34.6 million of unrealized depreciation, respectively, on portfolio investments. For the three and six months ended March 31, 2014, we had \$4.0 million and \$6.8 million of unrealized depreciation, respectively on portfolio investments. For the three and six months ended March 31, 2015, we held no participated investments. For the three and six months ended March 31, 2014, we had \$0.2 million and \$0.2 million of unrealized appreciation, respectively, on participated investments.

Provision for Deferred Taxes on Unrealized Appreciation on Investments

Certain consolidated subsidiaries of ours are subject to U.S. federal and state income taxes. These taxable subsidiaries are not consolidated with the Company for income tax purposes, but are consolidated for GAAP purposes, and may generate income tax liabilities or assets from temporary differences in the recognition of items for financial reporting and income tax purposes at the subsidiaries. For the three and six months ended March 31, 2015, the Company recognized a provision for deferred tax on unrealized gains of \$0.7 million and \$0.5 million for consolidated subsidiaries, respectively. For the three and six months ended March 31, 2014, the Company recognized a provision for deferred tax on unrealized gains of \$0.3 million and \$0.3 million for consolidated subsidiaries, respectively.

Changes in Net Assets from Operations

For the three months ended March 31, 2015, we recorded a net increase in net assets resulting from operations of \$11.8 million, as a result of the factors discussed above. For the three months ended March 31, 2014, we recorded a net increase in net assets resulting from operations of \$12.4 million. Based on 58,499,797 and 43,883,259 weighted average common shares outstanding for the three months ended March 31, 2015 and 2014, respectively, our per share net increase in net assets resulting from operations was \$0.20 for the three months ended March 31, 2015 compared to a per share net increase in net assets from operations of \$0.28 for the three months ended March 31, 2014.

For the six months ended March 31, 2015, we recorded a net decrease in net assets resulting from operations of \$6.5 million. For the six months ended March 31, 2014, we recorded a net increase in net assets resulting from operations of \$26.7 million. Based on 58,617,823 and 42,002,482 weighted average common shares outstanding for the six months ended March 31, 2015 and 2014, respectively, our per share net decrease in net assets resulting from operations was \$0.11 for the six months ended March 31, 2015 compared to a per share net increase in net assets from operations of \$0.64 for the six months ended March 31, 2014.

Financial Condition, Liquidity and Capital Resources

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

Our liquidity and capital resources have been generated primarily from the net proceeds of public offerings of common stock, advances from the Revolving Facility and the Term Loan Facility and net proceeds from the issuance of notes as well as cash flows from operations.

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

On March 21, 2012, we issued \$40.0 million in aggregate principal amount of the 2019 Notes. The 2019 Notes may be redeemed in whole or in part at any time or from time to time at our option on or after March 30, 2015. The 2019 Notes bear interest at a rate of 7.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2012. The 2019 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol "MCQ".

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

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

On March 18, 2013, the Company issued \$60.0 million in aggregate principal amount of the 2023 Notes. The 2023 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option on or after March 30, 2016. The 2023 Notes bear interest at a rate of 6.125% per year, payable quarterly on March 30, June 30, September 30 and December 31 of each year, beginning June 30, 2013. The 2023 Notes are listed on the New York Stock Exchange and trade thereon under the trading symbol "MCV".

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

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

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

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

On August 1, 2014, the Company entered into an "At-The-Market" ("ATM") equity distribution agreement with Goldman, Sachs & Co., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Keefe, Bruyette & Woods, Inc., BB&T Capital Markets, a division of BB&T Securities, LLC, Janney Montgomery Scott LLC, Ladenburg Thalmann & Co. Inc., MLV & Co. LLC, Maxim Group LLC, National Securities Corporation and Gilford Securities Incorporated, through which the Company could sell shares of its common stock having an aggregate

offering price of up to \$100.0 million. During the period from August 5, 2014 to September 30, 2014, the Company sold 671,278 shares of its common stock at an average price of \$12.87 per share, and raised \$8.7 million in net proceeds, under the ATM Program.

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

On June 2, 2014, we entered into Amendment No. 5 to our existing Senior Secured Revolving Credit Agreement (the "Revolver Amendment") and Amendment No. 5 our existing Senior Secured Term Loan Credit Agreement (the "Term Loan Amendment," together with the "Revolver Amendment," the "Amendments"), each with certain lenders party thereto and ING Capital LLC, as administrative agent. The Amendments amend certain provisions of our Senior Secured Revolving Credit Agreement (the "Revolving Credit Facility") and the Senior Secured Term Loan Credit Agreement (the "Term Loan Facility," together with the Revolving Credit Facility, each as amended, the "Facilities").

The Facilities were amended to, among other things, (i) in the case of the Revolving Credit Facility, to reduce the interest rate (A) for LIBOR loans, to LIBOR (with no minimum) plus 2.75% and (B) for base rate loans, to the base rate plus 1.75%, to extend the revolving period until June 2017 and to extend the final maturity date until June 2018, (ii) in the case of the Term Loan Facility, to reduce the interest rate (A) for LIBOR loans, to LIBOR (with no minimum) plus 3.25% and (B) for base rate loans, to the base rate plus 2.25%, and to extend the final maturity date until June 2019 and (iii) increase the maximum amount of the accordion feature which permits subsequent increases in commitments under the Revolving Facility and/or Term Loan Facility to \$600 million.

Concurrently with the effectiveness of the Amendments, the Company closed an additional \$101 million of commitments under its Revolving Credit Facility and an additional \$51.5 million of commitments under its Term Loan Facility

As of March 31, 2015, total commitments under the Facilities are \$517.5 million, comprised of \$346 million committed to the Revolving Credit Facility and \$171.5 million funded under the Term Loan Facility.

As of March 31, 2015, we had \$29.1 million in cash. In the future, we may generate cash from future offerings of securities, future borrowings and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Our primary use of funds is investments in our targeted asset classes, cash distributions to our stockholders, and other general corporate purposes.

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

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

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

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

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

As of March 31, 2015, SBIC LP had \$65.0 million in regulatory capital and had \$110.0 million SBA-guaranteed debentures outstanding.

Contractual Obligations and Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. As of March 31, 2015, we had commitments under loan and financing agreements to fund up to \$66.1 million to 13 portfolio companies. These commitments are primarily composed of senior secured term loans and a revolver. As of September 30, 2014, we had commitments under loan and financing agreements to fund up to \$70.2 million to 13 portfolio companies. These commitments are primarily composed of senior secured term loans and a revolver. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and certain operational metrics. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. A summary of the composition of the unfunded commitments at March 31, 2015 and September 30, 2014 is shown in the table below (dollars in thousands):

	As of March 31, 2015	September 30, 2014
Miratech Intermediate Holdings, Inc. (DDTL)	\$14,769	\$ 14,769
Red Skye Wireless LLC	12,000	15,000
Oxford Mining Company LLC (DDTL)	8,136	-
Sendero Drilling Company LLC	5,495	5,495
RCS Management Corporation & Specialized Medical Services, Inc	5,000	-
Freedom Powersports LLC - (DDTL)	4,800	4,800
DreamFinders Homes - TLB	3,247	7,073
DHISCO Electronic Distribution, Inc. - Revolver	3,048	-
AutosplICE, Inc	3,026	3,026
Merchant Cash and Capital LLC (First Lien)	2,683	5,297
Tenere Acquisition Corp.	2,000	2,000
Be Green Packaging, LLC - Delayed Draw TL	958	2,375
Meridian Behavioral Health, LLC (Term Loan B)	500	2,500
Be Green Packaging, LLC - Revolver	479	479
Nation Safe Drivers Holdings, Inc.	-	4,721
AM3 Pinnacle Corporation	-	165
DLR Restaurants LLC	-	2,500
Total	\$66,141	\$ 70,200

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

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

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

Payment Due by Period

Edgar Filing: Medley Capital Corp - Form 10-Q

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Revolving Facility	\$194,000	\$ -	\$ -	\$194,000	\$ -
Term Loan Facility	171,500	-	-	171,500	-
7.125% Notes	40,000	-	-	40,000	-
6.125% Notes	63,500	-	-	-	63,500
SBA Debenture	110,000	-	-	-	110,000
Total contractual obligations	\$579,000	\$ -	\$ -	\$405,500	\$173,500

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

On March 27, 2015, the Company and Great American Life Insurance Company (“Great American Life”) entered into a limited liability company operating agreement to co-manage MCC Senior Loan Strategy JV I LLC (the “Joint Venture”). The Company and Great American Life have committed to provide \$100 million of equity to the Joint Venture, with the Company providing \$87.5 million and Great American Life providing \$12.5 million. In addition, the Joint Venture intends to seek a credit facility from a third party financing provider. The Joint Venture is expected to invest primarily in first lien middle market and other corporate debt securities. All portfolio and other material decisions regarding the Joint Venture must be submitted to the Joint Venture’s board of managers, which is comprised of four members, two of whom are selected by the Company and the other two are selected by Great American Life. As a result, consistent with precedent transactions that have been reviewed and approved by the SEC, the Company has concluded that it does not control the Joint Venture. As of March 31, 2015, the Joint venture had not commenced operations.

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

Distributions

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

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

Edgar Filing: Medley Capital Corp - Form 10-Q

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

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

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

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

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

The following table summarizes the dividends declared through March 31, 2015:

Date Declared	Record Date	Payment Date	Amount Per Share
5/11/2011	6/1/2011	6/15/2011	\$ 0.16
8/4/2011	9/1/2011	9/15/2011	0.21
11/29/2011	12/15/2011	12/30/2011	0.25
2/2/2012	2/24/2012	3/15/2012	0.28
5/2/2012	5/25/2012	6/15/2012	0.31
8/1/2012	8/24/2012	9/14/2012	0.36
11/1/2012	11/23/2012	12/14/2012	0.36
1/30/2013	2/27/2013	3/15/2013	0.36
5/1/2013	5/27/2013	6/14/2013	0.36
7/31/2013	8/23/2013	9/13/2013	0.37
10/30/2013	11/22/2013	12/13/2013	0.37
2/5/2014	2/26/2014	3/14/2014	0.37
5/1/2014	5/28/2014	6/13/2014	0.37
7/30/2014	8/27/2014	9/12/2014	0.37
10/30/2014	11/26/2014	12/12/2014	0.37
2/9/2015	2/25/2015	3/13/2015	0.30

Stock Repurchase Program

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

	For the three months ended March 31, 2015	For the six months ended March 31, 2015	
Dollar amount repurchased	\$ 7,930	\$ 7,930	
Shares Repurchased	825,677	825,677	
Average price per share	\$ 9.60	\$ 9.60	
Weighted average discount to Net Asset Value	18.3	% 18.3	%

On February 5, 2015, our board of directors approved a share repurchase program pursuant to which we can purchase up to an aggregate amount of \$30 million of our common stock between the period of the approval date and February 5, 2016. Any stock repurchases will be made through the open market at times, and in such amounts, as management deems appropriate. This program may be limited or terminated at any time without prior notice. The Company's net asset value per share was increased by approximately \$0.03 as a result of the share repurchases.

Related Party Transactions

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

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

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

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

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

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

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

Management Fee

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

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

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

The first, calculated and payable quarterly in arrears is based on our pre-incentive fee net investment income earned during the calendar quarter for which the Incentive Fee is being calculated. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter including the base management fee, expenses payable under the administration agreement (as defined below), and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee. Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets calculated as of the end of the calendar quarter immediately preceding the calendar quarter for which the incentive fee is being calculated, will be compared to a "hurdle rate" of 2.0% per quarter (8.0% annualized). We will pay the Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- (1) no incentive fee for any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- (2) 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5% (10.0% annualized) in any calendar quarter; and
- (3) 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% (10.0% annualized) in any calendar quarter.

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

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

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

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

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

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

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

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

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

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

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

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

Determination of fair values involves subjective judgments and estimates not verifiable by auditing procedures. Under current auditing standards, the notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our consolidated financial statements.

Revenue Recognition

Our revenue recognition policies are as follows:

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

Non-accrual We place loans on non-accrual status when principal and interest payments are past due by 90 days or more, or when there is reasonable doubt that we will collect principal or interest. Accrued interest is generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. At March 31, 2015, four portfolio companies were on non-accrual status with a combined fair value of approximately \$22.2 million, or 1.8% of the fair value of our portfolio. At September 30, 2014, we had four portfolio companies on non-accrual status with a fair value of approximately \$40.3 million, or 3.2% of the fair value of our portfolio.

Federal Income Taxes

The Company has elected and qualified to be treated for U.S. federal income tax purposes as a RIC under subchapter M of the Code, commencing with its first taxable year as a corporation, and it intends to operate in a manner so as to maintain its RIC tax treatment. As a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements. Once qualified as a RIC, the Company must timely distribute to its

stockholders at least 90% of the sum of investment company taxable income ("ICTI") including PIK, as defined by the Code, and net tax exempt interest income (which is the excess of our gross tax exempt interest income over certain disallowed deductions) for each taxable year in order to be eligible for tax treatment under subchapter M of the Code. The Company will be subject to a nondeductible U.S. federal excise tax of 4% on undistributed income if it does not distribute at least 98% of its net ordinary income for any calendar year and 98.2% of its capital gain net income for each one-year period ending on October 31 of such calendar year and any income realized, but not distributed, in preceding years and on which we did not pay federal income tax. Depending on the level of ICTI earned in a tax year, the Company may choose to carry forward ICTI in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions for excise tax purposes, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. Any such carryover ICTI must be distributed before the end of that next tax year through a dividend declared prior to filing the final tax return related to the year which generated such ICTI.

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

Recent Developments

On April 15, 2015, the Company funded \$10.0 million of regulatory capital to SBIC LP which will allow us to receive an additional capital commitment of \$20.0 million from the SBA once approved.

On May 6, 2015, the Company's board of directors declared a quarterly dividend of \$0.30 per share payable on June 12, 2015, to stockholders of record at the close of business on May 20, 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. Changes in interest rates may affect both our cost of funding and our interest income from portfolio investments and cash and cash equivalents. Our investment income will be affected by changes in various interest rates, including LIBOR, to the extent our debt investments include floating interest rates. In the future, we expect other loans in our portfolio will have floating rates. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. For the three months ended March 31, 2015, we did not engage in hedging activities.

As of March 31, 2015, 78.6% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate floor as of March 31, 2015 was as follows (dollars in thousands):

	March 31, 2015	
	Fair Value	% of Floating Rate Portfolio
Under 1%	\$146,691	15.9
1% to under 2%	680,252	74.0
2% to under 3%	77,847	8.5
3%	14,948	1.6
Total	\$919,738	100.0

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

Edgar Filing: Medley Capital Corp - Form 10-Q

Basis point increase (1)	Interest Income	Interest Expense	Net Increase (Decrease)
100	\$ 2,600	\$ 4,800	\$ (2,200)
200	10,100	9,500	600
300	19,000	14,300	4,700
400	27,800	19,000	8,800
500	36,600	23,800	12,800

As of September 30, 2014, 74.0% of our income-bearing investment portfolio bore interest based on floating rates. The composition of our floating rate debt investments by cash interest rate floor as of September 30, 2014 was as follows (dollars in thousands):

	September 30, 2014		
	Fair Value	% of Floating Rate Portfolio	
Under 1%	\$ 133,281	15.2	%
1% to under 2%	656,014	74.8	
2% to under 3%	75,917	8.6	
3%	12,317	1.4	
Total	\$ 877,529	100.0	%

Based on our Consolidated Statement of Assets and Liabilities as of September 30, 2014, the following table (dollars in thousands) shows the approximate increase (decrease) in components of net assets resulting from operations of hypothetical base rate changes in interest rates, assuming no changes in our investment and capital structure.

Basis point increase (1)	Interest Income	Interest Expense	Net Increase (Decrease)
100	\$ 2,300	\$ 4,200	\$ (1,900)
200	10,000	8,400	1,600
300	18,500	12,500	6,000
400	26,900	16,700	10,200
500	35,200	20,900	14,300

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

Item 4: Controls and Procedures.

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

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

Part II – Other Information

Item 1. Legal Proceedings

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

On July 25, 2014, Fourth Third LLC instituted a foreclosure proceeding against Security National Guaranty, Inc. (the “borrower”), Tanam Corp. and Abbat Corp. (collectively, the “junior lienholders”), following the borrower’s failure to repay approximately \$43M due and payable on a loan made in 2008. Medley Opportunity Fund I held the beneficial interest in the Fourth Third LLC loan. The borrower filed a counterclaim against Fourth Third LLC on September 2, 2014. The borrower also named Medley Capital Corporation (“MCC”) as a defendant, alleging that MCC acted as Fourth Third LLC’s agent. The counterclaim alleged \$300M in damages arising from Fourth Third LLC’s alleged breach of an oral agreement to accept \$15M in full satisfaction of the \$43M loan. Fourth Third has transferred its interest in the loan to CK Holdings LLC and CK Holdings has entered into an agreement with the borrower pursuant to which it has agreed to accept a discounted payoff and the borrower has released its claims against Fourth Third. The claims against Medley Capital remain pending. Medley Capital disputes the borrower’s allegations and is vigorously defending the counterclaim.

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2014, filed with the SEC on December 8, 2014, which could materially affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes during the three months ended March 31, 2015 to the risk factors discussed in “Item 1A. Risk Factors” of our annual report on Form 10-K. Additional risks or uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

We face cyber-security risks

Our business operations rely upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber-attacks. Network, system, application and data breaches could result in operational

disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to maintain the availability of our electronic data systems and safeguard the security of our data, our ability to conduct business may be compromised, which impair our liquidity, disrupt our business, damage our reputation and cause losses

Cybersecurity refers to the combination of technologies, processes, and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. We are subject to cybersecurity risks. Information cyber security risks have significantly increased in recent years and, while we have not experienced any material losses relating to cyber attacks or other information security breaches, we could suffer such losses in the future. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties, which could result in significant losses or reputational damage. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect our business, financial condition or results of operations. Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. We currently do not maintain insurance coverage relating to cybersecurity risks, and we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are not fully insured.

Third parties with which we do business may also be sources of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as customer, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above.

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

None.

Item 3: Defaults Upon Senior Securities.

None.

Item 4: Other Information.

None.

19

PART IV

Item 5. Exhibits.

- 3.1 Certificate of Incorporation (Incorporated by reference to Exhibit 99.A.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 3.2 Form of Bylaws (Incorporated by reference to Exhibit 99.B.3 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 4.1 Form of Stock Certificate (Incorporated by reference to Exhibit 99.D to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 4.2 Indenture, dated February 7, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-179237), filed on February 13, 2012).
- 4.3 First Supplemental Indenture, dated March 21, 2012, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-179237), filed on March 21, 2012).
- 4.4 Second Supplemental Indenture, dated March 13, 2013, between Medley Capital Corporation and U.S. Bank National Association, as Trustee (Incorporated by reference to Exhibit 99.D.4 to the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2 (File No. 333-179237), filed on March 15, 2013).
- 10.1 Form of Amended and Restated Investment Management Agreement between Registrant and MCC Advisors LLC. (Incorporated by reference to Exhibit 99.G to Registrant's Post-Effective Amendment No. 3 to the Registration Statement on N-2, filed on December 10, 2013).
- 10.2 Form of Custody Agreement (Incorporated by reference to Exhibit 99.J to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 10.3 Form of Administration Agreement (Incorporated by reference to Exhibit 99.K.2 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-166491), filed on June 9, 2010).
- 10.4 Form of Sub-Administration Agreement (Incorporated by reference to Exhibit 99.K.4 to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 10.5 Form of Trademark License Agreement (Incorporated by reference to Exhibit 99.K.3 to the Registrant's Pre-effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-166491), filed on June 9, 2010).

- 10.6 Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99.E to the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-166491), filed on November 22, 2010).
- 10.7 Senior Secured Revolving Credit Agreement among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
- 10.8 Guarantee, Pledge and Security Agreement among the Company, the Subsidiary Guarantors party thereto, ING Capital LLC, as Administrative Agent, each Financial Agent and Designated Indebtedness Holder party thereto and ING Capital LLC, as Collateral Agent, dated August 4, 2011 (Incorporated by reference to the Current Report on Form 8-K filed on August 9, 2011).
- 10.9 Amendment No. 1, dated as of August 31, 2012, to the Senior Secured Revolving Credit Agreement dated August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
- 10.10 Amendment No. 2, dated as of December 7, 2012, to the Senior Secured Revolving Credit Agreement dated August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by that certain Amendment No. 1 to Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).

- 10.11 Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012 and December 7, 2012, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).
- 10.12 Senior Secured Term Loan Credit Agreement, dated as of August 31, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 6, 2012).
- 10.13 Amendment No. 1, made as of December 7, 2012, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent (Incorporated by reference to the Current Report on Form 8-K filed on December 13, 2012).
- 10.14 Amendment No. 2, made as of January 23, 2013, to the Senior Secured Term Loan Credit Agreement dated as of August 31, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment No. 1 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 (Incorporated by reference to the Current Report on Form 8-K filed on January 29, 2013).
- 10.15 Amendment No. 3, dated as of March 28, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1 and 2 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012 and January 23, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on April 2, 2013).
- 10.16 Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).
- 10.17 Amendment No. 4, dated as of May 1, 2013, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2 and 3 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, and March 28, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on May 7, 2013).
- 10.18 Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7,

Edgar Filing: Medley Capital Corp - Form 10-Q

2012, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).

10.19

Amendment No. 5, dated as of June 2, 2014, to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3 and 4 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013 and May 1, 2013, respectively (Incorporated by reference to the Current Report on Form 8-K filed on June 3, 2014).

10.20

Amendment No. 6, dated as of February 2, 2015, to the Senior Secured Revolving Credit Agreement, dated as of August 4, 2011, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Revolving Credit Agreement, dated as of August 31, 2012, December 7, 2012, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015).

21

10.21 Amendment No. 6 to the Senior Secured Term Loan Credit Agreement, dated as of August 31, 2012, among Medley Capital Corporation as borrower, the Lenders party thereto, and ING Capital LLC, as Administrative Agent, as amended by Amendment Nos. 1, 2, 3, 4 and 5 to the Senior Secured Term Loan Credit Agreement, dated as of December 7, 2012, January 23, 2013, March 28, 2013, May 1, 2013 and June 2, 2014, respectively (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on February 9, 2015).

10.22 Incremental Assumption Agreement, dated as of February 10, 2012, made by Credit Suisse AG, Cayman Islands Branch, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on February 10, 2012).

10.23 Incremental Assumption Agreement dated as of March 30, 2012, made by Onewest Bank, FSB, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on April 4, 2012).

10.24 Incremental Assumption Agreement dated as of May 3, 2012, made by Doral Bank, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on May 3, 2012).

10.25 Incremental Assumption Agreement dated as of September 25, 2012, made by Stamford First Bank, a division of the Bank of New Canaan, as Assuming Lender, relating to the Senior Secured Revolving Credit Agreement dated as of August 4, 2011, and Amended by Amendment No. 1 dated August 31, 2012, among Medley Capital Corporation, as Borrower, the Several Lenders and Agents from Time to Time Parties Thereto, and ING Capital LLC, as Administrative Agent and Collateral Agent (Incorporated by reference to the Current Report on Form 8-K filed on September 28, 2012).

10.26 Limited Liability Company Operating Agreement of MCC Senior Loan Strategy JV I LLC, a Delaware Limited Liability Company, dated as of March 27, 2015 (Incorporated by reference to the Current Report on Form 8-K filed on March 30, 2015).

11 Computation of Per Share Earnings (included in Note 11 to the financial statements contained in this report).

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

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

32.1

Edgar Filing: Medley Capital Corp - Form 10-Q

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 11, 2015 Medley Capital Corporation

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

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

Financial Officer)