

# Medley Capital Corporation (NYSE/TASE: MCC)

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שינויים בשטר הנאמנות

אגרת החוב א' הנסחרת בבורסת ת"א

7 ביולי, 2019

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

## Important Notice to Investors

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## 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

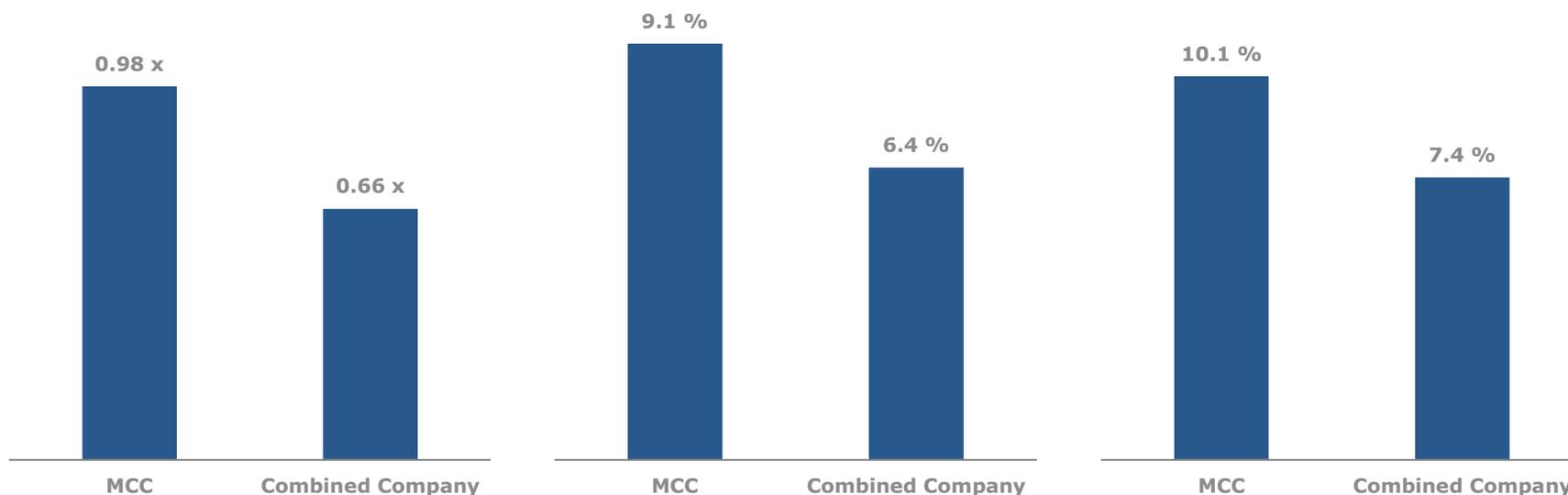
מדדי האשראי ומדדי הפורטפוליו של החברה המשולבת פרו פורמה, צפויים להיות טובים יותר מהמדדים של החברה סולו\*

### הלוואות שאינן צוברות

יחס מינוף רגולטורי<sup>1</sup>

(Non-Accrual)<sup>2</sup>

הלוואות בדירוג 4 ו- 5



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

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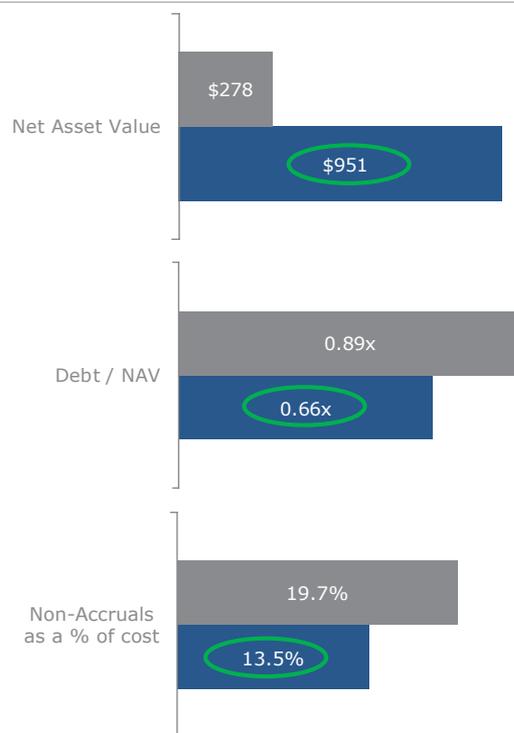
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2. Represents on-book portfolio investments in MCC and Sierra, including SBIC and Alpine.

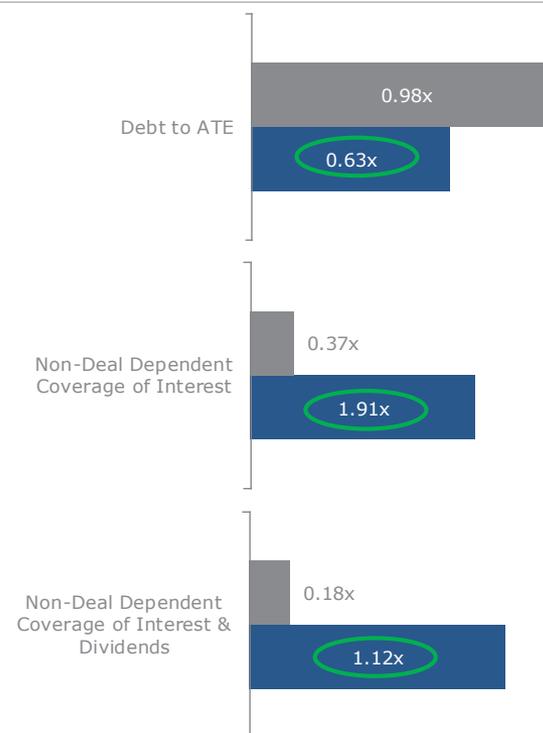
## פוטנציאל לשיפור במדדי האשראי של חברות הדירוג

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



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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

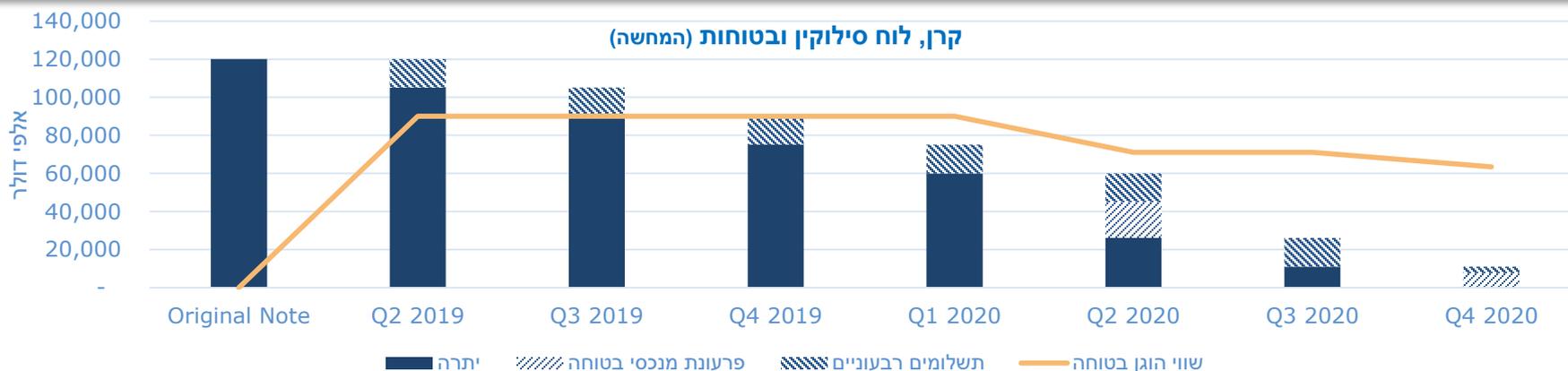
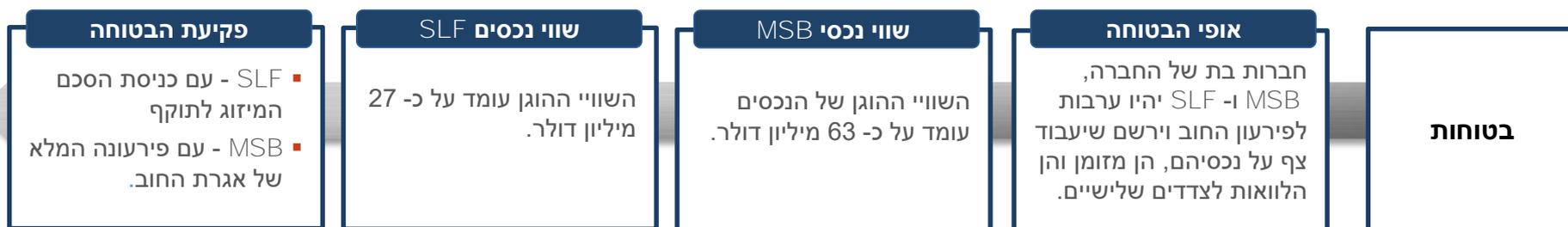
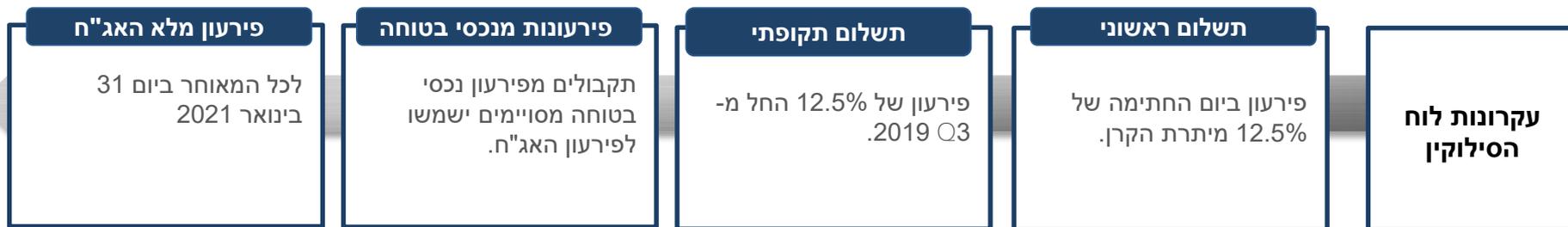
תשואה הולמת לסיכון המשקיעים



- 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"> <li>▪ סך הנכסים נטו של החברה לא יפחתו מ- 275 מיליון דולר במשך שני רבעונים רצופים</li> </ul>	6.1.1
il/BBB-	il/BB-	il/B	il/BBB-	<ul style="list-style-type: none"> <li>▪ אגרת החוב תועמד לפירעון מואץ אם דרוג האג"ח על ידי מעלות ירד מתחת ל: il/BBB-</li> </ul>	10.1.25



# Medley Capital Corporation (NYSE/TASE: MCC)

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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\***



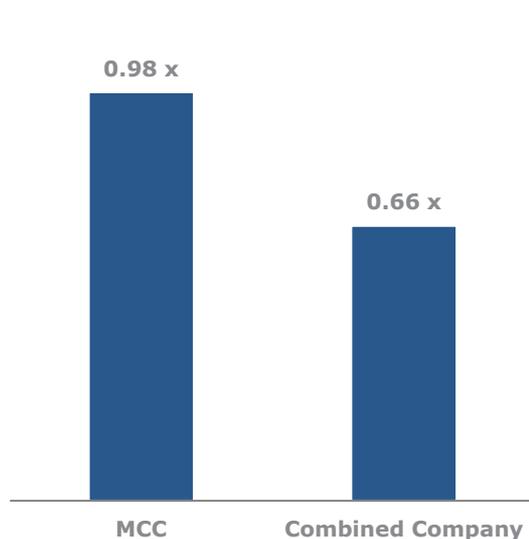
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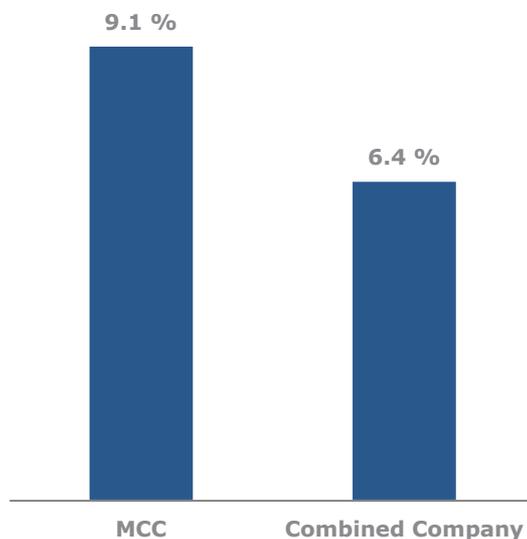
# Potentially improved Portfolio Credit Quality

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

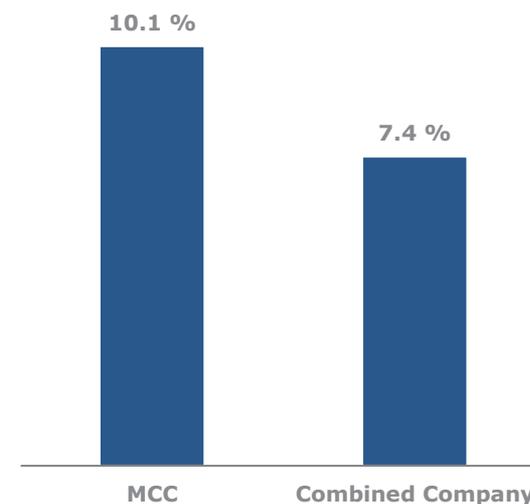
## Regulatory Leverage<sup>1</sup>



## Non-Accrual<sup>2</sup>



## 4 & 5 Rated Credits<sup>2</sup>



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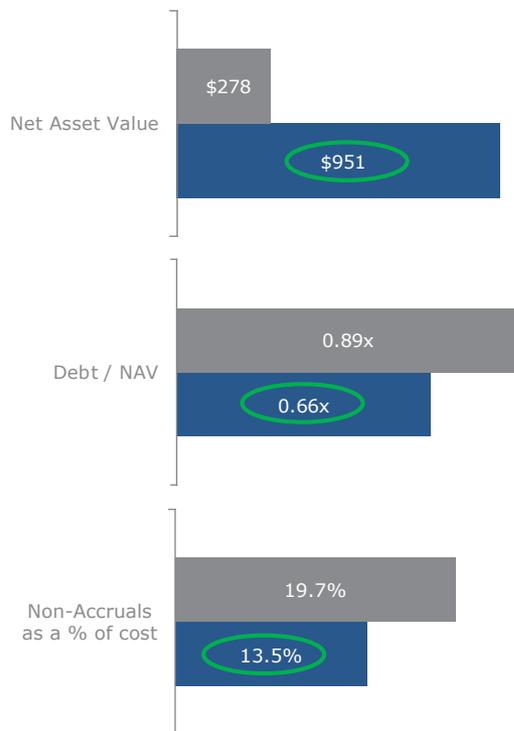
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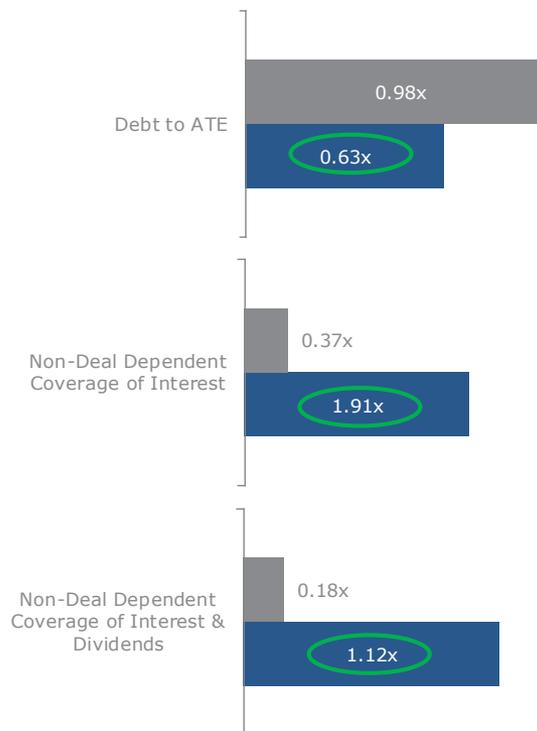
# Potential Rating Agency Credit Metrics Improvement

**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<sup>1\*</sup>**

## Credit Metric Comparison Summary



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



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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.

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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



Appropriate Yield to the Bondholders

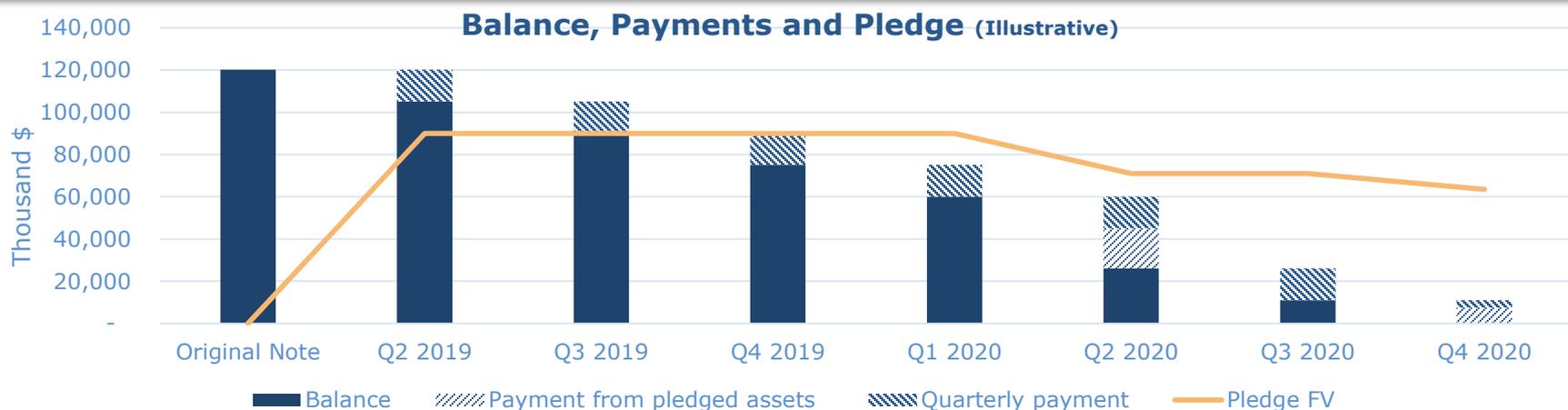
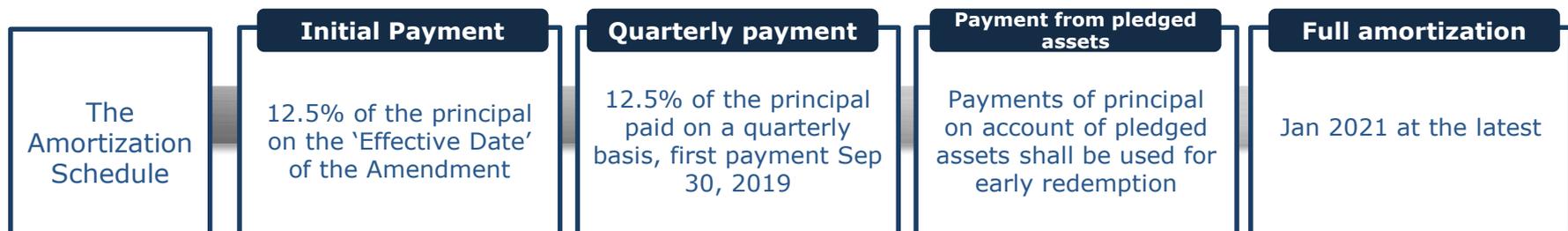
- Adjusting the annual interest rate due to the changes of the duration and due to the collateral
- The interest rate which recently increased from 5.05% to 6.8%, will be reduced by 0.25% with the approval of the proposal
- The interest rate will be reduced by another 0.5% when the merger will be consummated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

- 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"> <li>▪ The Total Net Assets of the Company shall not be less than 275 million US Dollars For two consecutive quarters</li> </ul>	275	215	215	215
10.1.25	<ul style="list-style-type: none"> <li>▪ Acceleration event if the Notes' rating will drop below il/BBB- of Maalot</li> </ul>	il/BBB-	il/B	il/BB-	il/BBB-