

NexPoint Outlines Plan to Nominate New Directors if Medley Capital Merger Not Approved

NexPoint Advisors L.P. is planning to nominate two independent directors at the Medley Capital Corporation not-yet-scheduled annual stockholder meeting if the proposed merger with its affiliates, Sierra Income Corporation and Medley Management, is not approved by shareholders.

Medley Capital shareholders will vote on the proposed merger at the company's [rescheduled special meeting](#) on March 8, 2019.

As previously reported, Sierra, a non-traded business development company, announced plans to acquire Medley Capital (NYSE: MCC), a publicly traded BDC, and Medley Management (NYSE: MDLY), with Sierra being the surviving company that would be structured as a publicly-traded BDC. Sierra and Medley Capital are controlled by Medley Management.

NexPoint [recently submitted](#) a competing management proposal related to the merger of the three companies, which was [quickly rejected by Medley and Sierra](#). Proxy advisory firms [Glass Lewis & Co. and Institutional Shareholder Services](#), as well as Front Four Capital Group LLC, a significant Medley shareholder, are urging Medley Capital shareholders to vote against the proposed merger in light of NexPoint's proposal. Proxy advisory firm Egan-Jones Ratings recommended that shareholders vote for the proposed merger.

At the not-yet-scheduled Medley Capital 2019 annual meeting, two directors of the company's staggered board are set to be elected. If the merger transaction is not approved by stockholders, NexPoint said that it will be prepared to

nominate two independent directors at that meeting.

Although the window for stockholders to nominate directors at the 2019 Annual is not currently open, NexPoint believes that Medley Capital will have to re-open the nomination window because it will not be able to hold the 2019 annual meeting by March 15, 2019 under applicable law.

Medley's bylaws state that if an annual meeting is held more than 30 days after the anniversary of the preceding year's annual meeting (i.e., after March 15, 2019), then the nomination window re-opens.

"NexPoint is committed to nominating individuals to the Medley Capital board who are truly independent directors," said NexPoint in a statement. "The new directors will be completely independent of both Medley Capital and NexPoint and will force the board to honor their fiduciary duties to stockholders."

The firm added, "While NexPoint remains ready, willing and able to step-in as the external investment manager of Medley Capital, NexPoint's preliminary focus is preventing the merger transaction. Once the merger transaction is defeated, NexPoint hopes to make changes to Medley Capital board so that the newly comprised board will act properly and in the best interest of stockholders."

In a related development, on Friday Institutional Shareholder Services issued a proxy alert recommending that Medley Capital stockholders vote against the proposed merger. ISS said that "the [Medley Capital] special committee's unwillingness to seek alternative transactions or even engage with third parties that have already proposed alternative transactions calls into question its independence."

NexPoint, together with its affiliates, is a global alternative investment manager that operates an investment platform that serves institutional and retail investors. In addition to high yield credit, the firm's investment

capabilities include public equities, real estate, private equity and special situations, structured credit, among others.

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