

Medley Capital Corporation (NYSE/TASE: MCC)

שינויים בשטר הנאמנות

אגרת החוב א' הנסחרת בבורסת ת"א

7 ביולי, 2019

(תרגום נוחות בלבד, לניסוח המקורי ראה מצגת בשפה האנגלית)

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Certain information discussed in this presentation (including information relating to portfolio companies) was derived from third party sources and has not been independently verified and, accordingly, MCC makes no representation or warranty in respect of this information.

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There is no assurance that the proposed amendment to the terms of MCC’s Series A Notes will be approved and implemented. There can be no assurance that the proposed amendment to the terms of MCC’s Series A Notes will reduce the credit or interest risk of MCC, and therefore the Company remains subject to such risks for so long as the Notes are outstanding. The information about the proposed amendment is a brief summary and is qualified in its entirety by reference to the proposed amendment agreement signed by MCC

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PARTICIPANTS IN THE SOLICITATION IN CONNECTION WITH THE PROPOSED MERGERS

The directors, director nominees, or executive officers of MCC and certain employees of Medley LLC may be deemed to be participants in the solicitation of proxies in connection with the proposed mergers. Information regarding the persons who may, under the applicable regulations of the SEC, be considered participants in the solicitation of MCC stockholders in connection with the proposed mergers is set forth in the Joint Proxy Statement/Prospectus filed with the SEC. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Joint Proxy Statement/Prospectus and in other relevant materials that may be to be filed with the SEC. These documents may be obtained free of charge from the sources indicated above.

NO OFFER OR SOLICITATION

The information in this presentation is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

MCC נמצאת בעיצומו של הליך המיזוג

שילוב החברות **Sierra, MCC and Medley** ייצר חברת BDC מנוהלת פנימית, מובילה בגודלה ונסחרת בבורסה*



*THERE CAN BE NO ASSURANCE THAT A MERGER WILL BE APPROVED, EXECUTED OR CONSUMMATED.

Source: The information or assumptions provided by Management.
1. Bloomberg, Capital IQ and IBES as of June 13, 2019.
2. Cash figure is adjusted for SBIC pay-down, post quarter end.

פוטנציאל לפורטפוליו בעל איכות אשראי משופרת

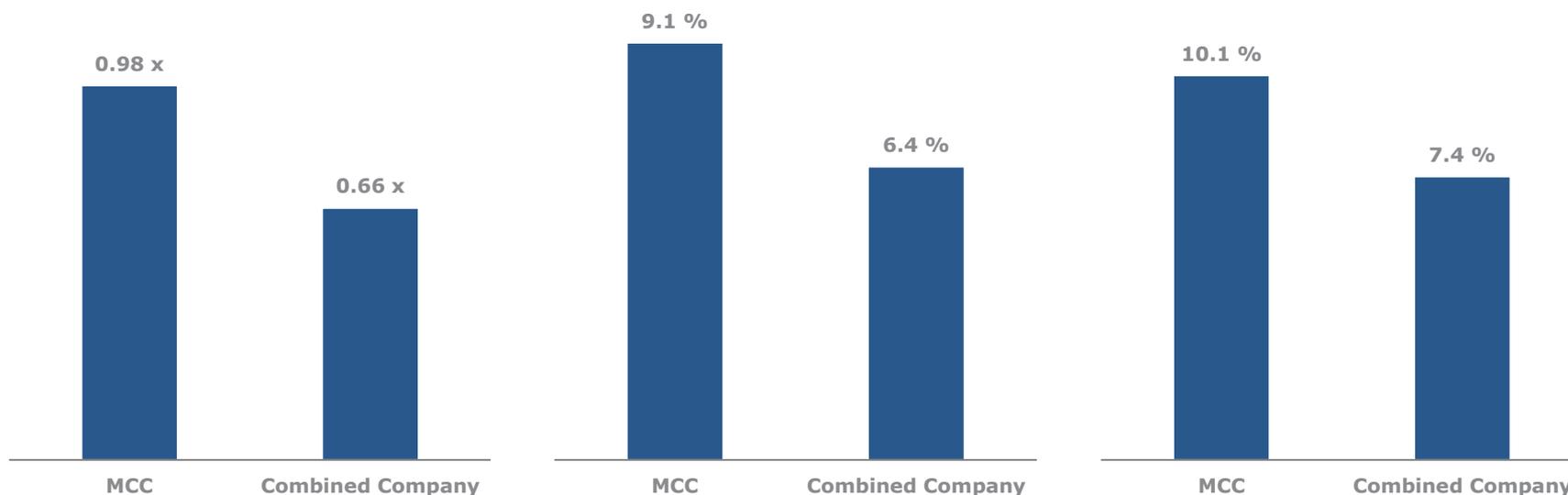
מדדי האשראי ומדדי הפורטפוליו של החברה המשולבת פרו פורמה, צפויים להיות טובים יותר מהמדדים של החברה סולו*

הלוואות שאינן צוברות

יחס מינוף רגולטורי¹

(Non-Accrual)²

הלוואות בדירוג 4 ו- 5²



**THERE CAN BE NO ASSURANCE THAT A MERGER WILL BE APPROVED, EXECUTED OR CONSUMMATED.*

Source: Joint Proxy Statement/Prospectus, The information or assumptions provided by Management.

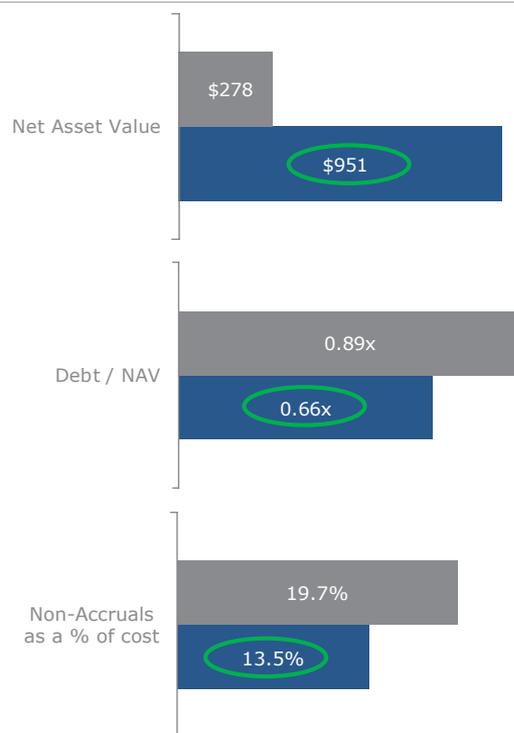
Note: Portfolio data as of March 31, 2019 based on fair market value. Numbers may not foot due to rounding. Past performance is not indicative of future results.

1. Regulatory Leverage as calculated according to the Investment Company Act. Reflects adjustment to account for TRS debt included in regulatory leverage calculation at Sierra and SBIC debt excluded from regulatory leverage calculation at MCC. Combined company based on combination of SIC and MDD with \$200MM investment value for MDLY investment.
2. Represents on-book portfolio investments in MCC and Sierra, including SBIC and Alpine.

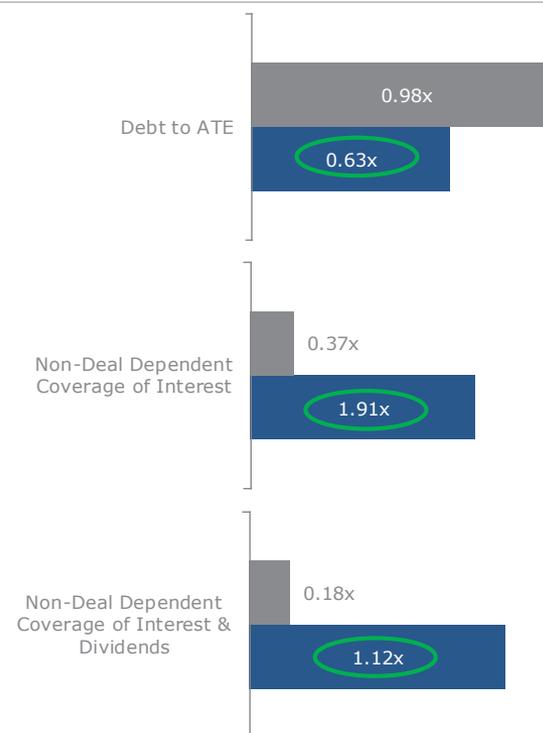
פוטנציאל לשיפור במדדי האשראי של חברות הדירוג

מדדי המינוף, הרווחיות ואיכות הנכסים של החברה המשולבת פרו פורמה, כפי שמחושב ע"י מתודולוגיית הדירוג של S&P צפויים להשתפר לעומת המדדים המקבילים של MCC לבדה.*

סיכום השוואת מדדי אשראי



שוואת מדדי S&P



***THERE CAN BE NO ASSURANCE THAT A MERGER WILL BE APPROVED, EXECUTED OR CONSUMMATED.**

Source: Joint Proxy Statement/Prospectus; As of March 31, 2019 and is Pro-Forma for SBA repayment; Utilizes estimated based on current S&P published rating methodology; The information or assumptions provided by Management.

1. Source of calculations: S&P Global Ratings: Nonbank Financial Institution Rating Methodology (Jan. 15, 2019).

There can be no assurance of any upgrade in credit rating. Improved credit metrics do not guarantee a credit rating improvement and pro forma calculations assume no other changes otherwise affecting the rating.

העקרונות בבסיס התיקונים לשטר הנאמנות

הורדת סיכוני ביצוע המיזוג

- החברה מקבלת הקלה בנוגע לעילות פירעון מואץ מסויימות
- ההקלה תקפה עד לפירעונה המלא של אגרת החוב



קיצור המח"מ לכשנה אחת

- האג"ח יואץ ויפרע בתשלומים רבעוניים שווים עד לפירעון מלא בינואר 2021 (חלף פברואר 2024)
- תקבולי קרן שיתקבלו בנכסי בטוחה מסויימים ישמשו לפירעון מוקדם שיביא להאצה נוספת של האג"ח
- פטור מעמלת פירעון מוקדם למשך 18 חודשים- משמש תמריץ להקדמה נוספת של פירעונות



- התאמה של שיעור הריבית השנתית לאור השינוי במח"מ ולאור תוספת הבטוחות
- שיעור הריבית השנתית שלאחרונה עלה מ-5.05% ל-6.8%, יירד ב-0.25% עם אישור התיקון
- הורדה נוספת של הריבית השנתית בשיעור של 0.5% עם השלמת המיזוג
- ריבית משולמת אחת לרבעון ולא אחת לחצי שנה

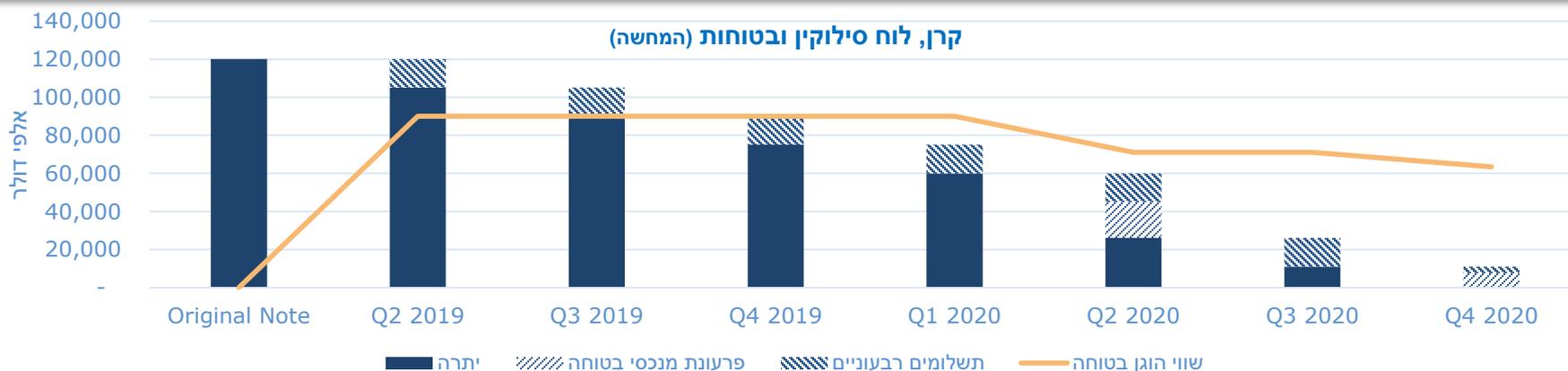
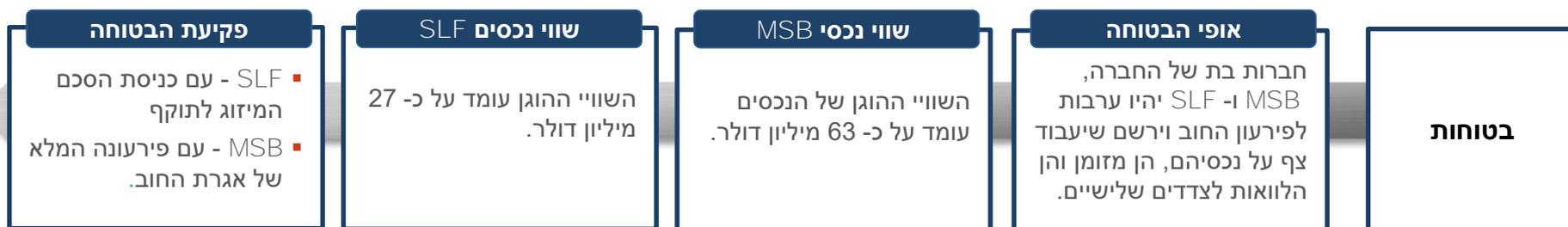
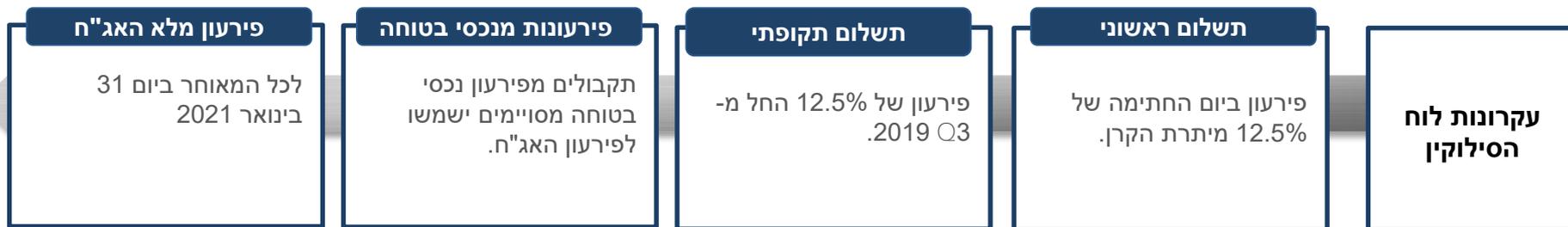
תשואה הולמת לסיכון המשקיעים



- מחזיקי איגרות החוב יקבלו בטוחה על נכסי חברות בת
- שווי הוגן של הבטוחות עומד על כ-90 מיליון דולר נכון לסוף הרבעון הראשון.

מתן בטוחות למחזיקי האג"ח

השינויים בשטר הנאמנות צפויים לשפר את פרופיל הסיכון של מחזיקי האג"ח



* בהנחה שהפירעונות החוזיים מנכסי הבטוחה משמשים לפירעון מוקדם

ההקלות בקובננטים מאפשרות להתקדם לעבר המיזוג

- מחזיקי האג"ח יוותרו על זכותם להאיץ את פירעון אגרת החוב מכח הטענות שהועלו במכתב מהנאמן
- שינויים באמות המידה הפיננסיות:

1-מה באפריל 2020	עד ה-1 באפריל 2020	עד ה-30 בנובמבר 2019	לפי השטר	אמת המידה הפיננסית/ עילה לפירעון מואץ	סעיף בשטר הנאמנות
215	215	215	275	<ul style="list-style-type: none"> ▪ סך הנכסים נטו של החברה לא יפחתו מ- 275 מיליון דולר במשך שני רבעונים רצופים 	6.1.1
il/BBB-	il/BB-	il/B	il/BBB-	<ul style="list-style-type: none"> ▪ אגרת החוב תועמד לפירעון מואץ אם דרוג האג"ח על ידי מעלות ירד מתחת ל: il/BBB- 	10.1.25



Medley Capital Corporation (NYSE/TASE: MCC)

Changes to the Deed of Trust
of TASE-listed Series A Notes

July 7, 2019

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MCC is in the midst of the merger process

The combination of Sierra, MCC and Medley will create a leading, publicly-traded internally managed BDC*



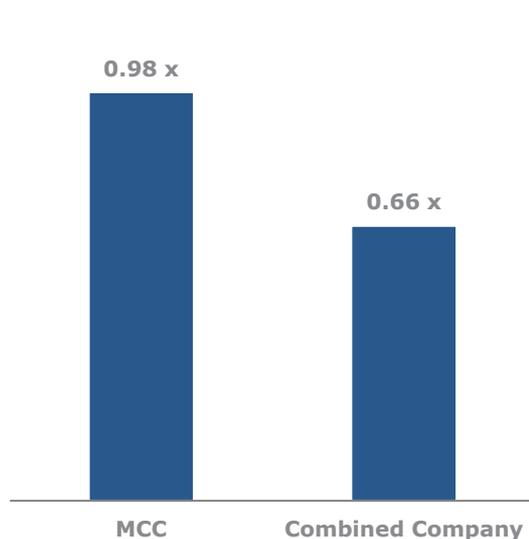
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 1. Bloomberg, Capital IQ and IBES as of June 13, 2019.
 2. Cash figure is adjusted for SBIC pay-down, post quarter end.

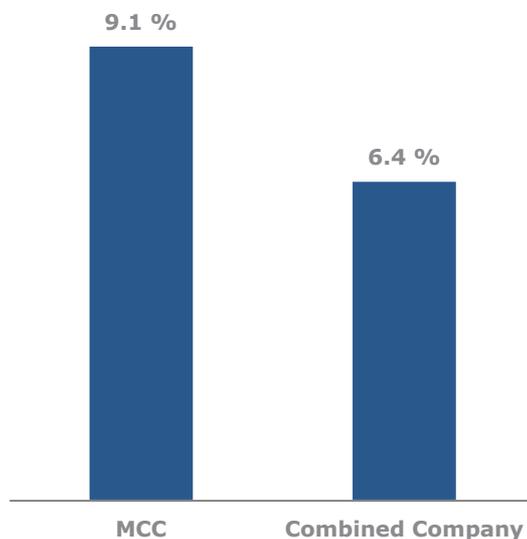
Potentially improved Portfolio Credit Quality

Key credit and portfolio metrics of a Pro Forma Combined Company are expected to be better compared to standalone MCC*

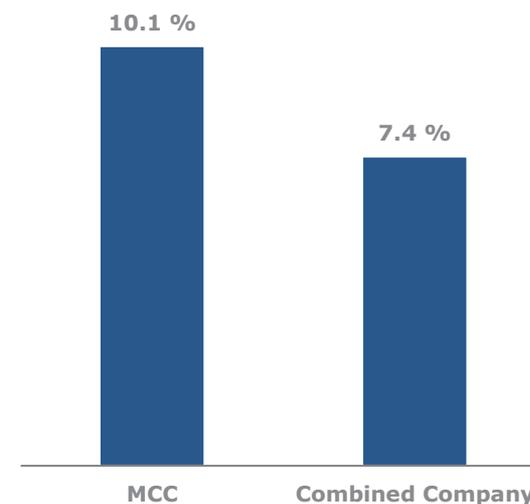
Regulatory Leverage¹



Non-Accrual²



4 & 5 Rated Credits²



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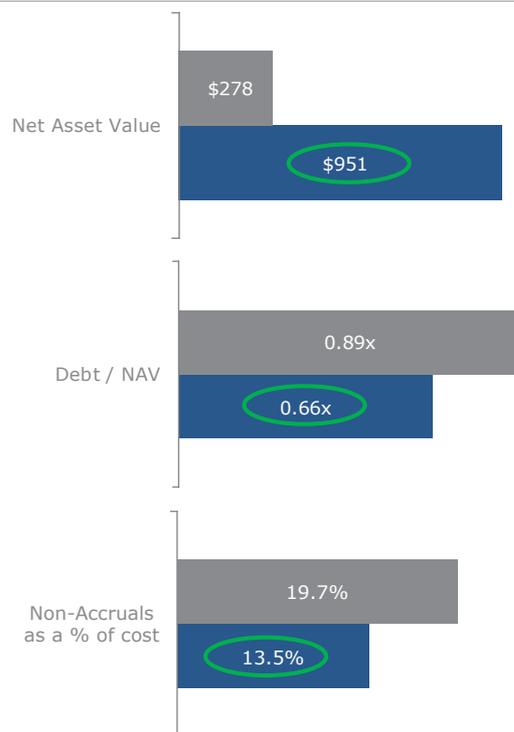
Note: Portfolio data as of March 31, 2019 based on fair market value. Numbers may not foot due to rounding. Past performance is not indicative of future results.

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2. Represents on-book portfolio investments in MCC and Sierra, including SBIC and Alpine.

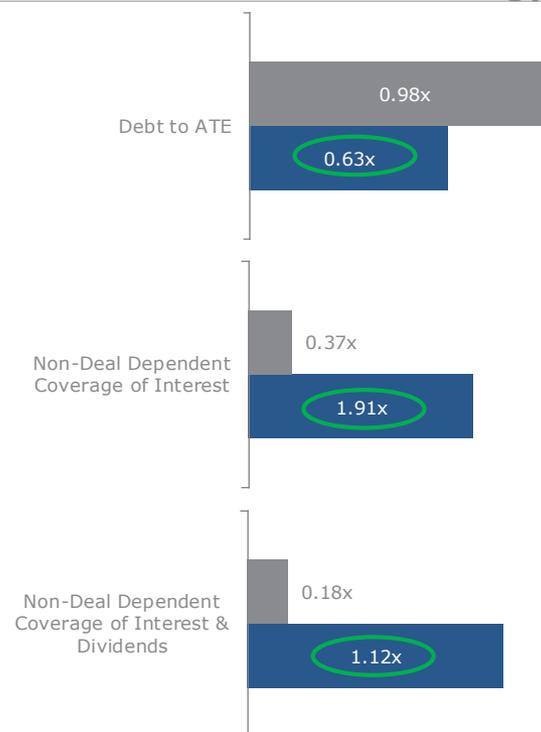
Potential Rating Agency Credit Metrics Improvement

The Combined Company's pro forma leverage, profitability and asset quality metrics, as calculated using S&P's rating methodology, are expected to improve compared to MCC standalone^{1*}

Credit Metric Comparison Summary



MCC vs. Pro Forma Combined Company Using S&P methodology



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1. Source of calculations: S&P Global Ratings: Nonbank Financial Institution Rating Methodology (Jan. 15, 2019).

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The Basic Principle of the Suggested Amendment

Reduces Execution Risk for Merger

- The company receives a waiver on specific acceleration events
- The waiver expands upon full repayment of the Notes



Shortening the Duration to One Year

- The Bond will be repaid by **Jan 2021** in equal quarterly instalments (instead of **Feb 2024**)
- Payments of principal on account of certain pledged assets will be used for early redemption of the Notes, which mean even shorter Amortization Schedule
- The company is incentivized to repay the loan in the next 18 months due to no make-whole payment in this period



- Adjusting the annual interest rate due to the changes of the duration and due to the collateral
- The interest rate which recently increased from 5.05% to 6.8%, will be reduced by 0.25% with the approval of the proposal
- The interest rate will be reduced by another 0.5% when the merger will be consummated
- Interest will be paid quarterly instead of semi-annually

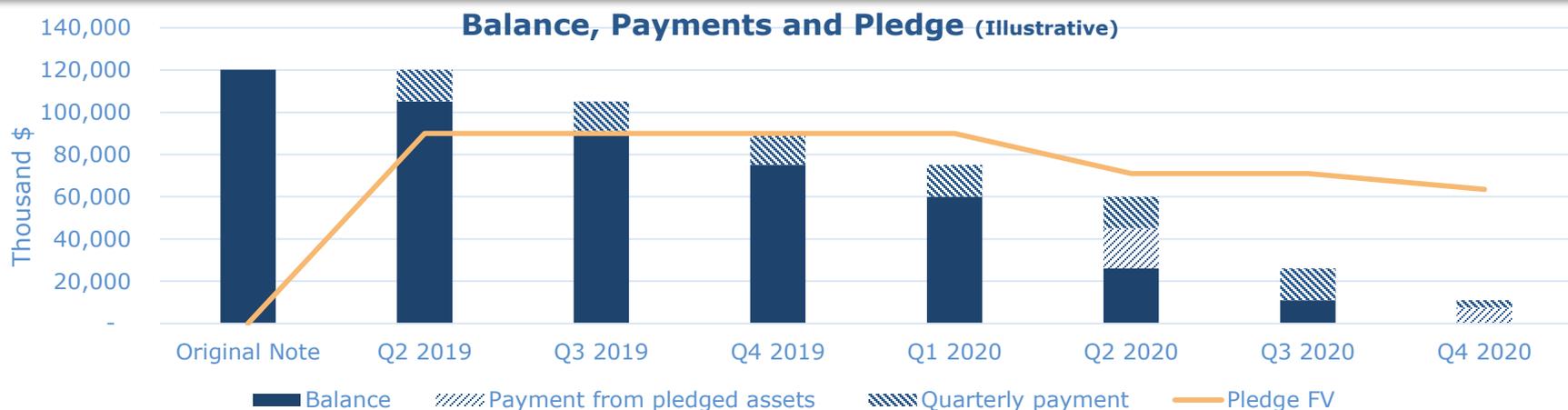
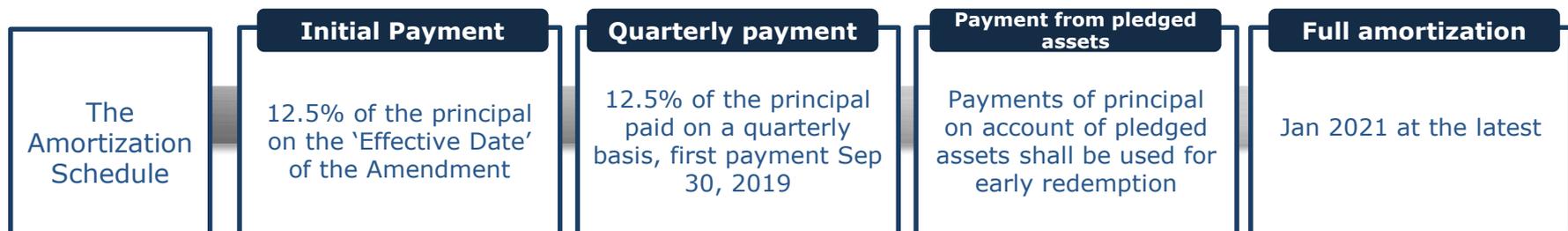
Appropriate Yield to the Bondholders

- The bondholder will receive pledge on subsidiaries assets
- As of Q3 2019, the FV of the relevant assets is more than \$ 90m



Pledge on Assets

The Suggested Amendments Expect to Improve the Risk Profile of the Bondholders



* Assuming projected pledged assets principal are used for early redemption

The Waivers will Support the Merger Process

- The Noteholders waive their right to accelerate on all claims and allegations as set forth in the Trustee's Letter
- Specific covenant of the Note will be change:

Section in the DoT	Financial Covenant/ Acceleration Event	DoT	prior to Nov 30, 2019	prior to April 1, 2020	April 1, 2020 or after
6.1.1	<ul style="list-style-type: none"> ▪ The Total Net Assets of the Company shall not be less than 275 million US Dollars For two consecutive quarters 	275	215	215	215
10.1.25	<ul style="list-style-type: none"> ▪ Acceleration event if the Notes' rating will drop below il/BBB- of Maalot 	il/BBB-	il/B	il/BB-	il/BBB-