

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

MEDLEY

Medley Capital LLC

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This brochure provides information about the qualifications and business practices of Medley Capital LLC (“**Medley Capital**”) and its affiliated adviser, MOF II Management LLC (“**MOF II Management**,” and, together, the “**Advisers**,” “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (the “**CCO**”), 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.

Medley Capital is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Our 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. Our brochure may be requested, free of charge, by contacting our CCO, Richard T. Allorto, at 212-759-0777 or rallorto@medleycapital.com.

We were previously listed as relying advisers on the brochure filings of MCC Advisers, LLC, a Delaware limited liability company (the “**Medley BDC Adviser**”), that provides investment advisory services (as defined below) to Medley Capital Corporation (“**Medley BDC**”), a business development company (“**BDC**”) regulated under the Investment Company Act of 1940, as amended (the “**1940 Act**”). Another affiliated adviser, SIC Advisors LLC, a Delaware limited liability company (the “**Sierra BDC Adviser**”) provides investment advisory services to Sierra Income Corporation (“**Sierra BDC**”), a BDC also regulated under the 1940 Act. We refer to the Medley BDC Adviser and the Sierra BDC Advisers collectively as the “**BDC Advisers**,” and to Medley BDC and Sierra BDC collectively as the “**Medley BDCs**.” The BDC Advisers have each filed a separate Form ADV, Part 1 in accordance with SEC regulations and rules, and the Medley BDCs file periodic reports with the SEC in accordance with the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

Medley Credit Strategies, LLC, an affiliated adviser which previously filed a separate brochure, withdrew its registration effective March __, 2013 and is in the process of winding down its business.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

Medley Capital is a Delaware limited liability company formed in 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 in 2009. MOF II Management provides investment advisory services to Medley Opportunity Fund II LP (“**MOF II Onshore**”). It may in the future provide investment advisory services to Medley Opportunity Fund II (Cayman) LP which has been formed but does not have any underlying investors or assets under management at the time of the filing of this brochure (“**MOF II Offshore**,” and, together with MOF II Onshore, “**MOF II**”). MOF II is a private equity fund.

MOF II Management also provides investment advisory services to managed accounts (the “**Managed Accounts**”) which have the opportunity, but not the obligation, to make side-by-side investments with MOF II.

Each of MOF I and MOF II are individually referred to as a “**Fund**,” or collectively as the “**Funds**.” We collectively refer to the Funds, together with the Managed Accounts, as our “**Clients**.”

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. Further, the BDC Advisers provide investment advisory services to Medley BDC and Sierra BDC, and 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 (as defined below).

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 million and \$250 million.

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 II Management, on behalf of MOF II and the Managed Accounts, 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”), 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, we 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). These terms may include the waiver or reduction of base management fee and/or incentive fees, the provision of additional or more frequent 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, 2012, we had \$895,787,205 in regulatory assets under management on a discretionary basis, and \$167,900,000 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 typically 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 the underlying investors) based on a variety of factors, including the amount of the investment and the nature of the proposed investments.

Subject to the specific terms of their IMAs or other Offering Documents, we typically directly deduct our fees from the Funds, and typically invoice each of the Managed Accounts for payment. Depending on the Client, we bill our fees quarterly in arrears, quarterly in advance, or annually in arrears. Client funds and accounts initiated or terminated during a payment period will typically be charged a prorated base management fee and incentive fee. Upon termination of any Client fund or account, we will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

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 Agreements with MOF I

Medley Capital provides investment advisory services to MOF I Onshore and MOF I Offshore pursuant to IMAs. In exchange for Medley Capital’s investment advisory services, for 2013, MOF I pays Medley Capital a management fee (the “**MOF I Management Fee**”) in an amount equal to: (i) 1.25% per annum of the capital accounts attributable to the MOF I Onshore interests of each limited partner; and (iii) 1.25% per annum of the net assets attributable to each MOF I Offshore share. The MOF I Management Fee will be reduced to 0.75% per annum in 2014 and will be further reduced to zero in 2015 and thereafter. 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 Medley Capital 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 is equal to 20% of the aggregate cash distributions to investors in excess of the MOF I net asset value as of September 30, 2012 NAV and will be subject to a preferred return commencing October 2014.

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 the Fund, 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, we are 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 the investment advisory services provided to MOF I.

C. Investment Management Agreements with MOF II

MOF II Management provides its investment advisory services to MOF II Onshore and may provide such services to MOF II Offshore pursuant to IMAs. Commencing on its initial closing and continuing through the end of the Fund’s investment period in June 2014, MOF II pays a management fee (the “**MOF II Management Fees**”) equal to 1.50% per annum based on the aggregate capital commitments in each MOF II fund. Thereafter, the annual MOF II Management Fees will be equal to 1.50% per annum based upon the lesser of (i) the original cost basis and (ii) the then fair market value of the investments then held by the applicable 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, we 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, we are entitled to indemnification by MOF II against any loss or damage incurred by us on behalf of, in furtherance of the objectives of, or arising out of the investment advisory services provided to MOF II.

D. Investment Management Agreements with the Managed Accounts

MOF II Management provides investment advisory services to each of the Managed Accounts pursuant to an IMA (collectively, the “**Managed Account Management Agreements**”). In exchange for investment advisory services, each Managed Account pays a management fee (the “**Managed Account Management Fees**”) ranging from 0.75% to 2.0% of the lesser of (i) the cost basis of the investments held by the applicable Managed Account, and (ii) the fair value of such investments. 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 a Managed Account Management Agreement, MOF II Management will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

In addition, each of the Managed Accounts pay MOF II Management an incentive fee (the “**Managed Account Incentive Fee**”). The Incentive Fee for each of the Managed Accounts is generally 20% of the cash proceeds derived from their 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 Accounts are responsible for ongoing expenses relating to their operations and administration. In addition, the Managed Accounts are generally responsible for any fees and expenses which (i) are directly attributable to any investment made on behalf of the

Managed Accounts 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 Agreements, in general, the Managed Accounts 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 MOF II Management's acts, errors or omissions in connection with the performance of any of its respective obligations to each of the Managed Accounts under the applicable Managed Account Management Agreement, except to the extent that such action, suit or proceeding results from MOF II Management's breach of the applicable Managed Account Management Agreement or its willful malfeasance, fraud, dishonesty, bad faith, gross negligence, or violation of any law or regulation.

E. 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 Client’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, investment policies and any restrictions 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.

ITEM 7

TYPES OF CLIENTS

We provide investment advisory services to MOF I and MOF II 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 Accounts, whose investors are insurance companies and their affiliates or principals.

The minimum account size necessary to open and maintain an account with us varies by the type of Client.

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 a particular Fund or Client.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

On behalf of our Clients, we generally target private debt transactions ranging from \$10 million to \$50 million in secured financing transactions with borrowers principally located in North America. We refer to these borrowers as our “**Portfolio Companies.**” These private debt transactions typically take the form of secured loans to corporate and asset-based borrowers, and may utilize structures such as direct asset purchases or 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 and investors should be prepared to bear. There can be no assurance that our investment program(s) will be successful or that investments purchased by Clients will increase in value. We utilize investment techniques, which practices can, in certain circumstances, increase the adverse impact to which our Clients may be subject. Investors should carefully review this brochure and the applicable Offering Documents before deciding to invest with us.

Nature of Investment. Investments will generally consist of corporate credit and asset-based debt and equity instruments issued by privately-held companies located in North America and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on our Clients’ investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of our Clients’ activities and the value of its investments. In addition, the value of our Clients’ portfolios may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that our Clients will achieve their investment objectives.

Debt Securities and Obligations. We will invest on behalf of our Clients in various corporate and asset-based debt obligations. These debt obligations are subject to the risk of an issuer’s inability to meet principal and interest payments on the obligations (credit risk). We may intend to actively expose our Clients to credit risk. However, there can be no guarantee that we will be successful in making the right selections and thus fully mitigate the impact of credit risk on our

Clients. A debt security or obligation may be subject to redemption at the option of the issuer. If a debt security or obligation held by our Clients are called for early redemption, our Clients will be required to permit the issuer to redeem such security or obligation, which could have an adverse effect on our Clients' ability to achieve their investment objectives.

General Risks of Lending. The value of our Clients' investments in debt instruments may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted instrument. We may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value we assign to collateral underlying a debt instrument held by our Clients will be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain debt instruments may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a debt instrument may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting such debt instruments may fluctuate. In addition, active lending/origination by our Clients may subject it to additional regulation, as well as possible adverse tax consequences to our Clients. We will seek to adopt appropriate procedures to minimize such risks. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted debt instruments and, if applicable, taking possession of and subsequently liquidating various types of collateral.

Lower Rated Debt and Preferred Securities. We may invest on behalf of our Clients in debt instruments and preferred securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in comparable non-rated debt instruments and securities. Debt instruments and securities in the lower rating categories and comparable non-rated debt instruments and securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated debt instruments and securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay dividends and interest and repay principal. They are also generally considered to be subject to greater risk than debt instruments and securities with higher ratings and comparable non-rated debt instruments and securities in the case of deterioration of general economic conditions. The market for lower-rated and comparable non-rated debt instruments and securities is thinner, often less liquid, and less active than that for higher-rated and comparable non-rated debt instruments and securities, which can adversely affect the prices at which such debt instruments and securities can be sold and may even make it impracticable to sell such debt instruments and securities.

Risk of Bridge Financing. Our Clients are permitted to make bridge loan investments, subject to certain limitations. Bridge loan commitments are obligations that our Clients will make to a Portfolio Company to provide financing with the intention to ultimately sell down a portion of its bridge loan commitment to third parties in order to reduce its risk. If our Clients makes a bridge loan to an issuer with the intent of selling all or a portion of the loan to third parties (or otherwise reducing its portion of the investment), there is a risk that our Clients will be unable to successfully complete such a reduction.

Interest Rate Risk. Our Clients are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income instruments tends to increase. This risk will typically be greater for long-term securities than for short-term securities. Our Clients may attempt to minimize the exposure of its portfolio to interest rate changes through the use of interest rate swaps, interest rate futures, interest rate options and/or other hedging strategies. However, there can be no guarantee that we will implement such hedges, or if we do so, that we will be successful in fully mitigating the impact of interest rate changes on the portfolio.

Bankruptcy of Portfolio Companies. We may make investments on behalf of our Clients in Portfolio Companies that become subject to severe financial difficulties. These severe financial difficulties may never be overcome and may cause such Portfolio Companies to become subject to bankruptcy proceedings. In such situations, our Clients' investments will be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a Portfolio Company and that high administrative costs may impair the value of the Portfolio Company. In addition, such investments could subject our Clients to certain additional potential liabilities that may exceed the value of our Clients' original investment therein. For instance, under certain circumstances, payments to our Clients may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in Portfolio Companies that become involved in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Some of the investments our Clients will make may ultimately require active monitoring and representation on official and unofficial creditors' committees for a Portfolio Company involved in a reorganization proceeding or restructuring. Accordingly, on behalf of our Clients, we may seek representation on such committees from time to time if we, in our discretion, determine that such representation is necessary or advisable to protect or further our Clients' interests. Serving on an official or unofficial committee increases the possibility that our Clients will be deemed an "insider" or a "fiduciary" of the Portfolio Company they have so assisted and may restrict our Clients' trading of its investments in such Portfolio Company. Should such assistance be provided before a Portfolio Company enters bankruptcy proceedings, the Bankruptcy Court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by our Clients in such Portfolio Company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such Portfolio Company (as discussed further under "Lender Liability Considerations and Equitable Subordination" below). Claims of equitable subordination may also arise outside of the context of our Clients' committee activities. In addition, if representation on a creditors' committee of a Portfolio Company causes our Clients to be deemed an affiliate of the Portfolio Company, the securities of such Portfolio Company held by our Clients may become restricted securities, which are not freely tradable. As our Clients will indemnify any person serving on a committee on its behalf for claims arising from

the breaches of those obligations, indemnification payments could adversely affect the return on our Clients' investment in a Portfolio Company.

Risks in Effecting Operating Improvements and Board Participation. In some cases, the success of our Clients' investment strategy may involve, in part, efforts by us, on behalf of our Clients, to restructure and effect improvements in the operations of a Portfolio Company. The activity of identifying and implementing potential operating improvements at a Portfolio Company entails a high degree of uncertainty. Certain features of a relevant business environment (e.g., a Portfolio Company's reluctance or inability to effect layoffs or close or divest unprofitable business lines) may impede or prevent the implementation of necessary restructuring steps for such Portfolio Companies.

There can be no assurance that we will be able to successfully identify and cause or persuade a Portfolio Company to implement such improvements. Further, to the extent that our Clients own a controlling stake in, have representatives on a board of directors or creditors' committee, or are deemed an affiliate of a particular Portfolio Company, they may be subject to certain additional bankruptcy or securities laws restrictions which could affect both the liquidity of our Clients' interest and our Clients' ability to liquidate its interest without adversely impacting the investment's price, including insider trading restrictions, the affiliate sale restrictions of Rule 144 of the Securities Act and the disclosure requirements of Sections 13 and 16 of the Exchange Act. In addition, to the extent that affiliates of our Clients or we are subject to such restrictions, our Clients, by virtue of their affiliation with such entities, may be similarly restricted, regardless of whether our Clients stand to benefit from such affiliate's stock ownership.

Lender Liability Considerations and Equitable Subordination. In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of our Clients' investments, our Clients could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (b) engages in other inequitable conduct to the detriment of such other creditors; (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Because of the nature of certain of our Clients' investments, our Clients could be subject to claims from an obligor's creditors that investments issued by such obligor that are held by our Clients should be subject to equitable subordination. Certain of our Clients' investments may involve situations in which our Clients would not be the lead creditor. It is, accordingly, possible

that lender liability or equitable subordination claims affecting our Clients' investments could arise without the direct involvement of our Clients.

Subordination. A portion of our Clients' investments may consist of securities that are subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets, and thus, would be subordinated to the prior payment in full of such debt. Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer, general economic conditions, or both may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer.

Risks Upon Disposition of Investments. In connection with the disposition of an investment in a Portfolio Company, our Clients may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. Our Clients may also be required to indemnify the purchasers or underwriters of such investment to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities.

Target Market. Our Clients expect to invest their assets primarily in privately held companies with enterprise or asset values below \$150 million. While we believe these investments often provide significant potential for appreciation, investments in such companies involve higher risks than investments in larger companies. For example, prices of such investments are often more volatile than prices of investments in large-capitalization companies. In addition, due to thin trading in some such investments, an investment in these companies may be more illiquid than investments in larger capitalization companies.

Special Situations. Our Clients may invest in Portfolio Companies involved in (or the target of) acquisition attempts or tender offers, or Portfolio Companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment involving any such Portfolio Company, there exists the risk that the anticipated transaction will be unsuccessful, take considerable time or result in the Portfolio Company distributing to our Clients cash or a new security having a lesser value than our Clients' purchase price for the investment replaced by such distribution. Similarly, if an anticipated transaction does not occur, our Clients may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of investments in Portfolio Companies involved in such transactions, there is a potential risk of loss by our Clients of the entire investment in such Portfolio Companies.

Illiquid Investments. Our Clients' assets are invested primarily in illiquid securities, and a substantial portion of our Clients' investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of any of our Clients' portfolios quickly, we may realize significantly less than the value at which we have previously

recorded our investments. We may also face other restrictions on our ability to liquidate an investment in a Client Portfolio Company to the extent that we or any of our affiliates have material nonpublic information regarding the Portfolio Company.

Risk of Reliance on Portfolio Company Management. While it is our intent to invest in Portfolio Companies with proven management teams in place, there can be no assurance that such management will continue to operate successfully. Although we will monitor the performance of each investment, we will rely upon each Portfolio Company's management to operate its respective Portfolio Company on a day-to-day basis and equity sponsors, who control the boards of directors of their respective Portfolio Companies, to select qualified management for such Portfolio Companies. Further, our Clients will often hold a minority position in Portfolio Companies and our ability to exercise influence over such Portfolio Companies may be extremely limited.

Lack of Diversification. While we intend to select Portfolio Companies that we anticipate will create an appropriately diversified portfolio, there is no assurance as to the degree of diversification that will actually be achieved in our Clients' portfolio investments. However, our Clients' portfolios may be relatively concentrated by sector, may have limited (if any) geographic diversification, and may be subject to greater volatility than if their portfolios maintained a greater diversification among issuers, industry sectors, and locations.

Projections; Valuation Models. We may rely upon projections developed by us or a Portfolio Company concerning the Portfolio Company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond our control. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a Portfolio Company to realize projected values and cash flow. Further, our strategies may be based, in part, on valuation and similar models which we have developed over time. Numerous firms commit substantial resources to the updating and maintenance of existing models as well as the ongoing development of new models. As market dynamics shift over time, a previously highly successful model may become outdated—perhaps without us recognizing that fact before substantial losses are incurred. There can be no assurance that we will be successful in maintaining effective models.

Risk Control and Monitoring Framework. No risk control or monitoring system is fail-safe, and no assurance can be given that the risk and monitoring control framework employed by us will achieve its objectives. Target risk limits developed by us may be based upon historical trading patterns for the securities and financial instruments in which our Clients invest. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.

Derivative Financial Instruments and Techniques. We may invest, on behalf of our Clients, in derivative financial instruments as part of a hedging strategy. The risks posed by such instruments and techniques, which can be extremely complex, may include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset); (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the

financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity) and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). Use of derivatives and other techniques such as short sales involve certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

Counterparty Risk. Certain instruments in which we may invest on behalf of our Clients may, in certain circumstances, bear credit risk with regard to other parties involved, as well as risk of settlement default. Moreover, transactions directly between two counterparties (e.g., off-exchange) may not be afforded certain protections, such as settlement, segregation and minimum capital requirements, applicable to intermediaries, and therefore may expose the parties to the risk of counterparty default. To the extent our Clients invest in loan assignments and/or loan participations, our Clients may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It may not always be possible for the securities and other assets deposited with custodians or brokers to be clearly identified as being assets of our Clients, and our Clients may be exposed to a credit risk in those situations. In addition, there may be practical or time problems associated with enforcing our Clients' rights to its assets in the case of an insolvency of any such party.

Under certain conditions, our Clients could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid, which losses could be material. In addition, our Clients could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with whom our Clients do business or entrust securities for custodial purposes; such losses could be material.

In addition, a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, whether or not a counterparty of our Clients, may cause a series of defaults by the other institutions, some of which may be counterparties of our Clients.

Such a circumstance also may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which our Clients interacts on a daily basis. Misconduct by counterparties could cause significant losses to our Clients. Losses could result from actions by third party service providers, including failing to recognize trades and misappropriating assets. In addition, third party service providers may violate legal or contractual obligations to us or our Clients, including improper use or disclosure of our Clients' confidential information. Although our Clients will adopt measures to select reliable third party providers, such measures may not be effective in all cases.

For a more complete discussion of the risks associated with investing with us, potential investors should refer to each Fund's 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 with the Commodity Futures Trading Commission as futures commission merchants, commodity pool operators and commodity trading advisors or (ii) have any application pending for such registrations.

C. Material Relationships and Conflicts of Interests with Industry Participants

Our relationships and arrangements with our various advisory affiliates (including the BDC Advisers), our Clients and other industry participants are material to our advisory business. Prospective investors and Clients should carefully consider the risks associated with 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 purposes of this Item 10.C, our Clients include Medley BDC and Sierra BDC.

Conflicts Relating to Multiple Clients.

We provide investment advisory services to multiple Clients, including the Managed Accounts. 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 well as the Medley BDCs. 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 our Clients, and (iii) effecting transactions between Clients, 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. 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, Portfolio Companies or with companies 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. Our senior management, affiliates, and investment professionals will devote as much of their time to our respective Clients as we deem reasonably required to perform our duties to our Clients pursuant to our investment management agreements and in accordance with reasonable commercial standards.

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 to Portfolio Companies and Clients

Pursuant to the Code of Ethics, with the permission of our CCO, our employees may serve as directors of, and receive compensation such as shares of common stock, warrants, etc. from, Portfolio Companies, 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."

Conflicts Relating to Our Loan Origination Services

Our Clients may invest in loans originated by us or one of our affiliates and in which we or an affiliate may serve as an administrative agent. Our role as originator and administrative agent on a loan generates fees and creates duties which may conflict with the interest of our Clients. We have adopted the Conflicts Procedures to address these types of conflicts.

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, or an advisory committee comprised of certain of the underlying investors in a pooled investment vehicle. 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 us, and may not have outside interests that inappropriately conflict with the interests of our Clients’ and us. Our personnel must avoid circumstances or conduct that adversely affects, or that appears to adversely affect, our Clients or us.

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics to establish applicable policies, guidelines and procedures that promote ethical practices and conduct by all of our personnel and that prevent violations of the federal securities laws, including the Advisers 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. 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 of 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 CCO, 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. 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 our Client(s) and the Medley BDCs must be made in accordance with the policies adopted by the Medley BDCs 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.

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 any of our Clients to profit personally as a result of such transaction, including by purchasing or selling such securities.

Our Code of Ethics contains a Personal Trading Policy which mandates that our personnel disclose their personal securities holdings and transactions made in "Reportable Securities," 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 or issuers 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 for our Clients in illiquid debt issued by private issuers for which there are a limited universe of trading counterparties. In fact, 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/mark-down. 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 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 mark-up/mark-down) 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 mark-ups/mark-downs) 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 mark-ups/mark-downs).

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

To the extent we seek to invest simultaneously or co-invest on behalf of multiple Clients, 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 transactions.

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' Offering Documents or any other obligation we may have undertaken with Clients for whom 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. The 1940 Act limits our ability to make co-investments with the Medley BDCs; although the SEC has issued an exemptive order which, under specified conditions including the approval of the independent directors of the Medley BDCs, allows the Medley BDCs to co-invest with our Clients.

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' portfolios, we have adopted a Portfolio Management Review Policy and a Suitability Policy. 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) on behalf of the applicable Client(s). 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 prudent or appropriate.

C. Contents and Frequency of Account Reports to Clients

In general, 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 Agreements, we provide the Managed Accounts with monthly valuation reports for each investment, copies of certain agreements and financial statements relating to each investment, and other reports upon request.

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 Funds and the Managed Accounts.

From time to time, MOF II Management may receive a loan origination fee from a third-party borrower in connection with certain investments made by MOF II on behalf of our Clients. Pursuant to the MOF II Offering Documents and the Managed Account Management Agreements, such fees are shared equally between, on the one hand, MOF II Management and, on the other hand, MOF II and the Managed Accounts, pro rata to the extent of their participation, if any, in the investment.

B. Compensation to Non-Supervised Persons for Client Referrals

We have in the past and may in the future enter into solicitation agreements with third parties, including placement agents, pursuant to which we may compensate persons who are not our supervised persons for Client referrals, or for introductions to persons who become investors in pooled investment vehicles we manage. We may make cash payments to or share a portion of our fees with such solicitors. Our CCO, or his designee, reviews such arrangements in order to determine whether such arrangements: (i) are subject to Rule 206(4)-3 under the Advisers Act, the “**Cash Solicitation Rule**,” and, if so, whether the arrangements comply with the Cash Solicitation Rule, and (ii) comply with other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers. Placement agents that solicit or refer potential Clients or investors to us are subject to a conflict of interest because they will be compensated in connection with their solicitation activities. We have adopted a Solicitors and Placement Agents Policy to govern the engagement of solicitors and comply with the Cash Solicitation Rule.

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 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.

We are deemed to have custody of the funds and securities of MOF I and MOF II and must comply with the requirements of the Custody Rule. We intend to distribute the audited financial statements of investors in MOF I and MOF II 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 Accounts.

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.

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. We do not typically have discretionary authority over investments for our Managed Accounts.

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 Section 206 of, and Rule 206(4)-6 under 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 prudent and diligent manner 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 of our considerations include:

- the view and opinion of management of the Portfolio Company in which our Client holds a position and the effect of management's position on the value of our Client's investments;
- 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 Portfolio 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.

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 in order to address such conflicts. 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 of interest. 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 CCO, 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.