

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

MCC Advisors LLC

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This brochure provides information about the qualifications and business practices of MCC Advisors LLC (“**MCC Advisors**”) and certain of its affiliated advisers, Medley Capital LLC (“**Medley Capital**”), MOF II Management LLC (“**MOF II Management**,” and, together with MCC Advisors, Medley Capital, and MOF II Management, the “**Advisers**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Richard T. Allorto, at 212-759-0777 or rallorto@medleycapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about us also is available on the SEC’s website at www.adviserinfo.sec.gov.

MCC Advisors is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). MCC Advisors’ registration under the Advisers Act does not imply any level of skill or training.

ITEM 2

MATERIAL CHANGES

Pursuant to the requirements and rules of the Securities and Exchange Commission (the “**SEC**”), we will ensure that you receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of our fiscal year. We will also provide ongoing disclosure about material changes as such changes may arise.

Our brochure may be requested, free of charge, by contacting our Chief Compliance Officer, Richard T. Allorto, at 212-759-0777 or rallorto@medleycapital.com.

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Brochure Supplements

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

MCC Advisors is a Delaware limited liability company formed on April 23, 2010 that has been in business for approximately two years. MCC Advisors provides investment advisory services (as hereafter defined) to Medley Capital Corporation (“**Medley Capital Corporation**” or the “**BDC**”), a business development company regulated under the Investment Company Act of 1940, as amended (the “**1940 Act**”). The BDC is an externally managed, closed-end, non-diversified management investment company. The BDC is publicly traded on the New York Stock Exchange under the ticker symbol NYSE: MCC.

Medley Capital is a Delaware limited liability company formed on February 9, 2006. Medley Capital provides investment advisory services to Medley Opportunity Fund LP (“**MOF I Onshore**”) and Medley Opportunity Fund, Ltd. (“**MOF I Offshore**,” and, together with MOF I Onshore, “**MOF I**”), which are hedge funds currently in the harvesting and investment realization phase. MOF I is no longer making new investments or seeking new investors.

MOF II Management is a Delaware limited liability company formed on April 28, 2009. MOF II Management provides investment advisory services to Medley Opportunity Fund II LP (“**MOF II Onshore**”) and Medley Opportunity Fund II (Cayman) LP (“**MOF II Offshore**,” and, together with MOF II Onshore, “**MOF II**”), which are private equity funds. In addition, MOF II Management provides investment advisory services to a managed account (the “**Managed Account**”) which invests side-by-side with MOF II.

Each of MOF I and MOF II are individually referred to as a “**Fund**,” or collectively as the “**Funds**.” Moreover, we collectively refer to the BDC, the Funds, and the Managed Account as our “**Clients**.”

On March 31, 2011, an affiliate of the Advisers acquired a controlling interest in Medley Credit Strategies, LLC, a registered investment adviser which files its own brochure and which succeeded to the business of Viathon Capital, LP. Medley Credit Strategies, LLC provides investment advisory services to one or more hedge funds and managed accounts and pursues a strategy involving both long and short credit opportunities.

We provide investment management, advisory and certain administrative services, and other related services (collectively, the “**investment advisory services**”) typically pursuant to an investment management agreement or other document that describes the terms of the engagement (each, an “**IMA**”). In addition, we operate under basic policies and principles applicable to the conduct of our investment advisory business. These policies and principles are based upon general concepts of fiduciary duty, the specific requirements of the Advisers Act, the rules and regulations thereunder, and our internal policies. We anticipate advising additional funds and managed accounts in the future.

The principal owners of the Advisers are Andrew Fentress, Brook Taube, Seth Taube, and Bernard Schwartz, who own their interests in the Advisers indirectly through one or more entities.

B. Description of Advisory Services

The investment advisory services we provide to Clients include sourcing potential investments, conducting research and due diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring investments, and monitoring investments and portfolio companies.

Although we primarily focus on investments in loans to middle-market companies (as described below), we provide investment advice to Clients regarding a variety of investments and do not specialize in a particular form of investment advisory service. We use the term “middle-market” to refer to companies that have enterprise or asset values between \$25 and \$250 million.

When formulating investment advice and managing the assets of the BDC, MCC Advisors focuses on investments in senior secured debt and investments that deliver equity-like returns with the risk profile of secured debt. As a business development company regulated by the 1940 Act, the BDC will be subject to restrictions on investing in certain issuers and types of securities. Furthermore, MCC Advisors expects to make investments on the BDC’s behalf, which generally range from \$10 million to \$50 million each.

Medley Capital, on behalf of MOF I, focused on acquiring and originating corporate credit and asset-based investments in North America, Latin America, Western Europe, and Asia, including the origination, structuring, and customization of financing solutions to corporate and asset-based borrowers. MOF I is currently in the harvesting and investment realization phase and is not making new investments or seeking new investors.

MOF II Management, on behalf of MOF II and the Managed Account, focuses on private debt investments in secured financings with corporate and asset-based borrowers primarily in North America and which generally range from \$10 million to \$50 million each.

C. Availability of Customized Services for Individual Clients

We tailor our advisory services to the individual needs of our Clients. The Client’s IMA, each Fund’s private placement memorandum (a “PPM”), the BDC’s registration statement on Form N-2, and other organizational documents, as applicable (together, with the IMA and the PPM, as applicable, the “Offering Documents”) provide more detailed descriptions of each Client’s investment objectives and may contain investment guidelines, policies, or restrictions. In addition, the Advisers may enter into agreements with certain Clients (or underlying investors) that may, in each case, provide for terms of investment that are more favorable to the terms provided to other Clients (or underlying investors). Such terms may include the waiver or reduction of management and/or incentive fees, the provision of additional information or reports, more favorable transfer rights, and more favorable liquidity rights.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Assets Under Management

As of December 31, 2011, we had \$1,262,903,151 Client assets under management on a discretionary basis and no Client assets under management on a non-discretionary basis.

ITEM 5

FEES AND COMPENSATION

A. General

As noted above, a written IMA governs the terms of compensation and the manner in which we charge fees to each of our Clients. The following discussion provides an overview of our current fee and compensation arrangements.

We may charge our Clients both a base management fee and a performance-based incentive fee. Our base management and incentive fees vary by Client, and we may negotiate lesser or different fee schedules for Clients (or underlying investors) based on a variety of factors, including the amount of the investment and the nature of the Client's proposed investments.

Subject to the specific terms of their IMAs or other Offering Documents, we directly deduct our fees from the Funds and the BDC, and invoice the Managed Account for payment. Depending on the Client, we bill our fees quarterly in arrears, quarterly in advance, or annually in arrears. Client accounts initiated or terminated during a payment period will typically be charged a prorated base management fee and incentive fee; however, in the case of MOF II, investors may pay a management fee retroactive to the commencement of the Fund's investment period. Upon termination of any Client account, we will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable. MOF I investors may withdraw or redeem their ownership interest quarterly or annually upon 180 days' or annual written notice (depending on the class of investor) without penalty; and at other times, the investor may be subject to a penalty payable to MOF I. In each case, the MOF I investor will pay fees prorated to the date of liquidation or transfer of assets in connection with such withdrawal or redemption.

Clients may incur certain charges imposed by custodians, administrators, brokers, and other third parties, including custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our management fees are exclusive of such brokerage commissions, custody fees, fund expenses, transaction fees, and other related costs and expenses.

For a detailed discussion of the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see Item 12, "Brokerage Practices."

B. Investment Management Agreement with the BDC

MCC Advisors provides its investment advisory services to the BDC pursuant to an IMA. The board of directors of the BDC, including a majority of the independent directors, approved the BDC Management Agreement prior to its execution. Throughout this brochure, we refer to directors of the BDC who are not "interested persons" as defined in the 1940 Act, as independent directors.

In exchange for MCC Advisors' investment advisory services, the BDC pays MCC Advisors a base management fee calculated at an annual rate of 1.75% (the "**BDC Base**

Management Fee”), based on a percentage of the BDC’s average gross assets (including any assets acquired with the proceeds of leverage). The BDC’s Base Management Fee is calculated based on the average value of the BDC’s gross assets at the end of the two most recently completed calendar quarters. The BDC Base Management Fee is payable quarterly in arrears.

In addition, pursuant to the BDC Management Agreement, the BDC pays MCC Advisors an incentive fee (the “**BDC Incentive Fee**”). The BDC Incentive Fee has two components: (i) 20.0% of the amount, if any, by which the BDC’s pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a hurdle rate and a “catch-up” provision, and (ii) 20.0% of the BDC’s cumulative aggregate realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment by investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to MCC Advisors. The first component of the BDC Incentive Fee is calculated and payable quarterly in arrears based on the BDC’s pre-incentive fee net investment income for the immediately preceding calendar quarter. The second component of the BDC Incentive Fee is determined and payable in arrears as of the end of each calendar year.

Pursuant to the terms of the BDC Management Agreement, MCC Advisors is responsible for all costs and expenses incurred in connection with the investment advisory services. The BDC will reimburse MCC Advisors for all direct and indirect costs and expenses incurred by MCC Advisors for office space rental, office equipment, utilities, and other non-compensation related overhead allocable to performance of the investment advisory services.

In addition, pursuant to the BDC Management Agreement, the BDC will bear all other out-of-pocket costs and expenses of its operations and transactions, including, without limitation, calculating the BDC’s net asset value; investment advisory fees; administrative fees and expenses under the Administration Agreement (as defined below); independent directors’ fees and expenses; and fees and expenses incurred by and payable to unaffiliated third parties in monitoring financial and legal affairs for the BDC, in monitoring the BDC’s investments, and for performing due diligence on prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments.

The BDC Management Agreement provides that unless MCC Advisors acts with willful misfeasance, bad faith, or gross negligence in performing its duties or with reckless disregard of its duties and obligations, MCC Advisors is entitled to indemnification by the BDC against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with MCC Advisor’s service as an investment adviser to the BDC.

In addition, the BDC has entered into an administration agreement (the “**Administration Agreement**”) with MCC Advisors pursuant to which MCC Advisors furnishes the BDC with office facilities, equipment, and clerical, bookkeeping, recordkeeping and other administrative services. In consideration for such services, the BDC will reimburse MCC Advisors for the BDC’s allocable portion of overhead and other expenses, including rent and our allocable portion of the cost of certain of our officers and their respective staffs.

C. Investment Management Agreements with MOF I

Medley Capital provides its investment advisory services to MOF I Onshore and MOF I Offshore pursuant to IMAs. In exchange for Medley Capital's investment advisory services, MOF I pays Medley Capital a management fee (the "**MOF I Management Fee**") in an amount equal to: (i) 2.0% per annum of the capital accounts attributable to the MOF I Onshore Class A and Sub-Class B One interests of each limited partner; (ii) 1.6% per annum of the capital accounts attributable to the MOF I Onshore Sub-Class B Two interests of each limited partner; (iii) 2.0% per annum of the net assets of MOF I Offshore attributable to each Class A, Class B and Sub-Class C One share; and (iv) 1.6% per annum of the net assets of MOF I Offshore attributable to each Sub-Class C Two share. The MOF I Management Fee is paid quarterly in advance based on the value of each limited partner's account (for MOF I Onshore) or the value of the net assets of the fund (for MOF I Offshore) as of the first day (for MOF I Onshore) or first business day (for MOF I Offshore) of each calendar quarter.

The MOF I Management Fee is prorated for any period that is less than a full calendar quarter and will be deducted in calculating the net profit or net loss. MOF I investors may withdraw or redeem their ownership interest quarterly or annually upon 180 days' or annual written notice (depending on the share class) without penalty; and at other times, the Fund investor may be subject to a penalty payable to the Fund. In each case, MOF I investors will pay the Fees to the Adviser prorated to the date of liquidation or transfer of assets in connection with such withdrawal or redemption. In our sole discretion, we may waive or modify the MOF I Management Fee for limited partners that are members, employees, or affiliates of Medley Capital and relatives of such persons.

In addition, MOF I pays Medley Capital an incentive fee (the "**MOF I Incentive Fee**"). The MOF I Incentive Fee consists of the following: (i) 20% of the net profits (taking into account realized and unrealized gains or losses), if any, during such fiscal year, attributable to each Class A and Sub-Class B One interest; (ii) 16% of the net profits (taking into account realized and unrealized gains or losses), if any, during such fiscal year, attributable to each Sub-Class B Two interest; (iii) 20% of the net profits (taking into account realized and unrealized gains or losses), if any, during such fiscal year, attributable to each Class A, Class B, and Sub-Class C One share; and (iv) 16% of the net profits (taking into account realized and unrealized gains or losses), if any, during such fiscal year, attributable to each Sub-Class C Two share, in each case, subject to a loss carry forward provision.

Medley Capital is responsible for its overhead expenses including: office rent, furniture and fixtures, stationery, secretarial/internal administrative services, salaries, employee insurance and payroll taxes. All other expenses will be paid by MOF I, including: the MOF I Management Fee, partnership legal, compliance, audit, accounting, and third party administrator fees and expenses, organizational expenses, investment expenses such as brokerage commissions, research fees and expenses (including research-related travel, consultants' costs and expenses, and due diligence costs and expenses), interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, partnership-related insurance costs, and any other expenses related to the purchase, sale, or transmittal of partnership assets.

Pursuant to the MOF I Offering Documents, unless Medley Capital acts with gross negligence or willful misconduct, or in violation of applicable laws, Medley Capital is entitled to indemnification by MOF I against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with Medley Capital service as an investment adviser to MOF I.

D. Investment Management Agreements with MOF II

MOF II Management provides its investment advisory services to MOF II Onshore and MOF II Offshore pursuant to IMAs. Commencing on its initial closing and continuing until the date that is two years following its final closing, MOF II pays a management fee (the “**MOF II Management Fees**”) equal to 1.75% annually based on the aggregate capital commitments of the limited partners in each MOF II fund. Thereafter, the annual MOF II Management Fees will be equal to 1.75% annually based upon the lesser of (i) the original cost basis and (ii) the then fair market value of the investments then held by each MOF II fund. The MOF II Management Fees are payable quarterly in advance. In certain circumstances, transaction fees received by MOF II Management may offset all or a portion of the MOF II Management Fees. In addition, the MOF II Management Fees will be prorated for any period that is less than a full payment period; provided however, that MOF II investors who do not participate in the initial closing of MOF II, may pay a management fee retroactive to the commencement of the Fund’s investment period. Upon termination of the IMA, MOF II Management will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

In addition, MOF II pays MOF II Management an incentive fee (the “**MOF II Incentive Fee**”). The MOF II Incentive Fee is 20% of the cash proceeds derived by MOF II from its ownership or disposition of investments, subject to provisions requiring that investors first receive the amount of their capital contribution and a certain cumulative return on their investment.

MOF II is responsible for ongoing expenses relating to its operations and activities, including, without limitation, legal, tax, accounting, auditing and other professional advice, administration fees and expenses, out-of-pocket expenses related to the sourcing, due diligence, and potential acquisition of investments, regardless of whether such acquisition is actually consummated, the holding and sale of investments, and any other expenses relating to MOF II (e.g., insurance, the costs relating to any litigation involving the funds, etc.). MOF II Management is responsible for and has paid its own organizational and operating expenses and those of the general partner of each of MOF II Onshore and MOF II Offshore, including salaries and benefit expenses of employees, office rent, supplies, secretarial services, travel and entertainment expenses, telephone (local and long distance), printing and stationery, insurance, publications and subscriptions, and data processing.

Pursuant to MOF II’s Offering Documents, unless MOF II Management acts with willful misconduct, bad faith, or gross negligence, MOF II Management is entitled to indemnification by MOF II against any loss or damage incurred by it on behalf of, in furtherance of the objectives of, or arising out of or in connection with MOF II. The limited partners of each fund may be required to re-contribute portions of previous distributions made to them by MOF II to satisfy MOF II’s indemnification obligations.

E. Investment Management Agreement with the Managed Account

MOF II Management provides its investment advisory services to the Managed Account pursuant to an IMA (the “**Managed Account Management Agreement**”). In exchange for MOF II Management’s investment advisory services, the Managed Account pays a management fee (the “**Managed Account Management Fees**”) equal to 0.6667% of the capital commitment of the Managed Account and 1.3333% of a defined base amount for investments made by the Managed Account. The Managed Account Management Fees are payable quarterly in advance. In certain circumstances, transaction fees received by MOF II Management may offset all or a portion of the Managed Account Management Fees. In addition, the Managed Account Management Fees will be prorated for any period that is less than a full payment period. Upon termination of the Managed Account, MOF II Management will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

In addition, the Managed Account pays MOF II Management an incentive fee (the “**Managed Account Incentive Fee**”). The Managed Account Incentive Fee is 20% of the cash proceeds derived by the Managed Account from its ownership or disposition of investments, subject to provisions requiring that the investor first receive the amount of its capital contribution and a certain cumulative return on its investment.

The Managed Account is responsible for ongoing expenses relating to its operations and administration. In addition, the Managed Account is responsible for any fees and expenses which (i) are directly attributable to any investment made on behalf of the Managed Account or which was intended by MOF II Management to have been made but not actually consummated; (ii) are payable to third parties, including, without limitation, fees and expenses of third party consultants, attorneys and accountants, commission expenses and costs of litigation relating to any investment; and (iii) are not reimbursable by any other party with respect to any investment or proposed investment.

Pursuant to the Managed Account Management Agreement, in general, the Managed Account will indemnify MOF II Management against any and all loss, liability, judgments, fines, amounts paid in settlement and reasonable costs and expenses, including reasonable attorney's fees, incurred as the result of any third party action, suit or proceeding against MOF II Management where such action, suit or proceeding arises out of or relates to a MOF II Management’s acts, errors or omissions in connection with the performance of any of its respective obligations to the Managed Account under the Managed Account Management Agreement, except to the extent that such action, suit or proceeding results from MOF II Management’s breach of the Managed Account Management Agreement or its willful malfeasance, fraud, dishonesty, bad faith, gross negligence, or violation of any law or regulation.

F. Additional Compensation and Conflicts of Interest

We do not receive a brokerage commission or any other compensation attributable to the sale of securities or investment products and our personnel do not receive such compensation.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We typically receive performance-based incentive fees from our Clients. The terms and conditions of these fee arrangements are subject to individualized negotiations with each Client, and are structured in accordance with Section 205(a)(1) of the Advisers Act, which permits performance-based fee arrangements with “qualified clients.” For a description of these incentive fees, please see Item 5, “Fees and Compensation.”

Conflicts Relating to Performance Fees

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may otherwise recommend under a different fee arrangement. In addition, the incentive fee arrangements may not be the product of arms-length negotiations. In the allocation of investment opportunities, performance-based fee arrangements may also create an incentive for us to favor Clients with performance or incentive fee arrangements over Clients that are not charged a performance fee. We have adopted an order aggregation and trade allocation policy (the “**Aggregation and Allocation Policy**”) designed to ensure that all of our Clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities among Clients.

Generally, under our Aggregation and Allocation Policy, a fixed percentage of each investment opportunity will be offered to each Client. Allocations among Clients will generally be made pro rata based on, among other things, each account’s capital available for investment. It is our policy to base determinations as to the amount of capital available for investment on such factors as: the amount of cash on-hand, existing capital commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by its board of directors or imposed by applicable laws, rules, regulations or interpretations. We seek to treat all Clients reasonably; however, in some instances, especially in cases of limited liquidity or limited availability of a particular investment opportunity, there may be investments in which one or more Clients may not participate.

Conflicts Relating to the BDC Management Fees and Use of Leverage

As described in Item 5.B above, in the course of its investing activities, the BDC will pay management and incentive fees to MCC Advisors. Because the management fees are generally based on the BDC’s total assets, including assets purchased with borrowed amounts, MCC Advisors stands to benefit when the BDC incurs debt or uses leverage. The BDC’s board of directors is charged with protecting the BDC’s interests by monitoring how MCC Advisors addresses these and other conflicts of interests associated with MCC Advisors’ management services and compensation. While the BDC’s board of directors is not expected to review or approve each borrowing or incurrence of leverage, it will periodically review MCC Advisors’ services and fees as well as MCC Advisors’ portfolio management decisions and the performance of the BDC’s portfolio. Additionally, under the 1940 Act, the BDC is limited in the amount of leverage it may incur, such that the value of its assets must always exceed 200% of its debt.

Conflicts Relating to the BDC's Investment in Non-Cash Paying Investments

Pursuant to the BDC Management Agreement, the BDC Incentive Fee will be computed and paid on income that the BDC may not have yet received in cash. This fee structure may create an incentive for MCC Advisors to invest in certain types of securities that generate non-cash income that MCC Advisors might not otherwise consider under a different fee arrangement. To mitigate and limit the potential for a conflict of interest, the independent members of the board of directors of the BDC will periodically review MCC Advisors' advisory services and fees, as well as MCC Advisors' portfolio management decisions and portfolio performance.

Conflicts Relating to Valuation of BDC Investments

Many of the BDC's portfolio investments are expected to be made in illiquid investments issued by private companies. As a result, in accordance with Section 2(a)(41) of the 1940 Act, the BDC's board of directors will determine the fair value of these securities in good faith. MCC Advisors expects to assist the board of directors of the BDC with the valuation of the BDC's portfolio investments.

Because the BDC Base Management Fee and the BDC Incentive Fee will be based on the value of the BDC's portfolio investments, there may be a conflict of interest when MCC Advisors' personnel are involved in the valuation process. In addition, the members of the BDC's board of directors who are not independent directors have a substantial indirect financial interest in MCC Advisors. The participation of MCC Advisors' investment professionals in the BDC's valuation process, and the indirect financial interest in MCC Advisors by those members of the BDC's board of directors, could result in a conflict of interest since MCC Advisors' management fee is based, in part, on the value of the BDC's assets. To mitigate this potential conflict, MCC Advisors and the BDC have each adopted a valuation policy to ensure that valuations are properly and consistently determined.

In connection with each of the conflicts associated with the fees payable to the BDC, the board of directors of the BDC, including the independent directors, will continuously monitor MCC Advisors' advisory services, portfolio management decisions and the BDC portfolio performance in order to determine whether the BDC Base Management Fee, BDC Incentive Fee, and MCC Advisors' other expenses remain appropriate.

ITEM 7

TYPES OF CLIENTS

MCC Advisors provides investment advisory services to the BDC in accordance with the requirements of the 1940 Act. Medley Capital and MOF II Management provide investment advisory services to MOF I and MOF II, respectively, whose investors include individuals, trusts, investment companies, pension plans, unregistered pooled investment vehicles, and college endowments. In addition, MOF II Management provides investment advisory services to the Managed Account, whose sole investor is an insurance company.

The minimum account size necessary to open and maintain an account with us varies by the type of Client. For instance, the common stock of the BDC is traded on the New York Stock Exchange and there are no minimum investment requirements or investor accreditation requirements to invest in the BDC.

Investors in MOF I Onshore and MOF II Onshore must be (i) “qualified purchasers” within the meaning of the 1940 Act and (ii) “accredited investors” as defined in Rule 501(a) of Regulation D of the Securities Act of 1933, as amended. Investors in MOF I Offshore and MOF II Offshore must be (i) non-U.S. citizens or (ii) U.S. tax-exempt entities.

MOF I is in the harvesting and investment realization phase and is no longer making new investments or seeking new investors. During the investment period for MOF II, which is continuing, investors are required to make minimum capital commitments of at least \$10 million. There are no minimum investment requirements for Managed Accounts.

Depending on the circumstances (including fund size, investment strategy, and level of required portfolio servicing), we may impose or waive minimum investment requirements that might otherwise apply to the particular Fund or Client.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

We, on behalf of our Clients, generally target private debt transactions ranging from \$10 to \$50 million. These private debt transactions may take the form of secured loans to corporate and asset-based borrowers, and may utilize structures such as sale leaseback transactions, direct asset purchases or other hybrid structures that replicate the economics and risk profile of secured loans. For a description of the strategy employed on behalf of each Client, please also see, Item 4B, “Advisory Business – Description of Advisory Services.”

We believe that a well-structured portfolio of private debt transactions can generate equity-like returns with the risk profile of secured debt. Private debt combines attractive elements of both equity and fixed-income investments because transactions are generally structured as secured loans with equity upside in the form of options, warrants, cash flow sharing, co-investment rights or other participation features. As a result, we believe our private debt strategy offers upside potential, similar to mezzanine and private equity investments, and downside protection, similar to bank loans.

B. Risk of Loss

Investing in securities involves risk of loss that Clients should be prepared to bear. More specifically, investing in private debt instruments, as detailed above, commonly involves the following material risks:

- an above average degree of risk, speculation, and volatility, and a possible loss of principal;
- loss of all or part of an investment;
- uncertainty as to the value of portfolio investments that are not publicly-traded securities;
- credit, liquidity, and interest rate risks;
- bankruptcy and insolvency of issuers;
- lack of control over portfolio companies in which our Clients do not hold a controlling equity interest, thereby reducing the value of such investments;
- subordination of our Clients’ debt investments to other debt incurred by portfolio companies;
- inability of portfolio companies to generate sufficient cash flow to service debt obligations;
- inability to realize gains on equity investments;
- economic, political, taxation, and regulation uncertainty with respect to investments in non-U.S. issuers;

- limited input, control, and remedies with respect to the reference securities underlying investments in synthetic securities;
- lender liability and equitable subordination; and
- concentration risk with respect to obligors, region, and industry.

For a more complete discussion of the risks associated with investing with us, potential investors should refer to each Fund's PPM, the BDC's registration statement on Form N-2, and other Client Offering Documents.

C. Recommendation of a Particular Type of Security

While we have broad discretion in making investments for our Clients, our Clients' investments will generally consist of private debt instruments.

ITEM 9
DISCIPLINARY INFORMATION

To the best of our knowledge, there are no legal or disciplinary events that are material to our Clients' evaluation of our advisory business or the integrity of our management.

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration

Neither we nor our management personnel (i) are registered as broker-dealers, or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

Neither we nor our management personnel (i) are registered as futures commission merchants (“FCM”), commodity pool operators (“CPO”), and commodity trading advisors (“CTA”) with the Commodity Futures Trading Commission (“CFTC”), or (ii) have any application pending to register with the CFTC or the National Futures Association as a FCM, CPO, CTA, or an associated person of a FCM, CPO, or CTA.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our various advisory affiliates, including Medley Credit Strategies, LLC, Clients and other industry participants are material to our advisory business. Prospective investors should carefully consider the risks involved in an investment with us, including, but not limited to, those discussed below. Prospective investors should consult their own legal, tax and financial advisers as to all of these risks and as to an investment with us generally. For the purposes of this section 10.C, the terms “we,” “us,” and “our” include our advisory affiliate Medley Credit Strategies, LLC.

Conflicts Relating to Multiple Clients. We provide investment advisory services to multiple Clients, including a Managed Account. In addition, we expect to act as the investment manager to other investment vehicles and accounts in the future. There is no limit on the number of investment vehicles or accounts that we may manage or advise. Further, we and our personnel may have investments in certain of our Clients. As a result of the foregoing, we may have conflicts of interest in (i) allocating the time and resources of our personnel between and among our Clients, (ii) allocating investment opportunities between and among Clients, and (iii) effecting transactions between Client accounts, including Clients in which we or our personnel may have different financial interests.

To address actual and potential conflicts of interest and to fulfill our fiduciary duties to each of our Clients, we have adopted the Code of Ethics and the Conflicts Procedures (as defined below), as well as our Aggregation and Allocation Policy which provides for the allocation of investment opportunities in a manner that is fair and equitable over time so that no Client is disadvantaged in relation to any other Client. In certain cases, an investment opportunity that is suitable for multiple Clients may not be capable of being shared among some or all of such Clients due to the limited availability of the opportunity or other factors, including, in the case of the BDC, regulatory restrictions imposed by the 1940 Act. In situations where co-investment among multiple Clients is not feasible, permitted or appropriate, we will need to decide which Client(s) will proceed with the investment. We will make these determinations based on our

Aggregation and Allocation Policy, which will generally require that such opportunities be offered to eligible Clients on a basis that will be fair and equitable over time. For a description of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

Conflicts Relating to Material Non-Public Information

Our principals and employees may serve as directors of, or in a similar capacity with, companies in which we invest or in which we are considering making an investment. Through these and other relationships with a company, these individuals may obtain material non-public information that might restrict our ability to buy or sell the securities of such company, or take other actions, under our policies, the policies of the relevant company, or applicable law. In order to mitigate and limit the instances in which we will be subject to these restrictions, we have adopted a Confidentiality Policy that establishes and maintains controls with respect to the acceptance, use, and handling of confidential information by our personnel.

Conflicts Relating to Time and Resources of Investment Professionals

As noted above, we provide investment advisory services to multiple Clients and are not restricted from forming new investment vehicles, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with us and/or may involve a commitment of substantial time and resources of our personnel, including our investment professionals. These activities could be viewed as creating a conflict of interest in that our time and effort, and the time and effort of our personnel, will not be devoted exclusively to our business, but will be allocated between our business and other business activities, including the performance of investment advisory services for others.

Conflicts Relating to Our Financial Interests in Our Clients

We may have investments in our Clients, the size of which may differ by Client. Further, as noted above, the type and amount of fees paid to us also differs among Clients. In addition, our employees may invest in the Clients that we advise, and consequently have differing ownership interests in different Clients. These differences in the financial interests in our Clients may result in a conflict of interest when allocating investment opportunities among Clients. We have adopted our Aggregation and Allocation Policy to address such conflicts. For a description of our Aggregation and Allocation Policy, please see Item 6, “Performance-Based Fees and Side-by-Side Management.”

Conflicts Relating to Investments in Different Parts of the Capital Structure

We may invest in different classes of securities of companies on behalf of different Clients based upon the particular investment objectives and strategies of such Clients. If Clients hold different classes of securities of a company and that company encounters financial problems, decisions over the terms of any workout or reorganization may raise conflicts of interest. For example, a senior debt holder may be better served by a liquidation of the company in which it will be paid in full, whereas a junior debt holder might prefer a reorganization that could create value for the junior debt holder. We have adopted the Conflicts Procedures to address these types of conflicts.

Conflicts Relating to Service by Our Personnel or Affiliates to Portfolio Companies and Clients

Pursuant to the Code of Ethics, with the permission of our Chief Compliance Officer (the “CCO”), our employees may serve as directors of, and receive compensation such as shares of common stock, warrants, etc. from, various portfolio companies that we may purchase or sell on behalf of Clients, which may give rise to potential conflicts. Certain employees may also receive a portion of such Client’s profits based on the Client’s investment performance as part of their compensation in accordance with the relevant governing documents of such Client, and may make investments in Clients advised by us on a reduced fee basis which may give rise to potential conflicts of interest. We have adopted the Code of Ethics and Conflicts Procedures to address these types of conflicts.

Conflicts Relating to the Selection of Broker-Dealers and Other Service Providers.

While we select our broker-dealers, prime brokers, counterparties, and service providers in accordance with our fiduciary obligations to our Clients, from time to time, such parties may also invest in Funds or accounts managed by us. We have adopted our Code of Ethics and the Conflicts Procedures to address these types of conflicts. For a discussion of our best execution policy, please see Item 12 “Brokerage Practices – Selection of Broker-Dealers and Reasonableness of Compensation.”

Conflicts Relating to the Engagement of Placement Agents.

Placement agents that we may engage to solicit investors are subject to a conflict of interest because they will be compensated in connection with their solicitation activities. For a more detailed discussion of our engagement of placement agents, please see Item 14, “Client Referrals and Other Compensation,” below.

Conflicts Procedures

We have adopted various policies and procedures to address actual and apparent conflicts involving the Advisers and our Clients (the “**Conflicts Procedures**”). These policies and procedures, which may be modified from time to time at our sole discretion, may require prior review or approval of certain transactions by our CCO or members of senior management. Relevant policies and procedures for addressing conflicts with respect to a particular Client may be described in greater detail in the Offering Documents for that Client. With respect to affiliate transactions or other matters giving rise to conflicts of interest, the relevant governing documents may provide for consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, an advisory committee comprised of certain of the underlying investors in a pooled investment vehicle, or, in the case of the BDC, by the independent members of the board of directors. Our policies and procedures for addressing such potential conflicts, together with the provisions of relevant Offering Documents concerning such potential conflicts, may limit our ability to buy or sell a security for a Client or otherwise participate in an investment opportunity for a Client, or to take other actions that we might consider in the best interests of a Client and its investors.

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our Clients.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics

We demand the highest standards of ethical conduct and care from all of our employees, officers, and directors. Our officers, directors, and employees, whom we collectively refer to as our “personnel,” must abide by this basic business standard and must not take inappropriate advantage of their position. Our personnel are under a duty to exercise their authority and responsibility for the benefit of our Clients, and may not have outside interests that inappropriately conflict with our Clients’ interests. Our personnel must avoid circumstances or conduct that adversely affect, or that appear to adversely affect our Clients.

Pursuant to Rule 204A-1 of the Advisers Act and Rule 17j-1 of the 1940 Act, we have adopted a Code of Ethics with the BDC to establish applicable policies, guidelines, and procedures that promote ethical practices and conduct by all of our personnel and to prevent violations of the Advisers Act and the 1940 Act. Our Code of Ethics is predicated on the principle that we owe a fiduciary duty to our Clients. It consists of several policies primarily designed to address potential conflicts of interest, including a Personal Investment Policy, an Inside Information Policy, and a Gifts, Entertainment, Political Contributions and Outside Activities Policy.

Our personnel must observe the applicable standards of care set forth in our Code of Ethics and may not seek to evade the policies and procedures set forth therein in any way, including through indirect acts by family members or other associates. Further, all activities involving the BDC are subject to the 1940 Act and the policies and procedures adopted by the BDC as set forth in the BDC’s Regulatory Compliance Manual. The obligations set forth in our Code of Ethics are in addition to, and not in lieu of, any other policies and procedures we adopt in respect of the conduct of our business. Our personnel must certify at least annually that they have read, understand, are subject to, and have complied with our Code of Ethics and our Regulatory Compliance Manual. Our personnel must comply with applicable federal securities laws and must report violations of our Code Ethics to our CCO.

We will provide a copy of our Code of Ethics, free of charge, to any Client or investor or any prospective Client or prospective investor upon request. Our Code of Ethics may be requested by contacting our Chief Compliance Officer, Richard T. Allorto, at 212-759-0777 or rallorto@medleycapital.com.

B. Recommending, Buying, or Selling Securities in which We or a Related Person Have a Material Financial Interest, Invest, or Buy or Sell at the Same Time

Conflicts of interest may occur when we, our affiliates, or our personnel invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that we recommend to our Clients. For example, we or our personnel may invest in the BDC or the Funds, and, therefore, such persons may hold an

indirect interest in the same securities as other investors in the BDC or the Funds. In addition, our personnel may own securities in their personal accounts that we also have recommended to our Clients. Our Code of Ethics and the policies and procedures set forth therein have been designed to limit conflicts of interest in cases where we or any of our personnel, buy, sell, or otherwise have an interest in, securities we have recommended to our Clients.

Cross Trades

Cross-trades are transactions between two clients of the same investment adviser, regardless of whether a broker-dealer is engaged to effect the transaction. Consistent with our Clients' organizational documents and any applicable law, we may utilize cross-trades to address account funding issues, save brokerage commissions or mark-ups/mark-downs, or for other bona fide portfolio management reasons. Under our policies and procedures, any proposed cross-trade must be advantageous to each of the Clients involved in the transaction. The applicable portfolio manager(s) must seek the approval of our CCO in advance of the trade and must provide information such as the size of the trade, confirmation that the positions are freely tradable, documentation regarding the price of the transaction, and an assertion that the transaction is advantageous to each Client involved. Any cross-trades involving the BDC must be made in accordance with the policies adopted by the BDC and the requirements of the 1940 Act.

Principal Transactions

In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, a client. In very limited instances, we may buy securities from, or sell securities to, our Clients. Section 206(3) of the Advisers Act requires an investment adviser to provide written disclosure to a client and obtain the client's consent prior to settlement of any principal transaction. Prior to execution of a principal transaction, the employee recommending the trade must prepare a brief memorandum setting forth the reasons that the transaction is in the best interests of the Client involved, explaining how the transaction will be priced and demonstrating compliance with the relevant provisions of the Advisers Act relating to such type of transaction, including the client consent requirement of Section 206(3). The organizational documents of Clients that are pooled investment vehicles, such as a Fund, may also require the approval of an advisory committee comprised of underlying investors to consent to a principal transaction. The 1940 Act prohibits principal transactions with the BDC.

Personal Trading Policy

As discussed above, our personnel must abide by our Code of Ethics. As a general matter, our personnel owe an undivided duty of loyalty to our Clients. Our personnel may not use their knowledge concerning a trade, pending trade, or contemplated securities transaction by the BDC or any other Clients, to profit personally as a result of such transaction, including by purchasing or selling such securities.

As required by Rule 204A-1 of the Advisers Act and Rule 17j-1 of the 1940 Act, our Code of Ethics contains a Personal Trading Policy which mandates that our personnel disclose their personal securities holdings and transactions made in a "Reportable Security," as defined in our Code of Ethics. Further, our personnel are generally prohibited from purchasing or selling,

for any personal accounts, any securities that at that time are listed on our “Restricted List,” which contains a list of companies about which we have determined that it is prudent to restrict trading because, among other reasons, (i) we may possess material non-public information, (ii) we may owe a fiduciary obligation, or (iii) our Clients own or intend to purchase an interest. Further, our personnel may not invest in an initial public offering or a private placement without the prior, express written approval of our CCO.

The Code of Ethics also contains policies and procedures to prevent the misuse of material non-public information by our personnel, including the misuse of material non-public information about our securities recommendations and Client securities and transactions. Our Code of Ethics describes what constitutes “material” and “non-public” information, and outlines the penalties to which our personnel are subject if they trade on such information.

The Code of Ethics also provides that our personnel may not engage in “front running,” an illegal practice in which an investment professional takes a position in a security in advance of an action he or she knows will predictably affect the price of the security. The Restricted List and the prohibition on “front running” are intended to prevent us and our personnel from buying or selling securities contemporaneously with our Clients.

ITEM 12 BROKERAGE PRACTICES

A. Selection of Broker-Dealers and Reasonableness of Compensation

Generally, we invest in securities for our Clients in illiquid debt issued by private issuers for which there are a limited universe of trading counterparties. Indeed, we often originate our own debt offerings in which cases we transact directly with an issuer/portfolio company and do not effect a transaction through a broker-dealer at all. From time to time, however, we effect transactions through agents and broker-dealers and have adopted a best execution policy and corresponding procedures in respect of our duty to obtain “best execution” for our Clients’ securities transactions.

Our objective in selecting broker-dealers and executing transactions is to seek to obtain the best combination of price and execution. We consider the full range and quality of a broker-dealer’s service in selecting broker-dealers to meet our best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for our Clients. As a starting point, we consider the trade price and imputed mark-up/markdown. These things being equal or fairly equal among broker-dealers, the following qualitative factors, among others, may be considered: (i) liquidity of the securities traded and current market conditions; (ii) ability to maintain the confidentiality of trading intentions; (iii) ability to place trades in difficult market environments; (iv) quality and value of the research services provided; (v) execution facilitation services provided; (vi) timeliness of execution and trade confirmations; (vii) allocation of limited investment opportunities; (viii) custody services provided; (ix) frequency and correction of trading errors and fairness in resolving disputes; (x) ability to access a variety of market venues; (xi) expertise as it relates to specific securities; (xii) intermediary compensation (dealer spreads); (xiii) financial condition and business reputation; and (xiv) gross compensation paid to each broker-dealer.

1. Research and Other Soft Dollar Arrangements

Currently, we do not have any “soft dollar” arrangements with any broker-dealers. Nevertheless, subject to applicable legal requirements and consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), we may in the future select a broker-dealer based upon brokerage or research services provided to us or our Clients. Such research services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. In return for soft dollar and other benefits and services, our Clients may pay a higher commission (or markup/markdown) than other brokers would charge. We may nevertheless choose to engage a broker-dealer charging a higher commission – a practice referred to as “paying-up” – if we determine in good faith that such commission is reasonable in relation to the services provided.

If we use Client brokerage commissions (or markups/markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. The receipt of research and other soft dollar benefits from broker-dealers provides an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients’ interest

in receiving the most favorable execution. We would only use soft dollars to service the account of the Client that paid for those benefits. Similarly, we would seek to allocate soft dollars to Client accounts proportionately to the soft dollar credits generated by each account.

In the last fiscal year, we have not directed Client transactions to a particular broker-dealer in return for soft dollar and other benefits, nor have we acquired any products or services with Client brokerage commissions (or markups/markdowns).

2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive Client or investor referrals from a broker-dealer or other third party.

3. Directed Brokerage

We do not require or request that our Clients direct us to execute transactions through a specified broker-dealer. Should a current or future Client desire to direct us to execute transactions through a specified broker-dealer, we may accommodate this request and direct the Client's brokerage transactions to the specified broker-dealer pursuant to such Client's written instructions. By directing transactions to certain broker-dealers, we may be unable to achieve the most favorable execution of Client transactions and this practice may cost our Clients more money. For example, in a directed brokerage account, we may not be able to aggregate orders to reduce transaction costs and our Clients may receive less favorable prices.

B. Aggregating Orders for Various Client Accounts

Although our Clients historically have not invested in a manner that requires order aggregation and allocation (i.e. investing simultaneously on behalf of multiple Clients) and the 1940 Act limits our ability to make co-investments between the BDC and our other affiliates, we have adopted an Aggregation and Allocation Policy to ensure that our Clients are afforded fair and equitable treatment when aggregating and allocating Client trade orders as well as expenses incurred in such transfer. In addition, the BDC has recently received an exemptive order from the SEC which, under specified conditions including the approval of our independent directors, will permit co-investments between the BDC and our other Clients.

As a general principle, we will only aggregate transactions when we believe that such an aggregation is lawful and consistent with our duty to seek best execution for our Clients, and is consistent with the pertinent Clients' investment management agreements, offering memoranda, or other operative documents or any other obligation we may have undertaken with respect to each Client for which trades are being aggregated. In such cases, individual investment advice and treatment will be accorded to each Client and we will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation.

For a more detailed discussion of the allocation portion of our Aggregation and Allocation Policy, please see Item 6, "Performance-Based Fees and Side-by-Side Management."

ITEM 13

REVIEW OF ACCOUNTS

A. Periodic Review of Client Accounts

In connection with the review of our Clients' accounts, we have adopted Portfolio Management Review and Suitability Policies. As part of these policies, we maintain investment committees for each Client, each of which is comprised of persons designated by our senior management to evaluate, approve, and monitor investments (and dispositions of investments) by the applicable Client. The investment committees, in consultation with our CCO, will periodically review our Clients' portfolios, performance, and prospects in order to identify irregularities and/or inappropriate positions. Any exceptions will be noted and logged by our CCO or a compliance representative.

B. Additional Review of Client Accounts

In addition to the investment committees, our investment professionals meet and review Client portfolios on a more frequent, informal basis as members of our senior management or our CCO may deem to be prudent or appropriate.

C. Contents and Frequency of Account Reports to Clients

In general, we will report to the BDC's board of directors on a quarterly basis, or more frequently as the board may request. The reports will contain information regarding the BDC's portfolio, including current holdings, account balances, and leverage. In addition, as required by the Exchange Act, the BDC will file written periodic, quarterly, and annual reports with the SEC.

Generally, we will provide the underlying investors in the Funds with (i) a quarterly unaudited status report of recent Fund activities; (ii) an annual audited report and summary update of investments and (iii) annual tax information necessary for completion of U.S. federal income tax returns. Pursuant to the Managed Account Management Agreement, we provide the Managed Account with monthly valuation reports for each investment, copies of certain agreements and financial statements relating to each investment, and other reports that may be requested.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

We generally do not receive economic benefits from third parties for providing investment advice or other advisory services to our Clients, except as specifically described below. Currently, our only Clients are the BDC, the Funds, and the Managed Account.

From time to time, MOF II Management may receive a “loan origination fee” from a third-party borrower in connection with certain of its investments. Pursuant to the MOF II PPM and the Managed Account Management Agreement, such fees are shared equally between MOF II Management, on the one hand, and MOF II and the Managed Account, pro rata, on the other hand.

B. Compensation to Non-Supervised Persons for Client Referrals

We have entered into solicitation agreements with third parties. Under the terms of the agreements, we will compensate a solicitor if persons introduced by the solicitor become investors in the Funds or the BDC. We may make cash payments or may share a portion of our management or incentive fees with these solicitors. Our CCO reviews such arrangements to confirm compliance with: (i) Rule 206(4)-3 under the Advisers Act, also known as the Cash Solicitation Rule; and (ii) other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers. We have adopted a Solicitors and Placement Agents Policy to govern the engagement of solicitors.

ITEM 15 CUSTODY

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Investment advisers are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, futures commission merchants, and certain foreign financial institutions.

Rule 206(4)-2 generally requires that, upon opening an account with a qualified custodian on a client’s behalf, advisers promptly notify the client in writing of the name and address of the qualified custodian and the manner in which the funds or securities are maintained. Generally, advisers also must verify that the custodian sends quarterly account statements to the client. By rule, account statements must be sent directly to investors in a pooled investment vehicle if the adviser to the pool also acts as its general partner, managing member or in a similar capacity (or, in some cases, if an affiliate of the adviser acts as general partner, managing member or in a similar capacity). These account statements may be sent to the investors’ independent representative. Under certain circumstances, at least once each calendar year, an independent public accountant must verify the funds and securities of a client by surprise examination.

As noted above, Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, advisers need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or in certain circumstances, to all limited partners, members, or other beneficial owners, within 120 days (180 days in the case of a fund of fund adviser) of its fiscal year end.

MCC Advisors may be deemed to have custody of the funds and securities of the BDC for purposes of the Custody Rule. The BDC, however, will prepare audited financial statements and make such audited financial statements publicly available within 120 days of the BDC’s fiscal year end in accordance with its Exchange Act reporting requirements. Accordingly, even if deemed to have custody of the funds and securities of the BDC for purposes of the Custody Rule, MCC Advisors will be exempt from the Rule 206(4)-2 quarterly custodial statement and surprise examination requirements with respect to the BDC. Further, the BDC intends to deposit and maintain its securities and funds in the custody of a bank or banks meeting the qualifications set forth in Section 26(a) of the 1940 Act.

In addition, Medley Capital and MOF II Management are deemed to have custody of the funds and securities of MOF I and MOF II, respectively, and must, therefore, comply with the requirements of the Custody Rule. Medley Capital and MOF II Management intend to distribute the audited financial statements of MOF I and MOF II to investors within the 120-day time period and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements. MOF II Management does not have custody of the funds and securities of the Managed Account.

ITEM 16

INVESTMENT DISCRETION

At the outset of an advisory relationship, we typically receive discretionary authority from Clients to select the securities to be purchased and sold by the Client. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives and governing documents of the particular Client.

When selecting and determining the amount of an investment, we observe the investment policies, limitations, and restrictions of the Clients we advise. Our Clients may place limitations on our investment authority in their investment advisory agreement or other Offering Documents, including, without limitation, restrictions on transactions in securities issued by companies in a specific industry or direction as to the specific brokers and dealers that must be used to execute transactions. Additionally, the BDC is subject to certain federal securities and tax laws, including the 1940 Act, which limit the types of investments that can be made and require diversification of investments.

Our Clients must provide us with investment guidelines and restrictions in writing. Additionally, we require that Clients exercise a power of attorney in our favor.

For a complete discussion of our advisory business and the services we provide to our Clients, please see Item 4, “Advisory Business.”

ITEM 17

VOTING CLIENT SECURITIES

We have accepted, and in the future will continue to accept, the discretionary authority to vote our Clients' securities. As such, we have adopted a Proxy Voting, Waivers and Amendments Policy (the "**Proxy Voting Policy**") and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations. The Proxy Voting Policy applies to voting securities held by our Clients and has been designed to ensure that we vote proxies in the best interest of our Clients. Additionally, because we invest primarily in direct lending to portfolio companies or enter into other types of lending participation agreements, the Proxy Voting Policy applies to requests for waivers and amendments to various loan transaction documents. For purposes of the Proxy Voting Policy, we treat requests for waivers or amendments as proxies.

When voting proxies our primary objective is to make decisions in the best interest of our Clients. In fulfilling our obligations to our Clients, we will act in a manner deemed to be prudent and diligent to enhance the economic value of the underlying securities held by each of our Clients. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts of interest between our interests and the interests of our Clients.

A member of our senior management will be responsible for making voting decisions with regard to all of our Clients' proxies. When voting proxies, some, but not all, of our considerations include:

- the view and opinion of management of the portfolio companies in which our Client holds a position and the effect of management's position on the value of our Client's investment;
- with regard to corporate governance matters, the purpose underlying the Client's investment position, including the investment horizon and the current or planned ownership position and degree of our involvement, on behalf of our Client, in management;
- with regard to proposals related to stock option plans and other management compensation issues, the portfolio company's need to recruit and retain highly qualified individuals in competitive labor markets and the relevant industry standards and practices;
- the purpose of proposed changes to the capital structure of a portfolio company and the likely effect of the change on the Client's investment; and
- with regard to proposals related to social and corporate responsibility, we will generally defer to company management, but will not support any proposals that may conflict with the portfolio company's ability to maximize long-term profits or may have an adverse effect on our Client's investment.

The BDC has delegated the exercise of its proxy voting rights to MCC Advisors. Although the board of directors of the BDC will review and approve the Proxy Voting Policy

and periodically review proxy votes where a material conflict of interest has been identified, the BDC cannot direct how MCC Advisors votes on a particular solicitation or request. Generally, our other Clients cannot direct how we vote on a particular solicitation.

When deciding how to vote proxies certain conflicts of interest may arise. For example, portfolio companies in which different Clients are invested may be competing for or involved in similar transactions, investments, lines of business, or types of research. Voting a proxy, waiver or amendment with regard to one Client's portfolio company may adversely affect the prospects or business of another Client's portfolio company. In acting upon these matters on behalf of our Clients, we will seek to avoid or mitigate material conflicts between and among our Clients and ourselves. In addition to the Proxy Voting Policy, we have adopted the Code of Ethics and Conflicts Procedures. For a detailed discussion of these procedures, please see Item 10, "Other Financial Industry Activities and Affiliations." In addition, each Client's Offering Documents may include provisions for the identification and mitigation of conflicts of interest. In certain cases, the Offering Documents for a particular Client may provide for an advisory committee comprised of a small group of investors who are convened at our request to address conflicts. In these cases, conflict resolution will be addressed with the advisory committee as contemplated in the Offering Documents.

We will maintain proper records in connection with our Proxy Voting Policy and as required under the Advisers Act. Our Clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations with respect to requests for waivers or amendments by contacting our Chief Compliance Officer, Richard T. Allorto, at 212-759-0777 or rallorto@medleycapital.com.

ITEM 18
FINANCIAL INFORMATION

A. Balance Sheet

We are not required to attach a balance sheet because we will not be requiring or soliciting the payment of fees six months or more in advance.

B. Contractual Commitments to Our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.