



## Stronger Together

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*Medley Capital Corporation, Sierra Income Corporation  
and Medley Management Inc. Merger Overview*

*January 2019*

# Important Notices

This presentation contains "forward-looking" statements, including statements regarding the proposed transactions. Such forward-looking statements reflect current views with respect to future events and financial performance, and each of Sierra Income Corporation ("Sierra"), Medley Capital Corporation ("MCC") and Medley Management Inc. ("MDLY") may make related oral forward-looking statements on or following the date hereof. Statements that include the words "should," "would," "expect," "intend," "plan," "believe," "project," "anticipate," "seek," "will," and similar statements of a future or forward-looking nature identify forward-looking statements in this material or similar oral statements for purposes of the U.S. federal securities laws or otherwise. Because forward-looking statements, such as the date that the parties expect the proposed transactions to be completed and the expectation that the proposed transactions will provide improved liquidity for Sierra, MCC, and MDLY stockholders and will be accretive to net investment income for both Sierra and MCC, include risks and uncertainties, actual results may differ materially from those expressed or implied and include, but are not limited to, those discussed in each of Sierra's, MCC's and MDLY's filings with the Securities and Exchange Commission (the "SEC"), and (i) the satisfaction or waiver of closing conditions relating to the proposed transactions described herein, including, but not limited to, the requisite approvals of the stockholders of each of Sierra, MCC, and MDLY, Sierra successfully taking all actions reasonably required with respect to certain outstanding indebtedness of MCC and MDLY to prevent any material adverse effect relating thereto, certain required approvals of the SEC and the Small Business Administration, the necessary consents of certain third-party advisory clients of MDLY, and any applicable waiting period (and any extension thereof) applicable to the transactions under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated, (ii) the parties' ability to successfully consummate the proposed transactions, and the timing thereof, and (iii) the possibility that competing offers or acquisition proposals related to the proposed transactions will be made and, if made, could be successful. Additional risks and uncertainties specific to Sierra, MCC and MDLY include, but are not limited to, (i) the costs and expenses that Sierra, MCC and MDLY have, and may incur, in connection with the proposed transactions (whether or not they are consummated), (ii) the impact that any litigation relating to the proposed transactions may have on any of Sierra, MCC and MDLY, (iii) that projections with respect to dividends may prove to be incorrect, (iv) Sierra's ability to invest our portfolio of cash in a timely manner following the closing of the proposed transactions, (v) the market performance of the combined portfolio, (vi) the ability of portfolio companies to pay interest and principal in the future; (vii) the ability of MDLY to grow its fee earning assets under management; (viii) whether Sierra, as the surviving company, will trade with more volume and perform better than MCC and MDLY prior to the proposed transactions; and (ix) negative effects of entering into the proposed transactions on the trading volume and market price of the MCC's or MDLY's common stock.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the Joint Proxy Statement/Prospectus (as defined below) relating to the proposed transactions, and in each of the public filings of MCC, Sierra, and MDLY, including the "Risk Factors" sections of each of Sierra's, MCC's and MDLY's most recent Annual Report on Form 10-K and most recent Quarterly Report on Form 10-Q. The forward-looking statements in this presentation represent Sierra's, MCC's and MDLY's views as of the date of hereof. Sierra, MCC and MDLY anticipate that subsequent events and developments will cause their views to change. However, while they may elect to update these forward-looking statements at some point in the future, none of Sierra, MCC or MDLY have the current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing Sierra's, MCC's or MDLY's views as of any date subsequent to the date of this material.

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# Important Notices

## Important Information and Where to Find It

In connection with the proposed transactions, Sierra has filed with the SEC a Registration Statement on Form N-14 that includes a joint proxy statement (collectively, the "Joint Proxy Statement/Prospectus") of Sierra, MCC, and MDLY. The Joint Proxy Statement/Prospectus, as applicable, was first mailed or otherwise delivered to stockholders of Sierra, MCC, and MDLY on or about December 21, 2018. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT SIERRA, MCC, AND MDLY, THE PROPOSED TRANSACTIONS AND RELATED MATTERS, INCLUDING THE INVESTMENT STRATEGIES, RISKS AND EXPENSES OF SIERRA AND MCC. Investors and security holders can obtain the Joint Proxy Statement/Prospectus and other documents filed with the SEC by Sierra, MCC, and MDLY, free of charge, from the SEC's web site at [www.sec.gov](http://www.sec.gov) and from Sierra's website ([www.sierraincomecorp.com](http://www.sierraincomecorp.com)), MCC's website ([www.medleycapitalcorp.com](http://www.medleycapitalcorp.com)), or MDLY's website ([www.mdly.com](http://www.mdly.com)). Investors and security holders may also obtain free copies of the Joint Proxy Statement/Prospectus and other documents filed with the SEC from Sierra, MCC, or MDLY by contacting Sam Anderson, Medley's Investor Relations contact, at 212-759-0777.

## Participants in the Solicitation

Sierra, MCC, and MDLY and their respective directors, executive officers, other members of their management, employees and other persons may be deemed to be participants in the solicitation of proxies in connection with the proposed transactions. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the Sierra, MCC, and MDLY stockholders in connection with the proposed transactions 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.

# Key Transaction Highlights

The combination of Sierra Income Corp. ("Sierra"), Medley Capital Corp. ("MCC") and Medley Management Inc. ("MDLY") will create a leading, publicly-traded internally managed BDC



- ~\$2 billion of assets on balance sheet and ~\$5 billion of AUM including third-party capital<sup>2</sup>



- Increased size and diversification with potential for broader access to financing markets and lower financing costs over time
- Lower non-accruals and safer, more diversified portfolio expected
- Simplified structure



**Potential to increase liquidity for shareholders of Sierra, MCC and MDLY**

- Single larger BDC with ~92% of shares in free float and expected \$1.1 billion of NAV
- Sierra Common Stock to be listed on the NYSE at the time of closing

**Expected to be accretive to Net Investment Income ("NII") per share for Sierra and MCC**

- Expected to be 15.7% accretive for Sierra shareholders and 29.8% accretive to MCC shareholders and 18.5% accretive to MDLY shareholders assuming flat MDLY earnings
- NII accretion expected to drive increased dividend and stronger dividend paying capacity than standalone MCC

**Potential upside to future valuation as a result of internalization – operational efficiency from simplified structure**

- Potential higher valuation multiples for internally versus externally-managed publicly traded BDCs based on observed price-to-NAV ratios over 1-, 3- and 5-year periods<sup>1</sup>
- Greater board independence (five out of the six directors on the board of the Combined Company will be independent)
- Increased operational efficiency
- Asset management subsidiary has the potential to drive growth in NII and NAV over time

Source: Management, Joint Proxy Statement/Prospectus, MDLY 10-Q

1. SNL Financial as of January 2, 2019.

2. Estimates of Sierra's post-merger financial position are based on the Joint Proxy Statement/Prospectus.

# Benefits of Transaction for MCC Shareholders vs. Status Quo

**MCC shareholders are better positioned within the Combined Company<sup>1</sup>**

## Expected Key Benefits of Completing Transaction

- ▲ Improved corporate governance through internalization of management
- ▲ 30% increase in distributions to MCC shareholders
- ▲ Potential significant accretion to NII
- ▲ Potential upside to future valuation as a result of internalization and investment strategy
- ▲ Larger, more diversified portfolio and balance sheet
- ▲ Simplified structure drives operating efficiency
- ▲ Potentially increased liquidity, size and scale

## Key Risks of Terminating Transaction

- ▼ Potential for reduced dividend
- ▼ Potential for continued greater valuation discount
- ▼ Increased standalone credit risk vs. Combined Company
- ▼ Standalone business is less efficient than Combined Company

Source: Management, Joint Proxy Statement/Prospectus.

1. Combined Company defined as the result of the Merger of MCC into Sierra and the acquisition of MDLY by Sierra; MDLY to operate as a subsidiary of Sierra.

# Review of Independent Decision Framework

**Independent Special Committees drove comprehensive and independent decision making processes at MCC, MDLY and Sierra**

- ✓ Three Special Committees were formed and consisted solely of independent directors
- ✓ Three independent financial advisors provided their respective Special Committee with independent advice and a fairness opinion
- ✓ Three independent law firms with deep institutional knowledge advised their respective independent Special Committee on the transaction
- ✓ MCC and Sierra independent directors conduct ongoing and thorough review of the investment manager
- ✓ MCC Special Committee conducted an independent and extensive consideration of the transaction, its anticipated benefits and the standalone alternative
- ✓ After significant negotiations, the three Special Committees unanimously recommended the transaction

# Independent Special Committees and Advisors

**Three Special Committees, comprised solely of independent directors, received independent fairness opinions and counsel from their respective financial and legal advisors**

	MCC	Sierra	MDLY
<b>Special Committees of Independent Directors</b>	<ul style="list-style-type: none"><li>• Arthur Ainsberg (Chair)</li><li>• Karin Hirtler-Garvey</li><li>• John Mack</li><li>• Mark Lerdal</li></ul>	<ul style="list-style-type: none"><li>• Oliver T. Kane (Chair)</li><li>• Stephen R. Byers</li><li>• Valerie Lancaster-Beal</li></ul>	<ul style="list-style-type: none"><li>• Jeffrey Leeds (Chair)</li><li>• Guy Rounsville</li><li>• James Eaton</li></ul>
<b>Legal Counsel to Special Committees</b>	<ul style="list-style-type: none"><li>• Kramer Levin Naftalis &amp; Frankel LLP</li></ul>	<ul style="list-style-type: none"><li>• Sullivan &amp; Worcester LLP</li></ul>	<ul style="list-style-type: none"><li>• Potter Anderson &amp; Corroon LLP</li></ul>
<b>Financial Advisors to Special Committees</b>	<ul style="list-style-type: none"><li>• Sandler O'Neill &amp; Partners L.P.</li></ul>	<ul style="list-style-type: none"><li>• Broadhaven Capital Partners, LLC</li></ul>	<ul style="list-style-type: none"><li>• Barclays Capital Inc.</li></ul>

Source: Management, Joint Proxy Statement/Prospectus

Note: A summary of the deal process and timeline can be found in the joint proxy statement/prospectus, pages 57–84.

# Key Corporate Governance Highlights

**The Combined Company will feature improved corporate governance and management aligned with shareholders**

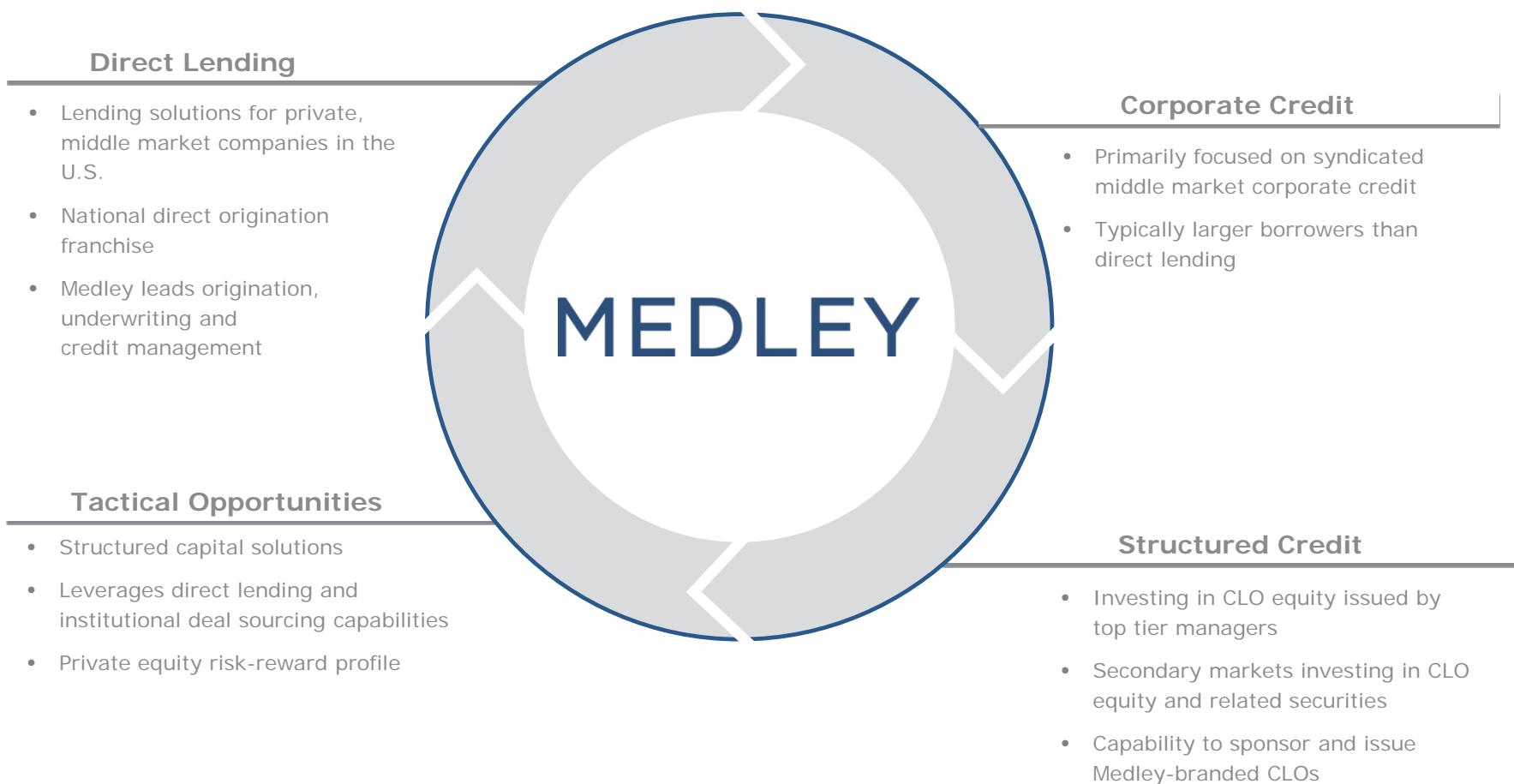
- ✓ Board composition consistent with industry best practices - greater independence (5 out of 6 directors will be independent)
- ✓ Single class of BDC common stock replaces MCC, Sierra and both classes of MDLY shares
- ✓ Streamlined corporate governance through internalization of management
- ✓ Medley LLC Unitholders will roll 100% of their after-tax equity value into the Combined Company, which will be subject to a 12-month lock-up period, and result in management ownership of 7.7% of the single class of Sierra common stock alongside public shareholders
- ✓ Medley LLC Unitholders to forgo all payments that would be due to them under the existing Tax Receivable Agreement with MDLY for the benefit of the Combined Company

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# **1. Medley Platform**

# Medley Platform Overview

**Diversified alternative asset manager with approximately \$4.8 billion of assets under management and synergies between business units (deal flow, ideas, relationships, experience)**



Source: Management, MDLY 10-Q  
Note: As of September 30, 2018.

# 2015 Investment Strategy Shift Overview

**Beginning in 2015, the Medley lending platform shifted its focus to first lien loans provided to larger, sponsor backed borrowers**

- **Results have been strong**
  - New origination post 2015 has experienced 0.02% of annualized realized losses<sup>1</sup>
  - Two non-accruals out of 113 loans originated since the beginning of 2015<sup>2</sup>
  - Only 2% of all realized and unrealized losses at MCC over the last 3 years are attributable to loans made since 2015<sup>3</sup>
  - Since 2015, Medley has raised over \$1.5 billion of capital across the platform from leading global institutional investors
- **Significant structural and personnel changes**
  - New Head of Investing
  - New Head of Risk
  - Separation of Origination and Underwriting
  - Re-composition of the Investment Committees
  - Added new senior credit and investing professionals in 2015 and 2016

Source: Management, MDLY 10-Q. Past performance is not indicative of future results.

1. Annualized loss utilizes the loss for each realized investment over total capital invested during the life of the investment. Represents a Combined Company metric.

2. Represents a Combined Company metric.

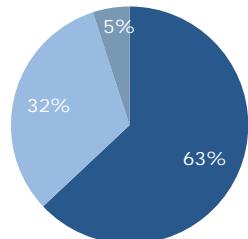
3. Reflects \$248.2 million of asset net losses from 2014 and earlier vintages and \$6.3 million of asset net losses from 2015 and later at MCC. For MCC's returns (and information on realized and unrealized losses) for loans made prior to 2015, see 10-K and other public filings during such prior periods.

# 2015 Investment Strategy Shift – Impact on Portfolio

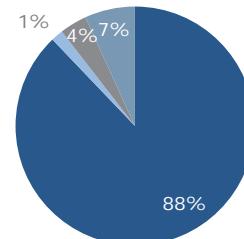
**Current combined portfolio composition at Medley demonstrates the shift to larger, sponsor-backed borrowers**

Investment Type<sup>1</sup>

CY 2014



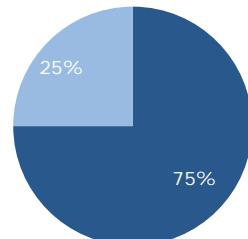
LTM 9/30/18



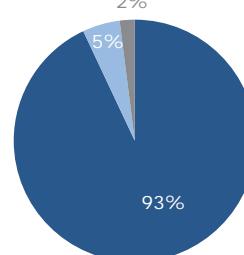
■ First Lien   ■ Second Lien   ■ Structured Products   ■ Equity/Warrants

Sponsored vs. Non-Sponsored<sup>1</sup>

CY 2014



LTM 9/30/18



■ Sponsored   ■ Non-Sponsored   ■ Structured Products

Source: Management

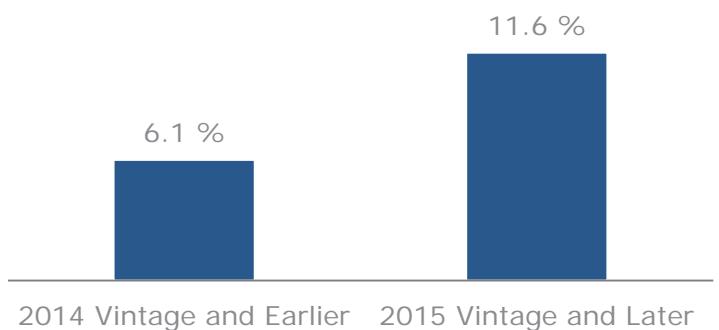
Note: Past performance is not indicative of future results. For information about past performance prior to 2015 and since inception, see the public filings for Sierra and MCC.

1. Percentages based on sum of original commitment amounts.

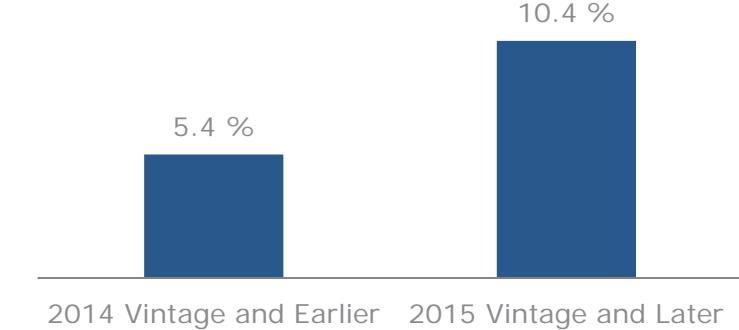
# 2015 Investment Strategy Shift – Portfolio Performance

**Performance on loans originated since the beginning of 2015 has been strong**

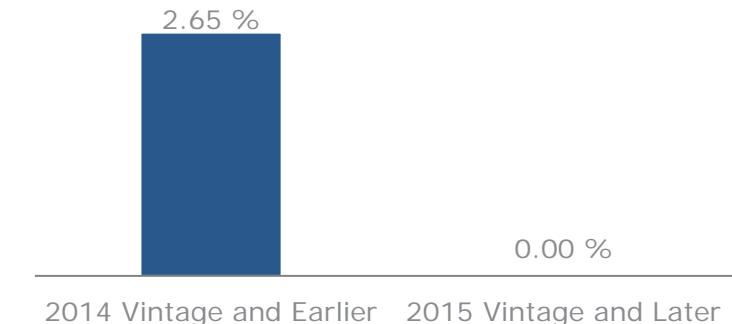
**MCC IRR<sup>1</sup>**



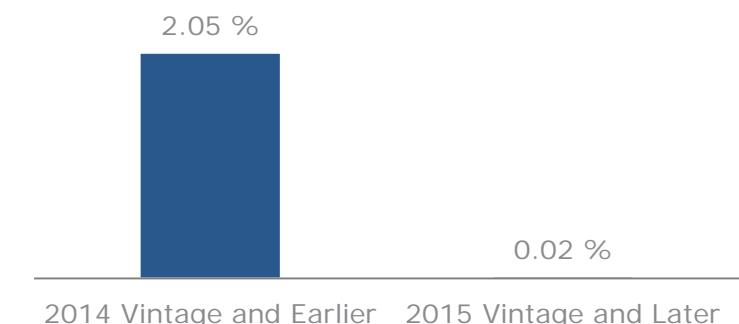
**Combined Company IRR<sup>1</sup>**



**MCC Annualized Loss Rate<sup>2</sup>**



**Combined Company Annualized Loss Rate<sup>2</sup>**



Source: Management

Note: Portfolio data as of September 30, 2018. Past performance is not indicative of future results. For information about past performance prior to 2015 and since inception, see the public filings for Sierra and MCC. The portfolio data for the Combined Company refers to the combined portfolio of MCC and Sierra as though they were combined during the referenced period.

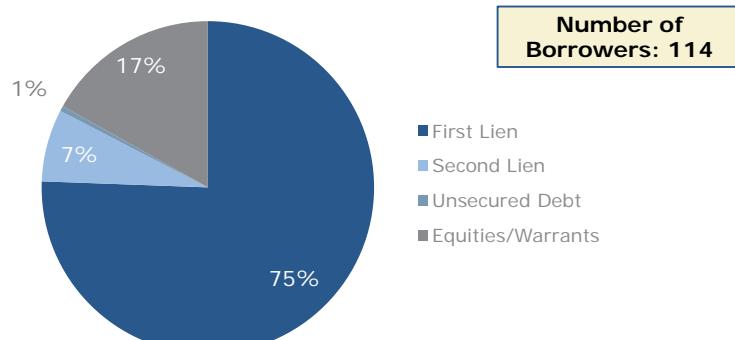
1. IRR includes both realized and unrealized investments and excludes the impact of base management fees, incentive fees and other fund related expenses. For realized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transaction fees, if applicable. For unrealized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transaction fees, if applicable. The investment return assumes that the remaining unrealized portion of the investment is realized at the investment's most recent fair value, as calculated in accordance with GAAP. There can be no assurance that the investments will be realized at these fair values and actual results may differ significantly.

2. Annualized loss utilizes the loss for each realized investment over total capital invested during the life of the investment.

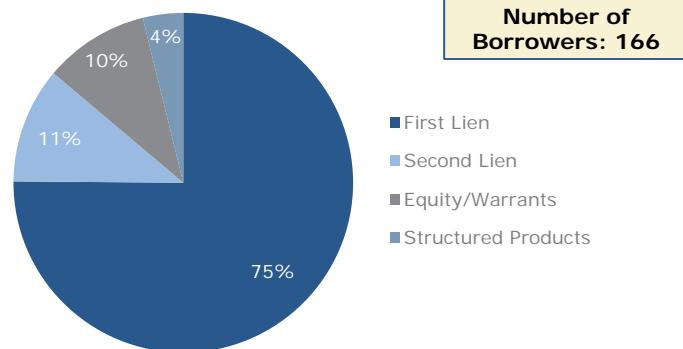
# Improved Senior Secured Asset Mix and Industry Diversification

**The Pro Forma Combined Company is more diversified with improved asset mix**

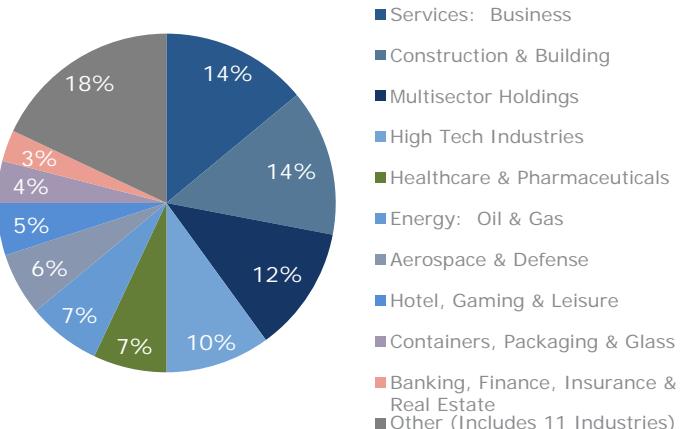
MCC Investment Type<sup>1</sup>



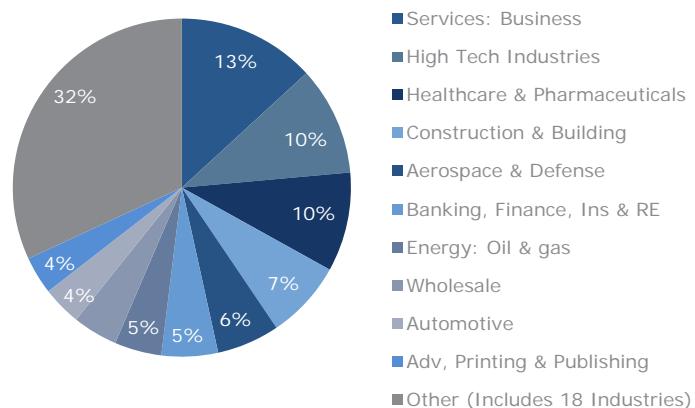
Combined Company Investment Type<sup>1</sup>



MCC Industry Mix<sup>1</sup>



Combined Company Industry Mix<sup>1</sup>



Source: Management, MCC filings, Sierra filings

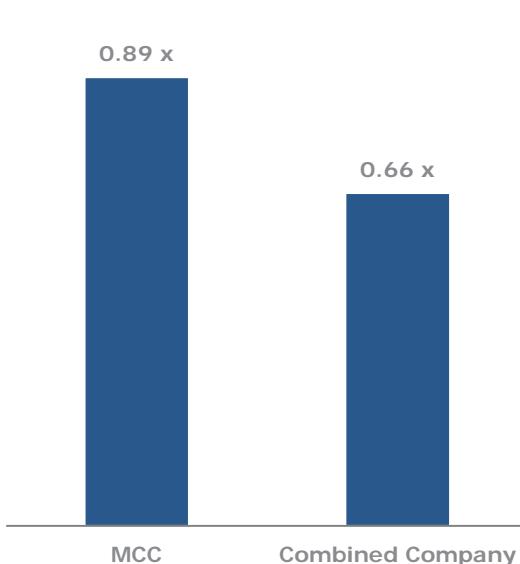
Note: Portfolio data as of September 30, 2018 based on fair market value. Numbers may not foot due to rounding. Past performance is not indicative of future results.

1. Based on fair market value and includes on-book and SLS JV portfolio.

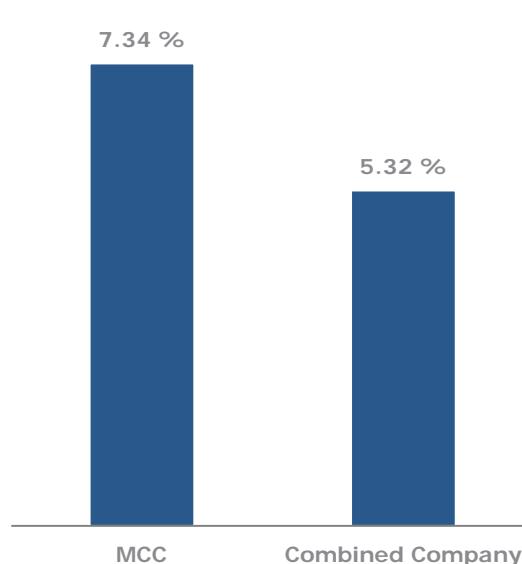
# Improved Portfolio Credit Quality

**Key credit and portfolio metrics of the Pro Forma Combined Company are better**

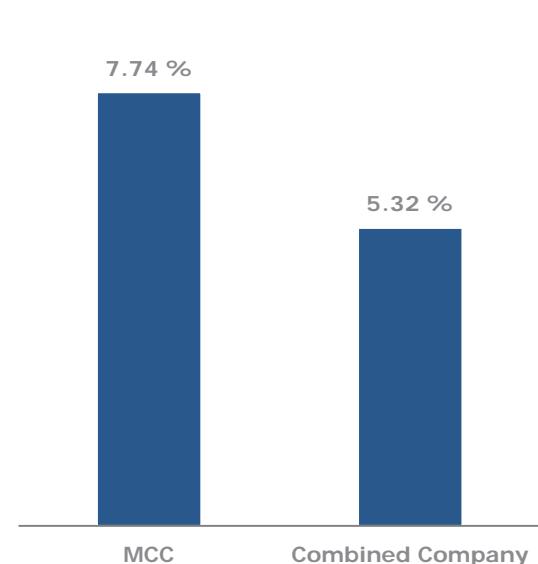
Regulatory Leverage<sup>1</sup>



Non-Accrual



4 & 5 Rated Credits



Source: Management, Joint Proxy Statement/Prospectus

Note: Portfolio data as of September 30, 2018 based on fair market value. Numbers may not foot due to rounding. Past performance is not indicative of future results.

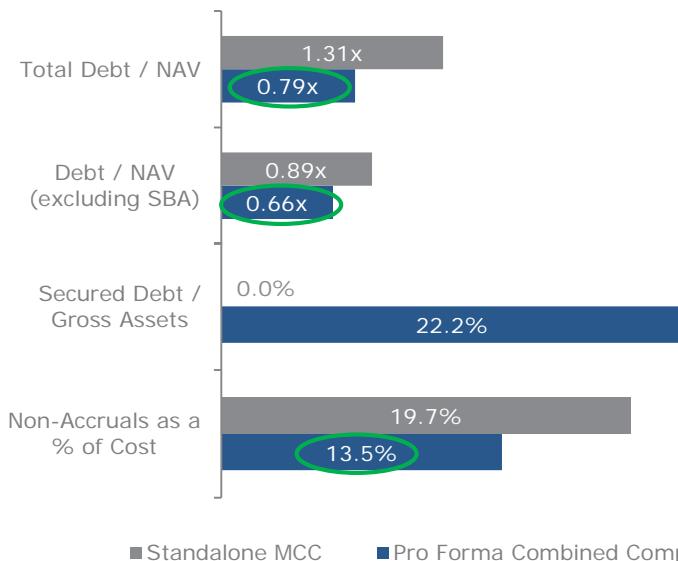
1. Regulatory Leverage as calculated according to the Investment Company Act. Reflects adjustment to account for TRS debt included in regulatory leverage calculation at Sierra and SBIC debt excluded from regulatory leverage calculation at MCC.

# Rating Agency Credit Metrics Improvement

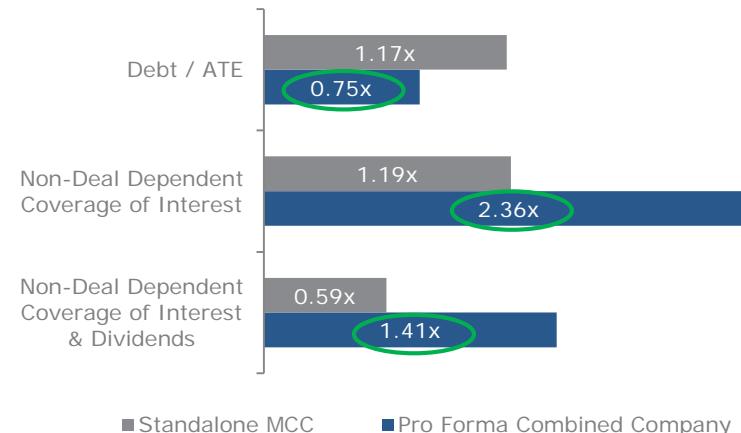
(Current MCC Israeli S&P Credit Rating of iLA-)

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 Metrics<sup>2</sup>



The Combined Company's 2024 Israeli note's interest rate adjusts based on the borrower's credit rating; each rating notch upgrade will reduce the interest rate by 25bps, providing immediate earnings improvement to the Combined Company<sup>3</sup>

Source: Management, Joint Proxy Statement/Prospectus; As of September 30, 2018; Utilizes estimated based on current S&P published rating methodology

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

2. Based on S&P Israeli Rating Report issued 12/18/2018 based on 9/30/18 financials of MCC.

3. [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. Maximum change in interest rate is capped at 1.25%.

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## **2. Transaction Summary**

# Transaction Summary

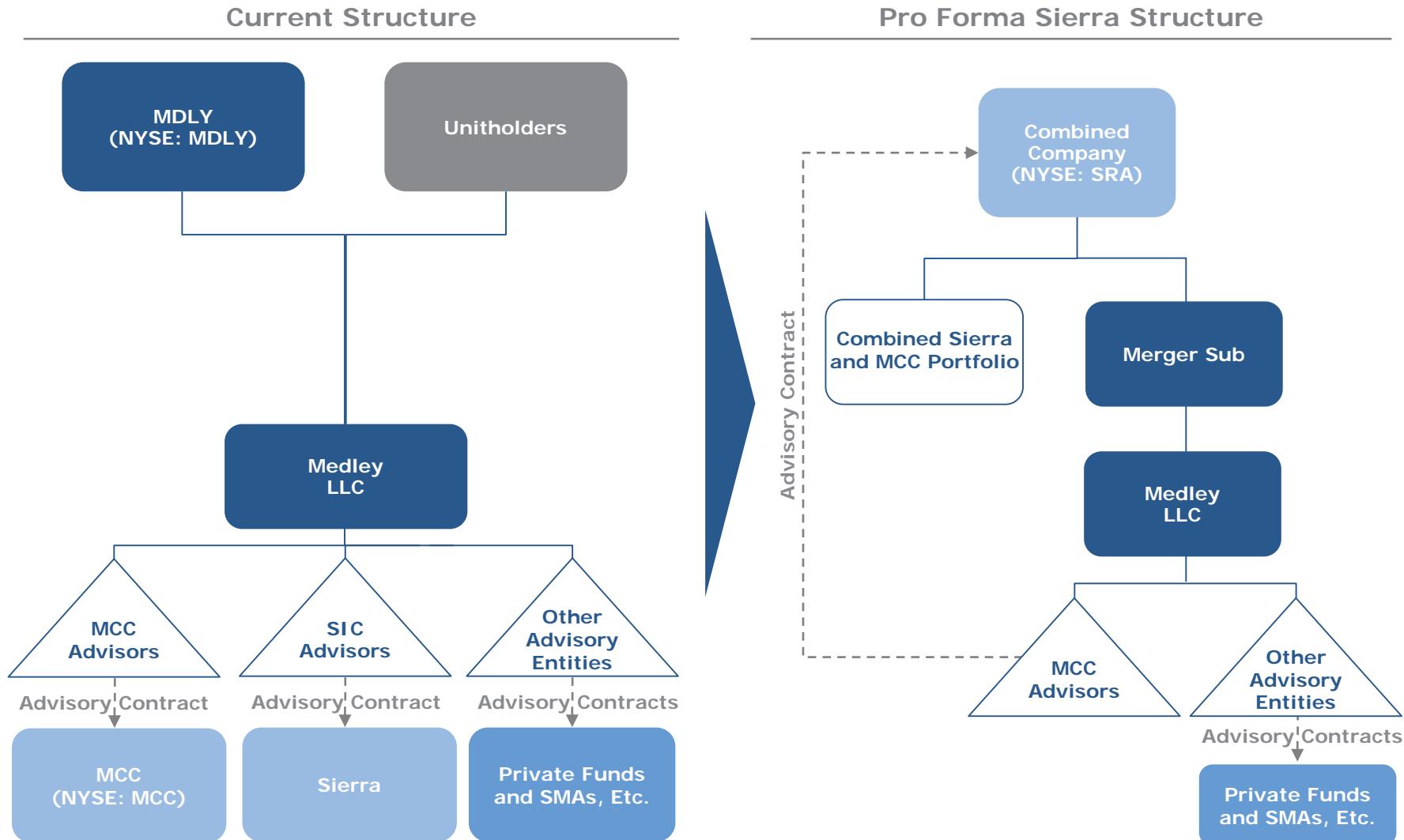
<b>Structure</b>	<ul style="list-style-type: none"><li>Combination of Sierra, MCC and MDLY through two transactions:<ul style="list-style-type: none"><li>Merger of MCC into Sierra; and</li><li>Acquisition of MDLY by Sierra; MDLY will operate as a subsidiary of Sierra</li></ul></li></ul>
<b>MCC Consideration</b>	<ul style="list-style-type: none"><li>Each MCC share will be converted into 0.8050 shares of Sierra Common Stock</li></ul>
<b>MDLY Consideration</b>	<ul style="list-style-type: none"><li>Each share of MDLY Class A Common Stock will receive 0.3836 shares of Sierra Common Stock, \$3.44 per share of cash consideration and \$0.65 per share special cash dividends</li><li>Medley LLC Unitholders will convert their units into MDLY Class A Common Stock and will receive for each MDLY Class A Common Stock 0.3836 shares of Sierra Common Stock, \$3.44 per share of cash consideration and a \$0.35 per share special cash dividend</li><li>Medley LLC Unitholders will roll approximately 100% of after-tax proceeds from the transaction into equity ownership in the Combined Company</li><li>Medley LLC Unitholders have agreed to forgo all payments that would be due to them under the existing Tax Receivable Agreement with Medley for the benefit of the Combined Company</li></ul>
<b>Balance Sheet / Leverage</b>	<ul style="list-style-type: none"><li>Pro Forma Sierra statistics<sup>1</sup>:<ul style="list-style-type: none"><li>Assets of ~\$2 billion</li><li>NAV per share of \$7.06</li><li>Regulatory leverage of 0.66x<sup>2</sup></li></ul></li></ul>
<b>Key Approvals</b>	<ul style="list-style-type: none"><li>Shareholder approvals at MCC, Sierra and MDLY (MCC, Sierra and MDLY need majority of outstanding shares for the vote; MCC also requires approval of a majority of non-affiliated shareholders for the vote)</li><li>SEC Approval</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>Combined Company Board will consist of 5 independent directors (3 from Sierra; 2 from MCC) and one management director</li></ul>
<b>Listing</b>	<ul style="list-style-type: none"><li>Sierra Common Stock to be listed on the NYSE at the time of closing</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>Expected to close in early 2019</li></ul>

Source: Joint Proxy Statement/Prospectus

1. Estimates of Sierra's post-merger financial position are based on the publicly reported financial information of Sierra, MCC and MDLY as of September 30, 2018 in the Joint Proxy Statement/Prospectus.

2. 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.

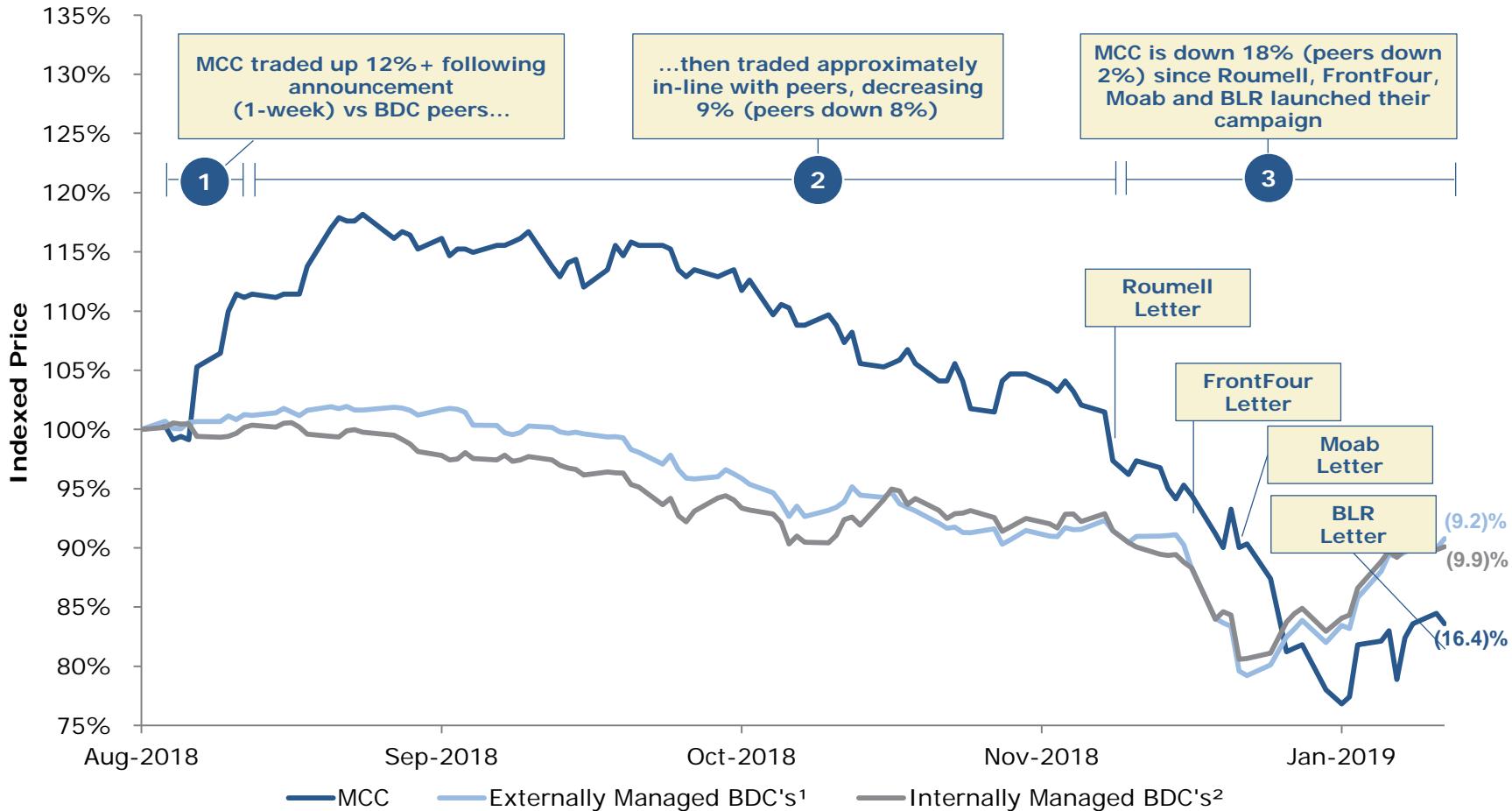
# Simplified Corporate Structure



Source: Joint Proxy Statement/Prospectus

# MCC Share Performance Since Merger Announcement

**MCC relative stock price has outperformed peers following the deal announcement, but has fallen following the launch of a campaign by activist shareholders<sup>1</sup>**



Source: Bloomberg as on January 2, 2019

Note: There can be no assurance as to how the Combined Company's common stock will trade.

1. Includes BKCC, CPTA, FDUS, GAIN, MRCC, OCSI, SUNS, TCRD, TPVG (defined as externally-managed BDCs in the Wells Fargo BDC Index with \$500 million–1 billion in total assets).

2. Includes MAIN, HTGC (defined as internally-managed BDCs in the Wells Fargo BDC Index with more than \$1 billion in assets).

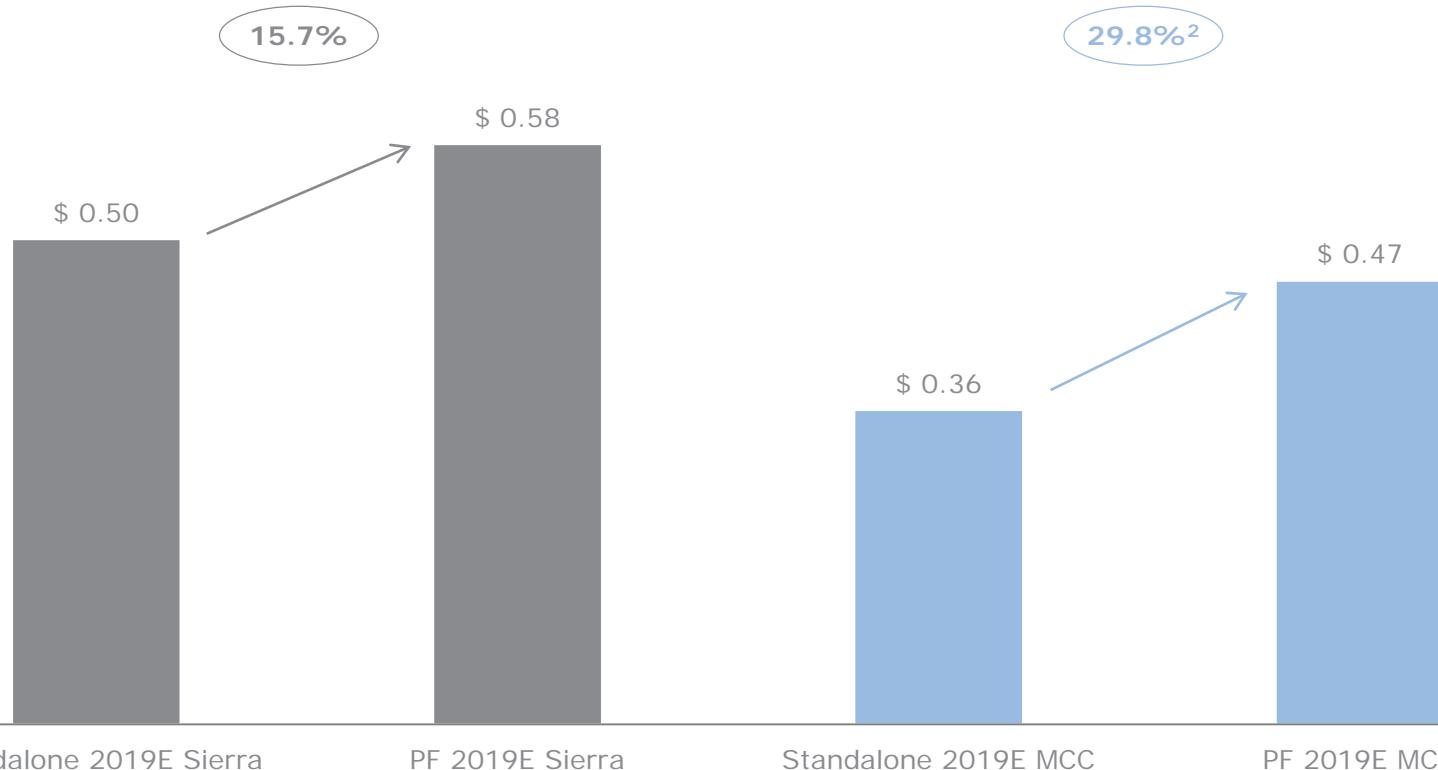
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### **3. Transaction Benefits**

# Expected Accretion to Shareholders

**Substantial earnings and dividend accretion expected for MCC and Sierra shareholders**

Pro Forma Earnings Accretion<sup>1</sup>

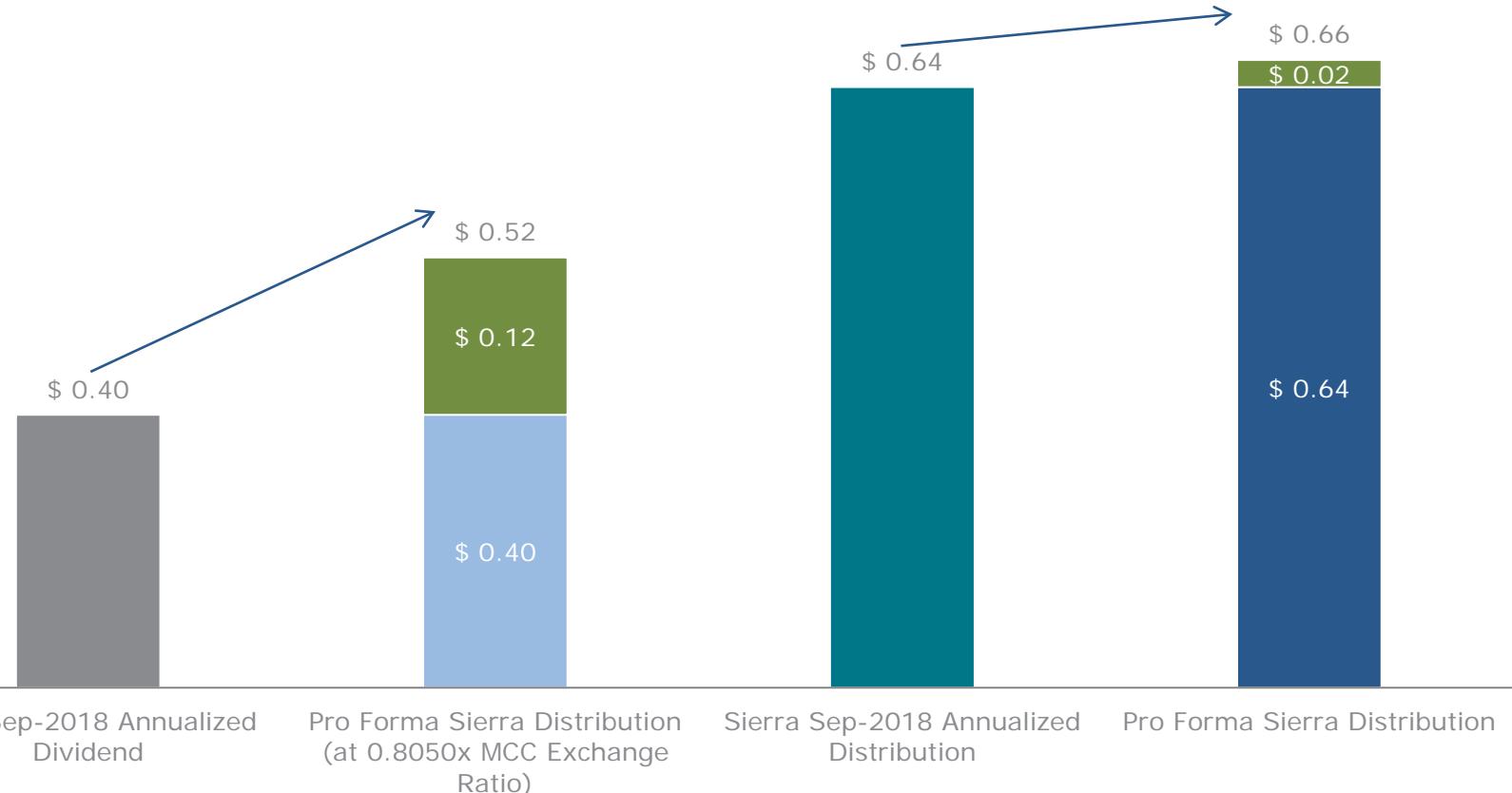


Source: Joint Proxy Statement/Prospectus, Management. MCC, Sierra and MDLY estimates per Management

1. Financial projections for MDLY, MCC and Sierra per Management. Income and dividend expectations are uncertain and there can be no assurances as to the extent of any income generated by the Combined Company or the level of any dividends to be paid, if any.
2. NII per share accretion assumes projected MDLY earnings. Merger is expected to result in an estimated 18.5% accretion of NII per share for MCC shareholders assuming flat MDLY earnings.

# Expected Increase in Distributions to Shareholders

**~30%+ increase in distributions for MCC shareholders paid monthly vs. quarterly<sup>1</sup>**



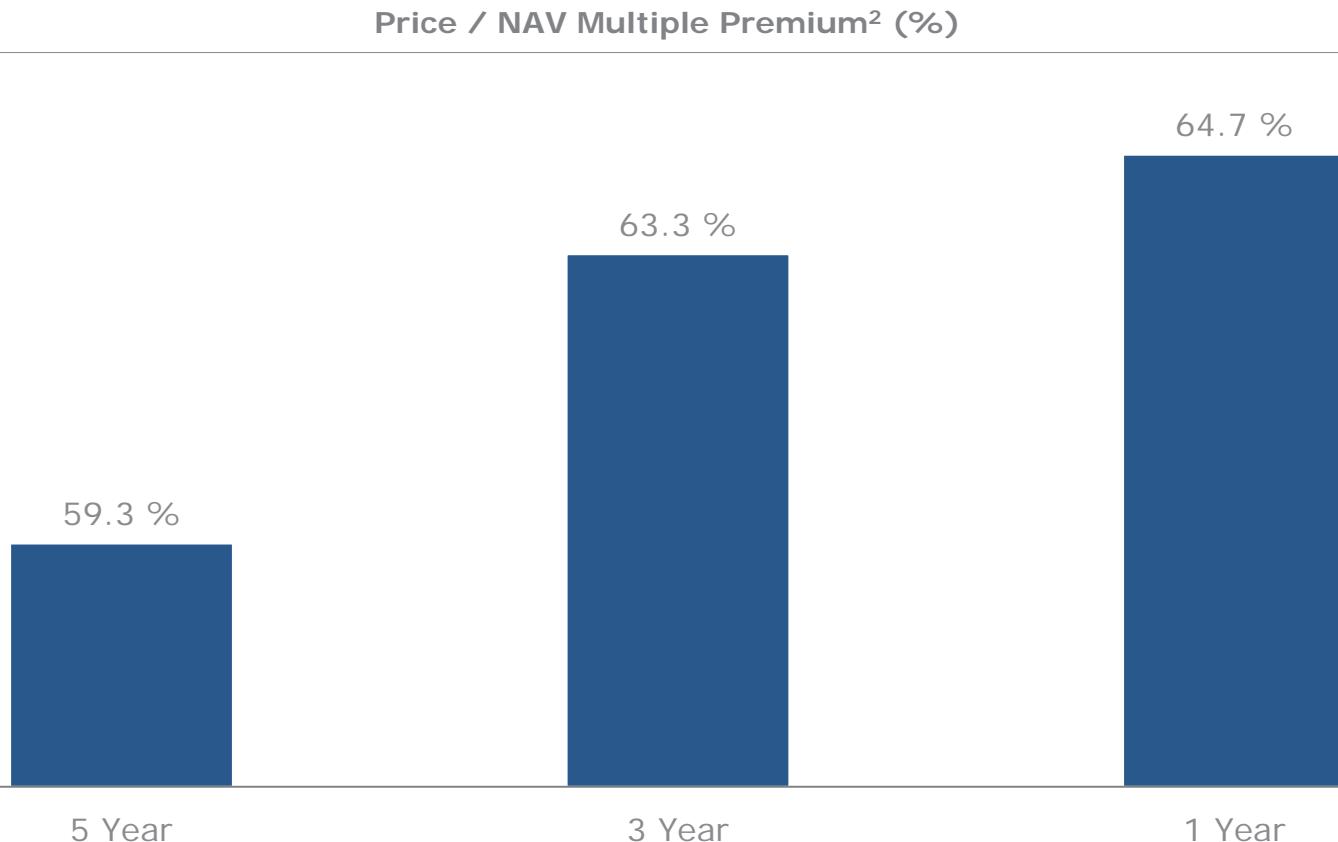
Source: Management, MCC filings, Sierra filings

Note: Pro forma Sierra dividend based on estimate for the first year after close per Management.

1. There can be no assurances your dividend will increase and the Combined Company's distribution levels may not be as disclosed and may fluctuate.

# Potential Valuation Uplift from Internally-Managed Structure

**Internally-managed BDCs have historically traded at higher multiples than externally-managed BDCs, potentially indicating that the market may ascribe a valuation premium to the internally-managed structure<sup>1</sup>**



Source: Bloomberg, Capital IQ and IBES as of January 2, 2019

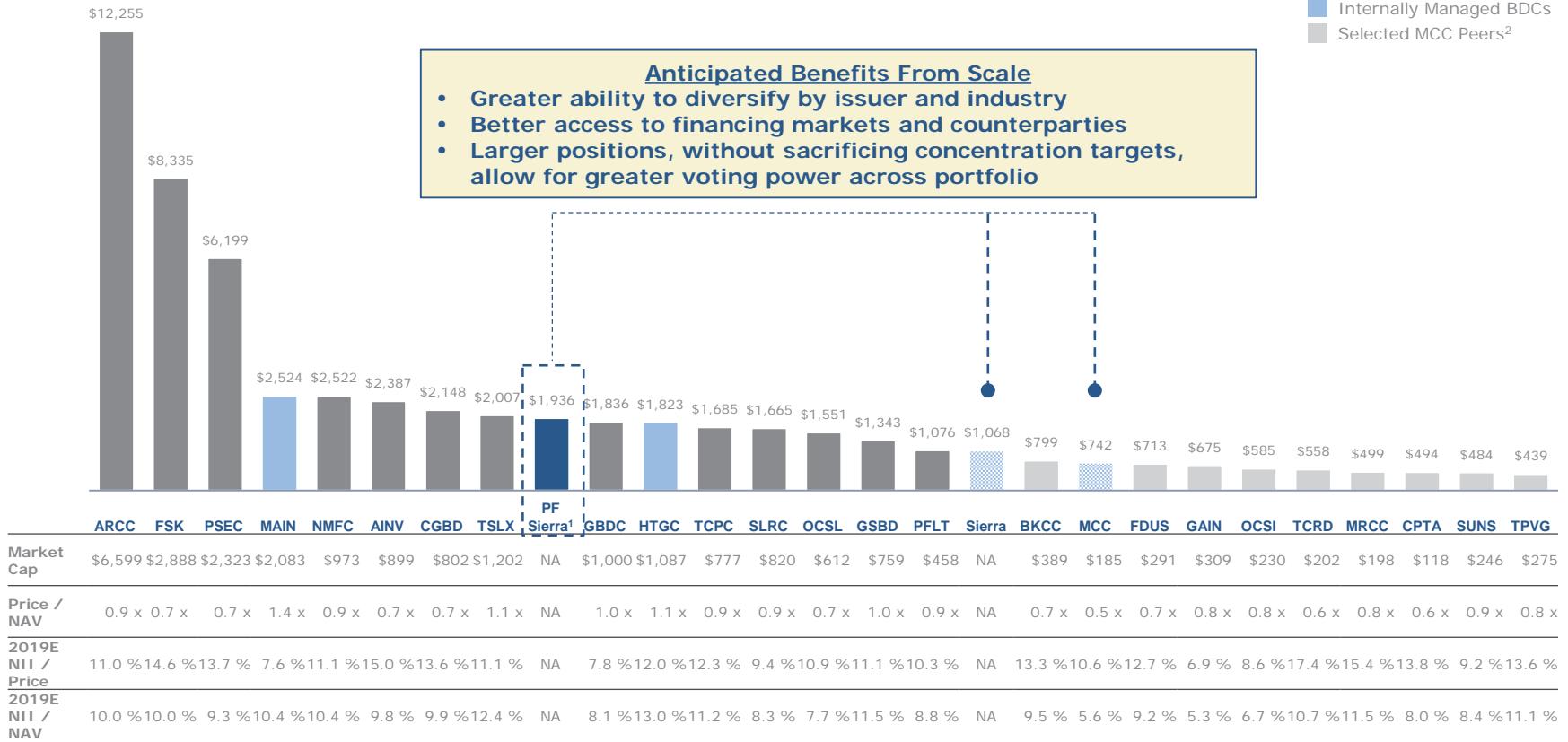
1. Historical trading of internally managed BDCs is not necessarily indicative of how the Combined Company will trade. There can be no assurances as to how the Combined Company common stock will trade in comparison to its NAV.

2. Externally-managed BDCs include BKCC, CPTA, FDUS, GAIN, MRCC, OCSI, SUNS, TCRD, TPVG (defined as externally-managed BDCs in the Wells Fargo BDC Index with \$500 million–1 billion in total assets); Internally-managed BDCs include MAIN, HTGC (defined as internally-managed BDCs in the Wells Fargo BDC Index with more than \$1 billion in assets).

# Transaction Results in Increased Scale

**Transaction would create the 2nd largest internally managed and the 9th largest publicly traded BDC**

Assets (\$ in millions)



Source: SNL Financial, Company Filings, Joint Proxy Statement/Prospectus

Note: Market data as of January 2, 2019. Financial data as of September 30, 2018. 2019E NII Data per IBES Consensus Estimates. MCC market cap and ADTV as of the undisturbed date August 3, 2018 prior to transaction announcement on August 9, 2018.

1. Estimates of Sierra's post-merger financial position are based on the publicly reported financial information of Sierra, MCC and MDLY as of September 30, 2018 (see Joint Proxy Statement/Prospectus).

2. Defined as externally-managed BDCs in the Wells Fargo BDC Index with \$500 million–1 billion in total assets.

# Improved Efficiency as Combined Company

**Combined Company will have a more efficient, shareholder-friendly cost structure**

Non-Interest Expenses (% of Net Assets)

6.9 %



MCC Standalone

4.4 %



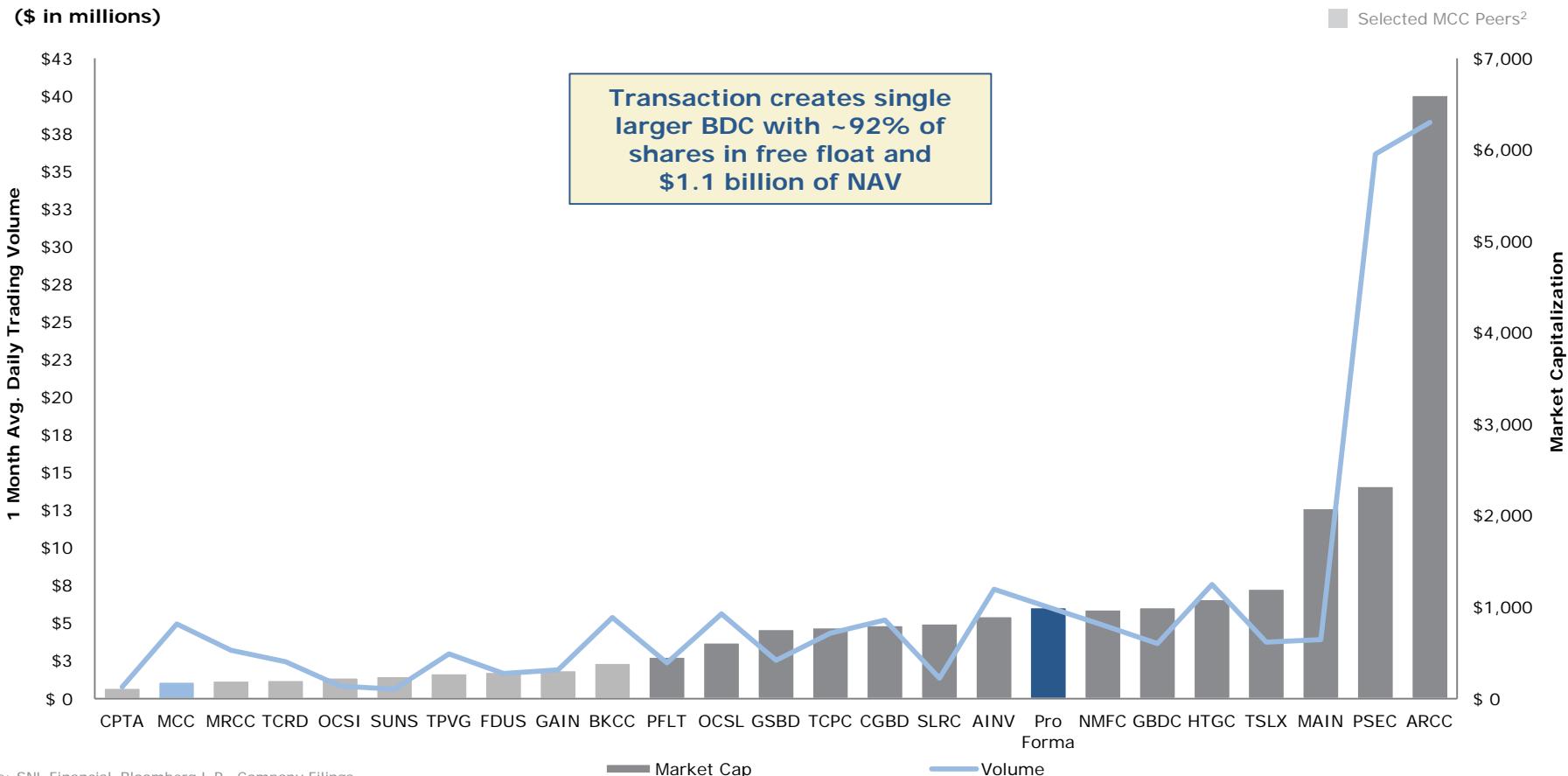
Pro Forma Sierra

Source: Joint Proxy Statement/Prospectus, SNL Financial, Company Filings

Note: Financial data as of September 30, 2018. Non-interest expenses represent the sum of base management fees, incentive fees and other expenses as a percentage of net assets attributable to common stock based on page 51 from the Joint Proxy Statement/Prospectus. Excludes interest expenses and acquired fund fees and expenses and the operating expenses of MDLY, which will not be consolidated on the Combined Company's financial statements.

# Transactions Offer Opportunity for Enhanced Liquidity

**Larger BDCs have historically demonstrated better trading liquidity  
as seen through higher daily trading volumes<sup>1</sup>**



Source: SNL Financial, Bloomberg L.P., Company Filings

Note: Figures are in millions. Market data as of January 2, 2019. MCC market cap and ADTV as of the undisturbed date August 3, 2018 prior to transaction announcement on August 9, 2018.

1. There can be no assurances as to how the Combined Company's common stock will actually trade and past trading of companies with greater size and float than MCC is not necessarily indicative of any improvement of liquidity of trading of common stock as a result of the transaction.

2. Defined as externally-managed BDCs in the Wells Fargo BDC Index with \$500 million–1 billion in total assets.

# Combined Company is Well-Positioned for a Rising Rate Environment

**Pro Forma Combined Company NII increases by \$6.7 million  
with every 100 bps increase in the base rate<sup>1</sup>**

(\$ in millions)

Basis Point Change	Pro Forma NII Change	
	(\\$)	(%) <sup>2</sup>
+ 100	\$6.7	9.9%
+ 200	13.4	19.8
+ 300	20.1	29.7
+ 400	26.8	39.6
+ 500	33.5	49.5

Source: Management, MCC filings. MCC, Sierra and MDLY estimates per Management

Note: Assumes a parallel forward interest rate curve shift base on the portfolios as of September 30, 2018.

1. Income and dividend expectations are uncertain and there can be no assurance as to the extent of any income generated by the Combined Company or the level of any dividends to be paid, if any.

2. Percent change calculated against \$67.6 million of annualized combined company NII (based on the Joint Proxy Statement/Prospectus).

# Significant Governance Improvement

## **Multiple changes to corporate governance structure that enhance the influence of MCC shareholders**

- ✓ **Greater Board Independence** – Five out of the six directors on the board of the Combined Company will be independent. Currently, only four out of seven of MCC's directors are independent
  
- ✓ **Lower Threshold for Calling Special Meetings** – Special meetings for the Combined Company may be called upon the written request of stockholders entitled to cast not less than 10% of all the votes entitled to be cast at such meeting. Currently at MCC, 25% of all the outstanding shares entitled to vote at a special meeting is required
  
- ✓ **Lower Threshold for Bylaw Amendments** – If Sierra's Charter Amendment Proposal is approved, the bylaws may be amended by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on the matter. Currently at MCC, 66 2/3% of the capital stock entitled to vote is required
  
- ✓ **Internal Management** – The Combined Company will be internally managed. Currently, MCC is externally managed
  - Internal management increases alignment and reduces the potential for conflicts of interest

# Key Transaction Highlights

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



1

## Creates the 2nd largest internally managed and 9th largest publicly traded BDC<sup>1</sup>

- \$2 billion of assets on balance sheet and ~\$5 billion of AUM including third-party capital<sup>2</sup>

2

## Creates a single, larger, diversified balance sheet

- Increased size and diversification with potential for broader access to financing markets and lower financing costs over time
- Lower non-accruals and safer, more diversified portfolio expected
- Simplified structure

3

## Potential to increase liquidity for shareholders of Sierra, MCC and MDLY

- Single larger BDC with ~92% of shares in free float and expected \$1.1 billion of NAV
- Sierra Common Stock to be listed on the NYSE at the time of closing

4

## Expected to be accretive to Net Investment Income ("NII") per share for Sierra and MCC

- Expected to be 15.7% accretive for Sierra shareholders and 29.8% accretive to MCC shareholders and 18.5% accretive to MCC shareholders assuming flat MDLY earnings
- NII accretion expected to drive increased dividend and stronger dividend paying capacity than standalone MCC

5

## Potential upside to future valuation as a result of internalization – operational efficiency from simplified structure

- Potential higher valuation multiples for internally versus externally-managed publicly traded BDCs based on observed price-to-NAV ratios over 1-, 3- and 5-year periods<sup>1</sup>
- Increased operational efficiency
- Asset management subsidiary has the potential to drive growth in NII and NAV over time

Source: Management, Joint Proxy Statement/Prospectus, MDLY 10-Q

1. SNL Financial as of January 2, 2019.

2. Estimates of Sierra's post-merger financial position are based on the Joint Proxy Statement/Prospectus.

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## **Appendix: Medley Platform Senior Secured Returns and Vehicle Track Record (based on performance data reflected in the public filings of MDLY)**

# Medley Platform Public and Private Vehicle Track Record

(based on performance data reflected in the public filings of MDLY)

	Inception Date	Strategy		Geography	Vehicle Type	Number of Investments	Amount Invested	Realized Loss Rate <sup>1</sup>	Gross IRR	Net IRR		
(\$ in millions)												
<b>1st Lien Senior Secured Focus:</b>												
MCC Senior Loan Strategy JV I LLC	2015	1st Lien	100.0%	United States	Private	113	\$ 441	0.10%	9.5% <sup>2</sup>	8.6% <sup>3</sup>		
Sierra Senior Loan Strategy JV I LLC	2015	1st Lien	100.0%	United States	Private	120	\$ 559	0.13%	11.6% <sup>2</sup>	7.3% <sup>3</sup>		
Medley Opportunity Fund III ("MOF III") <sup>4</sup>	2014	1st Lien 2nd Lien Other	80.4% 8.1% 11.5%	United States	Private	45	\$ 203	0.0%	10.5% <sup>5</sup>	5.8% <sup>6</sup>		
Medley SBIC LP ("Medley SBIC") <sup>7</sup>	2013	1st Lien 2nd Lien Other	75.3% 21.1% 3.6%	United States	Private	49	\$ 472	1.77%	10.0% <sup>5</sup>	5.6% <sup>8</sup>		
Sierra Income Corporation ("Sierra") <sup>9</sup>	2012	1st Lien 2nd Lien Other	59.7% 23.9% 16.3%	United States	Public (BDC)	391	\$ 2,293	1.41%	6.6% <sup>10</sup>	4.7% <sup>11</sup>		
Separately Managed Accounts ("SMAs") <sup>12</sup>	2010	1st Lien 2nd Lien Other	85.5% 3.7% 10.8%	United States	Private	211	\$ 1,200	1.91%	7.6% <sup>5</sup>	6.2% <sup>13</sup>		
<b>Senior Secured and Subordinated:</b>												
Medley Capital Corporation ("MCC") <sup>14</sup>	2011	1st Lien 2nd Lien Other	58.4% 25.9% 15.7%	United States	Public (BDC)	230	\$ 2,184	2.84%	5.9% <sup>15</sup>	1.6% <sup>16</sup>		
Medley Opportunity Fund II ("MOF II") <sup>17</sup>	2010	1st Lien 2nd Lien Other	62.1% 28.3% 9.6%	United States	Private	86	\$ 963	2.43%	8.3% <sup>5</sup>	4.1% <sup>6</sup>		

Source: Management

Notes:

- All figures are as of September 30, 2018 (unaudited).
- Data presented reflects the cumulative investment performance of each respective fund from inception through September 30, 2018.
- The data presented is estimated and unaudited.
- Past performance is not indicative of future results. Investors in any future Medley managed funds may experience a loss of their investment.
- Please see the important disclosures and footnotes located in this section.

# Medley Public and Private Vehicle Track Record Disclosures (based on performance data reflected in the public filings of MDLY)

1. Annualized loss rate includes only those realized investments in which Medley experienced a loss of principal on a cumulative cash flow basis. Annualized loss rate is calculated by dividing (x) total invested capital by (y) the total realized proceeds as of the exit date, annualized over the investment period from the investment to date through the exit date of the investment.
2. Annualized Gross Return for the Senior Loan Strategy I and II represents the annualized investment income less financing expenses per share assuming investment at inception of the fund and liquidation of shares at investment cost per share as of the measurement date.
3. Annualized Net Return for the Senior Loan Strategy I and II (collectively referred to herein as the "JVs") represents the annualized net return based on the dates of capital contributions and distributions and the ending net asset value as of the measurement date. The JVs are subsidiaries of Medley Capital Corporation ("MCC") and Sierra Income Corporation ("Sierra"), respectively. Medley does not directly assess a management or incentive fee on the JVs. Rather, a management and incentive fee are assessed on MCC and Sierra based on their ownership interest in the JVs.
4. MOF III lends to middle market private borrowers in the U.S., with a focus on providing senior secured loans.
5. Annualized Gross Return for MOF III, Medley SBIC, SMAs and MOF II represents the cumulative investment performance from inception of each respective fund through September 30, 2018. The Gross Internal Rate of Return includes both realized and unrealized investments and excludes the impact of base management fees, incentive fees and other fund related expenses. For realized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transactions fees, if applicable. For unrealized investments, the investment returns were calculated based on the actual cash outflows and inflows for each respective investment and include all interest, principal and fee note repayments, dividends and transactions fees, if applicable. The investment return assumes that the remaining unrealized portion of the investment is realized at the investment's most recent fair value, as calculated in accordance with GAAP. There can be no assurance that the investments will be realized at these fair values and actual results may differ significantly.
6. Annualized Net Return for MOF II and MOF III was calculated using the Gross Internal Rate of Return, as described in note 5, and is net of all management fees and carried interest allocation since inception and was computed based on the actual dates of capital contributions and the ending aggregate partners' capital at the end of the period.
7. Medley SBIC lends to small middle market private borrowers.
8. Earnings from Medley SBIC are paid to MCC. The Net Internal Rate of Return for Medley SBIC was calculated based upon i) the actual cash contribution and distributions to/from MCC and Medley SBIC ii) an allocable portion of MCC's management and incentive fees and general fund related expenses and iii) assumes the NAV as of the measurement date is distributed to MCC.
9. Sierra primarily focuses on direct lending to middle market borrowers in the United States.
10. Annualized Gross Return for Sierra represents the annualized investment income less financing expenses per share assuming investment at inception of the fund in April 2012 and liquidation of shares at investment cost per share as of the measurement date.
11. Annualized Net Return for Sierra represents the annualized return assuming an investment at the initial public offering price, reinvestments of all dividends and distributions at prices obtained under Sierra's distribution reinvestment plan and selling at the NAV as of the measurement date.
12. In the case of Medley's SMAs, the investor, rather than Medley, may control the assets or investment vehicle that holds or has custody of the related investments. Certain subsidiaries of Medley LLC serve as the investment adviser for its SMAs.
13. Annualized Net Return for Medley's SMAs was calculated using the Gross Internal Rate of Return, as described in note 5, and includes the actual management fees, incentive fees and general fund related expenses.
14. MCC primarily focuses on direct lending to private middle market borrowers in the United States.
15. Annualized Gross Return for MCC represents the annualized investment income less financing costs per share assuming investment at inception of the fund in January 2011 and the liquidation of shares at investment cost per share as of the measurement date.
16. Annualized Net Return for MCC, including Medley SBIC, represents the annualized return assuming an investment at the initial public offering price, reinvestments of all dividends and distributions at prices obtained under MCC's dividend reinvestment plan and selling at NAV as of the measurement date.
17. MOF II lends to middle market private borrowers, with a focus on providing senior secured loans.