

ITEM 1
COVER PAGE
PART 2A OF FORM ADV: FIRM BROCHURE

Medley Capital LLC
MOF II Management LLC
MOF III Management LLC
Medley SMA Advisors LLC
MCOF Management LLC
Medley (Aspect) Management LLC

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March 31, 2021

This brochure provides information about the qualifications and business practices of Medley Capital LLC ("**Medley Capital**") and certain of our affiliated advisers, namely, MOF II Management LLC ("**MOF II Management**"), MOF III Management LLC ("**MOF III Management**"), Medley SMA Advisors LLC ("**Medley SMA**"), MCOF Management LLC ("**MCOF Management**"), and Medley (Aspect) Management LLC ("**Aspect Management**") (each, an "**Adviser**" and collectively, the "**Advisers**," "**we**," "**us**," or "**our**"). Each of these affiliated advisers is listed as a relying adviser, ("Relying Adviser") on our ADV, Part I. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (the "**CCO**"), Nathan Bryce, at 212-759-0777 or nathan.bryce@mdly.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 and unless otherwise noted, information contained in this brochure is as of December 31, 2020. Additional information about the Advisers is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Medley Capital is 167354.

We are 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

Since we filed our annual update to Form ADV, Part 2A on May 15, 2020, other than as discussed in Item 9, with respect to the disclosure of the Securities and Exchange Commission's investigation, and in Item 18, with respect to the bankruptcy petition of Medley LLC, we do not have any material changes to report at this time. Our brochure may be requested, free of charge, by contacting our CCO, Nathan Bryce, at 212-759-0777 or nathan.bryce@mdly.com. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

Background

Medley Management Inc. (NYSE: MDLY "**Medley**") is an asset management firm offering yield solutions to retail and institutional investors. Medley focuses on credit-related investment strategies, primarily originating senior secured loans to private middle market companies in the United States that have revenues between \$50 million and \$1 billion. Medley generally holds these loans to maturity.

Each of the Advisers is either a direct or indirect subsidiary of Medley Management Inc.

The Medley Advisers

We currently conduct our business through the following affiliated advisers (each, an "Adviser," and collectively, the "Advisers," "we," "us," or "our"):

- Medley Capital is a Delaware limited liability company formed in 2006. Medley Capital provides investment advisory services to Caddo Investor Holdings I LLC ("**Caddo**").
- 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**"). MOF II is a private fund.
- MOF III Management is a Delaware limited liability company formed in 2014. MOF III Management provides investment advisory services to Medley Opportunity Fund III LP ("**MOF III**") and MOF III Offshore GP LLC ("**MOF III Offshore**"). MOF III and MOF III Offshore are private funds.
- Medley SMA is a Delaware limited liability company formed in 2014. Medley SMA provides investment advisory services to various separately managed accounts (the "**Separately Managed Accounts**") and two private funds, Medley Real D (Annuity) LLC ("**Medley Real D**") and Medley Credit Strategies (KOC) LLC ("**KOC**").
- MCOF Management is a Delaware limited liability company formed in 2016. MCOF Management provides investment advisory services to Medley Credit Opportunity Cayman Fund LP, Medley Credit Opportunity Delaware Fund LP, Medley Credit Opportunity Fund LP (collectively, "**MCOF**"). MCOF is a private fund.
- Aspect Management is a Delaware limited liability company formed in 2016. Aspect Management provides investment advisory services to Aspect-Medley Investment Platform A LP and Aspect-Medley Investment Platform B LP ("**Medley Aspect A and B**"). Aspect A and B are private funds.

Each of MOF II, MOF III, MOF III Offshore, Medley Real D, KOC, Aspect A and B, and MCOF are individually referred to as a "**Fund**," or collectively as the "**Funds**." We collectively refer to the Funds, together with the Separately Managed Accounts, as our "**Clients**." We refer to the underlying investors in our Funds and Separately Managed Accounts as our "**Investors**."

The Medley 1940 Act Advisers

- Prior to January 1, 2021, MCC Advisors LLC, a Delaware limited liability company (the "**MCC Adviser**"), provided investment advisory services to Medley Capital Corporation ("**MCC**"), a business development company ("**BDC**") regulated under the Investment Company Act of 1940, as amended (the "**1940 Act**"). MCC Adviser's management agreement with MCC terminated by its terms without renewal on December 31, 2020, and on January 1, 2021, MCC changed its name to PhenixFIN Corporation and became an internally managed BDC. As of January 1, 2021, MCC Advisors ceased to provide investment advisory services and effective March 31, 2021 it withdrew its registration as an investment adviser with the SEC.
- SIC Advisors LLC ("**SIC Advisors**") is a Delaware limited liability company. SIC Advisors provides investment advisory services to Sierra Income Corporation ("**SIC**"), a BDC also regulated under the 1940 Act.
- STRF Advisors LLC ("**STRF Advisors**") is a Delaware limited liability company. STRF Advisors provided investment advisory services to Sierra Total Return Fund ("**STRF**") through April 2, 2020. STRF was a registered investment company regulated under the 1940 Act until March 26, 2020 when it deregistered. STRF Advisors has ceased to provide investment advisory services and effective March 31, 2021 it withdrew its registration as an investment adviser with the SEC.
- SOF Advisors LLC ("**SOF Advisors**") is a Delaware limited liability company. SOF Advisors intended to provide investment advisory services to Sierra Opportunity Fund ("**SOF**"). SOF was formed as a registered investment company regulated under the 1940 Act. SOF did not raise funds or have any assets under management or active operations. SOF is expected to wind down its affairs. Effective March 31, 2021 STRF Advisors withdrew its registration as an investment adviser with the SEC.

We refer to SIC Advisors, which is our affiliate, but is not a Relying Adviser, collectively as the "**1940 Act Adviser**," and to SIC as the "**BDC**."

The 1940 Act Adviser has filed a separate Form ADV, Part 1 in accordance with SEC regulations and rules, and the BDC files periodic reports under the Securities Exchange Act of 1940, as amended (the "**Exchange Act**").

Each of the following individuals own or control more than 25% of the voting interests in Medley and the Advisers: Brook Taube and Seth Taube.

B. Description of Advisory Services

We provide investment management, advisory and certain administrative services, and other related services (collectively, the "**investment advisory services**") to Clients, 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.

C. Availability of Customized Services for Individual Clients

We tailor our investment advisory services to the individual needs of our Clients. The Client's IMA, each Fund's private placement memorandum (a "**PPM**"), and other organizational and governing 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, Medley may, based on a variety of factors including the amount and nature of the proposed investment, enter into agreements with certain Clients or Investors that may, in each case, provide for terms of investment that are more favorable than the terms provided to other Clients (or their 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.

We currently provide investment advisory services to each of MOF II, organized in 2010, MOF III, organized in 2014, MOF III Offshore, organized in 2017, Medley Real D, organized in 2016, MCOF, organized in 2016, Aspect A and B, organized in 2016 and 2018, respectively, KOC, organized in 2016, and Caddo, organized in 2016. Our private funds are managed through partnership or limited liability company structures, in which limited partnerships or limited liability companies organized by us accept commitments or funds for investment from institutional investors and high net worth individuals, and a general partner or manager makes all policy and investment decisions, including selection of the investment adviser. The limited partners and members of private funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence or the voting or disposition of the securities or assets held by such funds, although limited partners and members often have the right to remove the general partner or manager or cause an early liquidation by super-majority vote. As our private funds are closed-ended, once an Investor makes an investment, the Investor is generally not able to withdraw or redeem its interest, except in very limited circumstances.

We have provided investment advisory services to Separately Managed Account Clients since 2010 and currently provide investment advisory services to fifteen Separately Managed Account Clients. Our IMAs with our Separately Managed Account Clients typically provide the Client with the opportunity to invest side-by-side with our other Clients on certain investments. These IMAs typically provide for the Client to dictate the risk tolerances and target returns of the account, and may also provide for the Client, rather than us, to have discretion over initial investment decisions we make on behalf of the Client. The Separately Managed Account Clients are generally able to terminate the IMAs only after the Adviser completes the disposition of all of the investments.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Regulatory Assets Under Management

As of December 31, 2020, we had \$763,243,656 regulatory assets under management on a discretionary basis, and \$1,068,104,953 assets under management on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

A. General

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 charge our Clients a management fee and may earn performance- fees or carried interest in the event that specified investment returns are achieved by the Client. Our management fees, performance fees and carried interest vary by Client, and we may negotiate different fee schedules for Clients (or Investors) based on a variety of factors, including the amount of the investment and the nature of the proposed investments. We may, in certain circumstances, enter into agreements with certain Clients (or Investors) that may, in each case, provide for investment terms that are more favorable than the terms provided to other Clients (or Investors). Such terms may include the waiver, reduction or sharing of management and/or incentive fees, the provision of additional information or reports, more favorable transfer rights, and more favorable liquidity rights.

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 Separately Managed Accounts for payment. Depending on the Client, we typically bill our fees quarterly in arrears or quarterly in advance. 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 Fund or Separately Managed Account, we will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due. The Separately Managed Account Clients are generally able to terminate the IMAs only after the Adviser completes its disposition of all of the investments. With respect to the Funds, our IMA's typically provide that each of the Adviser and the Client may terminate the IMA with sixty (60) days' written notice to the other party. With respect to our Funds, insofar as our affiliates control the general partner or manager of such Funds, our affiliates generally control termination of the IMA for such Funds, subject to their fiduciary or contractual duties as general partner or manager. However, the applicable Fund governing agreements may permit the Investors of each respective fund to remove our affiliates as general partner or manager by a majority or, in certain circumstances, a super majority vote. In addition, the fund governing documents may provide for dissolution of the fund upon certain changes of control.

Each Client's IMA or the Fund's governing documents specify that Clients may incur certain charges imposed by custodians, administrators, brokers, and other third parties, including custodial fees, administration fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, each Client's IMA or the Fund's governing documents may specify that that the Client may be responsible for reimbursement of certain expenses advanced by the Advisers, which may include organizational, investment related, legal, overhead, administration, and other advisory expenses. Our management fees are exclusive of such organizational expenses, brokerage commissions, custody fees, fund expenses, transaction fees, and other related costs and expenses. Where expenses are allocable to multiple Funds or Clients or the Advisers, expenses are allocated among the various Funds, Clients, or the Adviser on a fair and equitable basis, allocating such expenses to the applicable Funds or Clients or Advisers on a fair and equitable basis consistent with the terms of each Client's IMA or the Fund's governing

documents. 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. Fee Structure

As investment adviser of our private funds and Separately Managed Accounts, we receive an annual management fee and may earn incentive fees. In general, management fees are calculated at an annual rate of 0.75% to 2.00% of the value of capital accounts or the value of the investments held by each Investor, Fund or Separately Managed Account, as applicable. Management fees are calculated quarterly and are paid in cash in advance or in arrears depending on each specific fund or SMA. The management fee may be offset by an amount ranging from 50% to 100% of certain transaction and advisory fees we receive in connection with services we provide to any entity in which the Fund or account has invested. In addition, we generally receive incentive fees in an amount equal to 15% to 20% of the realized cash derived from an investment, subject to a cumulative annualized preferred return to the Client or Investor, as applicable of 6% to 8%, which is in turn subject to a 50% to 100% catch-up allocation to the investment adviser.

C. Additional Compensation and Conflicts of Interest

We may from time to time receive compensation in connection with services we provide as arranger or administrative agent in connection with loans originated by us or one of our affiliates. Our role as originator and administrative agent on a loan generates fees and creates duties which may conflict with the interests of our Clients. We have adopted the Conflicts Procedures to address these types of conflicts.

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We may 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 higher performance or incentive fee arrangements over Clients that are charged a lower performance fee or are not charged a performance fee at all. 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, allocations among Clients will 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 fairly; 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.

The 1940 Act limits our ability to make co-investments with the BDC. In October 2017, we received an amended order from the SEC that expanded our ability to negotiate the terms of co-investment transactions among the BDC and our other Clients (the "**Exemptive Order**"), subject to the conditions included therein. In situations where co-investment with other Clients is not permitted or appropriate, we will need to decide which Client will precede with the investment. We will make these determinations based on our policies and procedures, which generally require that such opportunities be offered to eligible accounts on an alternating basis that will be fair and equitable over time. Moreover, except in certain circumstances, the BDC will be unable to invest in any issuer in which another of our Clients holds an existing investment. Similar restrictions limit the ability of the BDC to transact business with our officers or directors or their affiliates.

Under the terms of the Exemptive Order, a "required majority" (as defined in Section 57(o) of the 1940 Act) of the independent directors of the BDC must make certain conclusions in connection with a co-investment transaction involving the BDC and our Clients, including that (i) the terms of the proposed transaction are reasonable and fair to the BDC and the BDC's stockholders and do not involve overreaching of the BDC or its stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of the BDC's stockholders and is consistent with its investment strategies and policies.

ITEM 7

TYPES OF CLIENTS

We provide investment advisory services to the Funds, whose Investors include individuals, trusts, investment companies, government and private pension plans, unregistered pooled investment vehicles and college endowments. Medley SMA provides investment advisory services to the Separately 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 the Funds 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.

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 focus on credit-related investment strategies and target primarily senior secured loans to private, middle-market companies principally located in the North America that have revenues between \$50 million and \$1 billion. We refer to these borrowers as our “**Portfolio Companies**.” We generally hold these loans to maturity. For a description of the strategy employed on behalf of each Client, please also see, Item 4B, “Advisory Business – Description of Advisory Services.”

Direct origination, careful structuring and active monitoring of our loan portfolio are emphasized in our business. Since our inception in 2006, we have adhered to a disciplined investment process that employs these principles with the intention of protecting investor capital while delivering strong risk-adjusted investment returns. Our focus on protecting investor capital is reflected in our investment strategy; at December 31, 2020, approximately 73% of the combined portfolios investments were in first lien positions. We believe that our ability to directly originate, structure and lead deals enables us to consistently lend at higher yields with better terms. In addition, the loans we manage generally have a contractual maturity between three and seven years and are typically floating rate (at December 31, 2020, approximately 79% of the loans we manage, based on aggregate principal amount, bore interest at floating rates), which we believe positions our business well for rising interest rates.

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. We will have broad discretion in making investments for our Clients. Investments will generally consist of interests in corporate credit and asset-based debt and equity instruments issued by privately-held companies located in North America and other credit-related 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 their 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 any of our Clients will achieve their investment objectives.

Debt Securities and Obligations. We 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 a Client is called for early redemption,

such Client will be required to permit the issuer to redeem such security or obligation, which could have an adverse effect on such Client's ability to achieve its investment objective.

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 assigned by us 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 (as described in more detail below). 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 and/or the limited partners. 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.

Senior Secured Debt and Second Lien Secured Debt. We may invest, on behalf of certain of our Clients, in senior secured term debt and second lien secured debt. When our Clients participate in senior secured term debt and second lien secured debt of Portfolio Companies, they will generally have the benefit of a security interest (either directly or indirectly through the participating lender) in the available assets of these Portfolio Companies, including the equity interests of their subsidiaries. We intend this security interest to help mitigate the risk that our Clients will not be repaid. However, there is a risk that the collateral securing our Clients' investments may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the applicable Portfolio Company to raise additional capital. Also, in some circumstances, the security interest could be subordinated to claims of other creditors. In addition, deterioration in a Portfolio Company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the debt security. Furthermore, with respect to investments in the form of a participation, the security interest will be subject to counterparty risk (as described in more detail below). Consequently, the fact that debt is secured does not guarantee that our Clients will receive principal and interest payments according to the investment terms, or at all, or that it will be able to collect on the investment should we be forced to enforce our remedies.

Lower Rated Debt and Preferred Securities. We may invest on behalf of our Clients in debt instruments and preferred securities that 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. Certain of our Clients are permitted to make bridge loan investments, subject to certain limitations. Bridge loan commitments are obligations that such 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 a Client 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 such Client will be unable to successfully complete such a reduction.

Leverage. Certain of our Clients may utilize leverage at the fund level in such amounts as we determine. This may result in such Clients controlling more assets than they have equity. Leverage increases our Clients' returns if our Clients earn a greater return on investments purchased with borrowed funds than our Clients' cost of borrowing such funds. However, the use of leverage exposes our Clients to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had our Clients not borrowed to make the investments, (ii) accelerations of our Clients debt financing which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds our Clients' cost of leverage related to such investments. In the event of a sudden, precipitous drop in value of a Client's assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client. In addition to using leverage as part of our investment strategy, we may also use a limited amount of borrowings in order to manage our Clients' cash flow. Of course, many (if not most) of the Portfolio Companies in which our Clients will invest will be significantly leveraged themselves. Such investments are inherently more sensitive than others to declines in revenues and to increases in expenses and interest rates. Such leveraged capital structures will increase the exposure of the Portfolio Companies to adverse economic factors such as downturns in the economy or deterioration in the business of the Portfolio Company or its industry.

Interest Rate. Our Clients are subject to financial market risks, including changes in interest rates. Due to the continuing effects of the prolonged economic crisis, interest rates have remained at or near historic lows. In the event of a significant rising interest rate environment, our Portfolio Companies with adjustable-rate debt could see their payments increase and there may be a significant increase in the number of our Portfolio Companies who are unable or unwilling to repay their debt. Investments in companies with adjustable-rate debt may also decline in value in response to rising interest rates if the rates at which they pay interest do not rise as much, or as quickly, as market interest rates in general. Similarly, during periods of rising interest rates, our Clients' investments with fixed rates may decline in value because they are locked in at below market yield. We may attempt to minimize the exposure of our Clients' portfolios 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 such portfolios.

Bankruptcy of Portfolio Companies. Certain of our Clients may make investments 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, the 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 the Clients to certain additional potential liabilities that may exceed the value of their original investment therein. For instance, under certain circumstances, payments to our Clients and distributions from our Clients to their beneficial owners 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 (as described in more detail below).

Some of the investments our Clients 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, our Clients 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 in our Clients' interests. Serving on an official or unofficial committee increases the possibility that a Client will be deemed an "insider" or a "fiduciary" of the Portfolio Company it has so assisted and may restrict our ability to trade the Client's 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 the Client 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 described in more detail below). Claims of equitable subordination may also arise outside of the context of a Client's committee activities. In addition, if representation on a creditors' committee of a Portfolio Company causes any of our Clients to be deemed an affiliate of the Portfolio Company, the securities of such Portfolio Company held by such 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 a Clients' investments in a Portfolio Company.

Risks in Effecting Operating Improvements and Board Participation. In some cases, the success of a Client's investment strategy may involve, in part, our efforts 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 our Clients will be able to successfully identify and cause or persuade a Portfolio Company to implement such improvements. Further, to the extent that any of our Clients own a controlling stake in, have representatives on a board of directors or creditors' committee of, or are deemed an affiliate of a particular Portfolio Company, such Clients may be subject to certain additional bankruptcy or securities laws restrictions which could affect both the liquidity of such Clients' interests and such Clients' ability to liquidate their interests 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 U.S. Securities Exchange Act of 1934, as amended (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 (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) 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, such Clients could be subject to claims from an obligor's creditors that investments issued by such obligor that are held by such Clients should be subject to equitable subordination. Certain of our Clients' investments may involve situations in which such 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, which might ultimately have to be funded by the Partners.

Debt Incurrence. A Client's Portfolio Companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which such Client participates. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which such Client is entitled to receive payments with respect to the debt instruments in which it participates. Also, in the event of insolvency,

liquidation, dissolution, reorganization or bankruptcy of a Portfolio Company, holders of debt instruments ranking senior to such Client's investment in that Portfolio Company would typically be entitled to receive payment in full before such Client receives any distribution. After repaying such senior creditors, such Portfolio Company may not have any remaining assets to use for repaying its obligation to such Client. In the case of debt ranking equally with debt instruments in which a Client participates, the Client would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of the relevant Portfolio Company.

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 in some respects than do 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. Certain of our Clients may invest in Portfolio Companies involved in (or the target of) acquisition attempts or tender offers, or Portfolio Companies involved in workouts, 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 such Clients' purchase price for the investment replaced by such distribution. Similarly, if an anticipated transaction does not occur, such 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 such Clients of their entire investment in such Portfolio Companies.

Illiquidity of Investments. The debt and equity instruments in which our Clients will invest may have a limited market of potential purchasers and sellers. This factor may have the effect of limiting the availability of these instruments for purchase by our Clients and may also limit the ability of our Clients to sell such instruments at prices deemed appropriate by us prior to termination of our Clients or in response to changes in the economy or financial markets. Thus, there can be no assurance as to the timing and amount of distributions from our Clients. Further, losses on unsuccessful investments may be realized before gains on successful investments are realized.

Prepayments. Our Clients are subject to the risk that their investments in Portfolio Companies may be repaid prior to maturity. Subject to the terms of the Portfolio Company's agreement, when this occurs, we may reinvest these proceeds in temporary investments, pending their future investment in new Portfolio Companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new Portfolio Company may also be at lower yields than the debt that was repaid. As a result, our Clients' performance could be materially adversely affected if one or more Portfolio Companies elect to prepay amounts owed to our Clients.

Risk of Reliance on Portfolio Company Management. While we intend 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 for each of our Clients, there is no assurance as to the degree of diversification that will actually be achieved in any Client's portfolio investments. Each Client's portfolio may be relatively concentrated by sector, may have limited (if any) geographic diversification, and may be subject to greater volatility than if the Client's portfolio maintained a greater diversification among issuers, industry sectors, and locations.

Risks Associated with Non-U.S. Investments. Certain of our Clients may invest in businesses organized and operating principally outside of the United States. These types of investments will involve risks not typically associated with investments in the securities of U.S. companies. For instance, such risks may include, but are not limited to, (i) differing business cultures and legal regimes; (ii) greater price fluctuations and market volatility, less liquidity and smaller capitalization of securities markets; (iii) currency exchange rate fluctuations; (iv) higher rates of inflation; (v) controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on such Clients' ability to exchange local currencies for United States dollars; (vi) greater governmental involvement in and control over the economies; (vii) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (viii) less extensive regulation of the securities markets, (ix) longer settlement periods for securities transactions; (x) differences in tax regimes and changes in tax treaties and (xi) less developed corporate laws regarding fiduciary duties and the protection of investors. The foregoing factors may increase transaction costs and adversely impact the value of such Clients' investments in non-U.S. Portfolio Companies. In particular, laws and regulations of foreign countries may impose restrictions or approvals that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries also may impose taxes on such Clients. We intend to analyze the risks of investing in a jurisdiction outside the United States before making such investments, but we can give no assurance that a political or economic climate, or particular legal, regulatory, tax or other risks, might not adversely affect an investment by any of our Clients outside the United States.

Projections; Valuation Models. Our Clients 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 and the control of the Portfolio Company. 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 it has 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.

Reliance on Information Provided by Borrowers. A significant amount of the information that that will be provided to our Clients will be based on information provided to us by the borrowers or issuers (or their agents and intermediaries) in whose debt obligations our Clients will participate. While we will carefully review such information, there can be no guarantee that such information will be complete, accurate or reliable.

Follow-On Investments. Certain of our Clients may be called upon to provide follow-on funding for Portfolio Companies or may have the opportunity to increase their investment in such Portfolio Companies. There can be no assurance that these Clients will wish to make follow-on investments or that these Clients will have sufficient funds to do so. Any decision by a Client not to make a follow-on investment or its inability to make a follow-on investment may have a substantial negative impact on a Portfolio Company in need of such an investment or may diminish our Clients' ability to influence the Portfolio Company's future development.

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: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset); (iii) 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); (iv) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) 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) (ix) 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) and (x) leverage risk (exposure in excess of that provided by investors capital which may lead to magnified gains or losses, increased credit risk of default and interest accumulation)]. Use of derivatives and other techniques such as short sales involve certain additional risks, including (A) dependence on the ability to predict movements in the price of the securities hedged; (B) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio and (C) 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 a Client invests in loan

assignments and/or loan participations, the Client 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 involved 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 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 any 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 interact 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.

Economic Recession. Many of the Portfolio Companies in which our Clients invest will be susceptible to economic slowdowns or recessions and may be unable to repay debt investments owed to our Clients during these periods. Therefore, our Clients' non-performing assets are likely to increase, and the value of their portfolios is likely to decrease during these periods. Adverse economic conditions may also decrease the value of any collateral securing our Clients' participations in senior secured or second lien secured debt. A severe recession may further decrease the value of such collateral and result in losses of value in such Clients' portfolios and a decrease in their performance.

Certain Regulatory Considerations; Potential Changes in Laws. We intend to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities, and counties in which they operate. New and existing regulations, changing regulatory schemes, and the burdens of regulatory compliance all may have a material negative impact on the performance of Portfolio Companies that operate in these industries. We cannot predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can we predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on our Clients' investment performance. Further, amendments to the U.S. Bankruptcy Code, the Internal Revenue Code of 1986, or other relevant laws, as well as

application of recently enacted legislation, could alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment situation.

Operational Risk May Disrupt our Business, Result in Losses or Limit Our Growth.

Our business relies heavily on financial, accounting, and other information systems and technology. We face various security threats, including cyber security attacks to our information technology infrastructure and attempts to gain access to our proprietary information, destroy data or disable, degrade, or sabotage our systems. These security threats could originate from a wide variety of sources, including unknown third parties outside of Medley. Although we have not yet been subject to cyber-attacks or other cyber incidents and we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent disruptions to our systems. If any of these systems do not operate properly or are disabled for any reason or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of our network security systems, a cyber-incident or attack or otherwise, we could suffer financial loss, a disruption of our business, liability to our Funds, regulatory intervention, or reputational damage.

In addition, our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining the systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to the information systems, could have a material adverse effect on our business and results of operations.

Furthermore, we depend on our offices in New York and San Francisco, where a substantial portion of our personnel are located, for the continued operation of our business. An earthquake or other disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse effect on our ability to continue to operate our business without interruption. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems, technology and administration of our Funds and compliance matters. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of our Funds' operations and could impact our reputation, adversely affect our business, and limit our ability to grow.

Custody. There are risks involved in dealing with custodians that serve as "qualified custodian" and maintain the Funds and securities over which the Adviser has custody (except for securities that meet the privately offered securities exemption in the Custody Rule). There is no guarantee that the Custodian, or any other custodian that may be used from time to time, will not become bankrupt or insolvent. In such event, there is no certainty that, in the event of a failure of a financial institution that has custody of a Client's assets, the Client's assets would not incur losses due to there being unavailable for a period of time, the ultimate receipt of less than full recovery of the Client's assets, or both. In addition, a significant portion of the Client's assets may consist of participations in non-exchange traded debt instruments which generally are not capable of being "custodied" in the traditional sense. Accordingly, at any given time, the Client's account with their Custodian may only contain a relatively small portion of their assets.

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 primarily consist of private debt instruments.

ITEM 9
DISCIPLINARY INFORMATION

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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.

We do, however, note that, on September 17, 2019 the staff of the Securities and Exchange Commission's Division of Enforcement (the "Staff") informed Medley that it was conducting an informal inquiry and requested the production and preservation of certain documents and records. We fully cooperated with the Staff's informal inquiry and began voluntarily providing the Staff with any requested documents. By letter dated December 18, 2019, the Staff advised us that a formal order of private investigation (the "Order") had been issued and that the informal inquiry was now a formal investigation. The Order indicated that the investigation relates to Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2), and 206(4) of the Advisers Act, Rule 206(4)-8, Sections 13(a) and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 14a-9 thereunder. We continue to cooperate fully with the investigation. We cannot predict the outcome of, or the timeframe for, the conclusion of this investigation. An adverse outcome could have a material effect on the Company's business, financial condition, or results of operations.

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 advisers 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 1940 Act Advisers), our Clients and other industry participants are material to our advisory business. Prospective investors and Clients should carefully consider the risks and conflicts of interest 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 the BDC.

Conflicts Relating to Multiple Clients.

We provide investment advisory services to multiple Clients, including the Separately Managed Accounts. Our affiliated adviser provides investment advisory services to the BDC. 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 BDC. 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. Allocations among Advisory Clients will generally be made pro rata based on, among other things, each Advisory Client's account's capital available for investment. 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 or permissible under applicable law, or not 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 who we refer to as our “Personnel” 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 Personnel will devote as much of their time to our respective Clients as we deem reasonably required in order 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 Personnel 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 Personnel 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 Personnel may also receive a portion of a 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 interests 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 Investors in the funds or client accounts. 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 Personnel. 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 and 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 upon hire and 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, Nathan Bryce, at 212-759-0777 or nathan.bryce@mdly.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 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 our Fund Clients, 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 trade 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." Our Restricted List 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 about the company, (ii) we may owe a fiduciary obligation to the company, or (iii) our Clients own or intend to purchase an interest in the company. Further, our Personnel may not invest in an initial public offering or a private placement without the prior, 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 companies 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 the 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.

When effecting transactions through a broker-dealer, rather than transacting directly with a Portfolio Company or an agent bank, 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) order flow, if any, with a particular broker-dealer 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

We do not currently have any written arrangements or commitments to obtain or utilize research and related products or services obtained from broker-dealers, or third parties, on a traditional soft dollar commission basis. 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, as applicable) 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 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 acquired the following types of research and related products or services from broker-dealers with whom we did business: written information and analyses concerning specific securities, companies, or sectors; market, financial and economic studies, and forecasts, as well as discussions with research personnel; financial and industry publications; and statistical and pricing services. These products and services were not provided in exchange for execution or trade fees. We did not direct Client transactions to any particular broker in return for such 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 engage in any directed brokerage at this time.

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 BDC; although the SEC has issued the Exemptive Order which, under specified conditions, including the approval of the independent directors of the BDC, allows the BDC 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

We have adopted a Portfolio Management Review Policy and a Suitability Policy. As part of these policies, we maintain an investment committee for our Clients which is comprised of persons designated by our senior management to evaluate, approve, and monitor investments (and dispositions of investments) on behalf of our Client(s). In accordance with our Portfolio Management Review Policy, our investment committee is primarily responsible for ensuring that the investments held by our Clients are consistent with the respective Client's investment objectives and applicable investment guidelines and restrictions as per the Client's IMA or Offering Documents, as applicable. The investment committee, in consultation with our CCO, will periodically review our Clients' portfolios, performance, and prospects in order to identify irregularities and/or inappropriate positions.

B. Additional Review of Client Accounts

In addition to the investment committee, 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.

With respect to the non-discretionary assets of Separately Managed Account clients, in addition to the applicable account review processes described above, on an ongoing basis, we will continually review such assets on a continuous basis to recommend purchases of investment opportunities that we believe are suitable for such clients based on their particular investment guidelines or mandates. When a recommendation is accepted by a Separately Managed Account client, we are then responsible for arranging or effecting the purchase or sale of the investment.

C. Contents and Frequency of Account Reports to Clients

In general, we will provide the 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 applicable IMA, we generally provide the Separately 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. As required by the Exchange Act, the BDC files with the SEC written periodic, quarterly, and annual reports regarding composition of its portfolios and fund performance and, if requested, will provide more frequent reports to the respective boards of directors, as may be reasonably 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 Funds and the Separately Managed Accounts.

From time to time, the Advisers or one of their affiliates may receive directors' fees, transaction fees, closing fees, monitoring fees, amendment fees, break-up fees or other similar advisory fees or other compensation from a third-party in connection with loans or other investments on behalf of our Clients and other lenders or investors. Pursuant to the IMAs and the Funds' Offering Documents, a pro-rated portion of such amounts (based on the relative size of the investments) equal to 100% of any directors' fees and 50% of any other transaction fees will be used to offset and reduce management fees otherwise payable under the IMA.

We may from time to time receive compensation in connection with services we provide as arranger or administrative agent in connection with loans originated by us or one of our affiliates. Our role as originator and administrative agent on a loan generates fees and creates duties which may conflict with the interests of our Clients. We have adopted the Conflicts Procedures to address these types of conflicts.

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 our Funds. 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 ensure that placement agents and other "solicitors" disclose the nature of their relationship and compensation to investors referred to our Clients for investment.

We will only pay a cash fee, directly or indirectly, to a solicitor of investors for a Client pursuant to a written agreement. Our CCO, or his designee, oversees these solicitation arrangements, including the formation of new relationships. We typically will only engage registered broker-dealers to conduct solicitation activities on our behalf. The CCO determines the eligibility of prospective solicitors and will ensure that each solicitor complies with the terms of the written solicitation agreement.

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). It is our policy to direct investor withdrawal proceeds to the investor and not a third-party.

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 funds adviser) of its fiscal year end.

We are deemed to have custody of the funds and securities of our Fund Clients and must comply with the requirements of the Custody Rule. We intend to distribute the audited financial statements of the Funds within the 120-day time period, and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

We do not have custody of the funds and securities of our Separately Managed Account Clients.

ITEM 16

INVESTMENT DISCRETION

At the outset of an advisory relationship, except with respect to the Separately Managed Accounts, 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 applicable IMA, the stated investment objectives, and other governing documents, if any, of the particular Client as well as our Portfolio Management Review Policy.

When selecting and determining the amount of an investment, we observe the investment policies, limitations, and restrictions set forth in the IMA or the Offering Documents, if applicable, of the Clients we advise. Our Clients may place limitations on our investment authority in their IMA or other Offering Documents, including, without limitation, restrictions on transactions in securities issued by companies in a specific industry or geography, 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.

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

Although the investments in our Clients' portfolios do not typically involve proxy voting, 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 obligation. 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 engage primarily in direct lending to Portfolio Companies or enter into other types of lending participation agreements, our Proxy Voting Policy generally applies to requests for waivers and amendments to various loan transaction documents.

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 investments 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, Nathan Bryce, at 212-759-0777 or nathan.bryce@mdly.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

None of the Advisers have never been the subject of a bankruptcy petition.

Each of the Advisers are subsidiaries of Medley LLC. On March 7, 2021 (the "Petition Date"), Medley LLC commenced a voluntary case (the "Medley LLC Chapter 11 Case") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The Medley Chapter 11 Case is captioned In re: Medley LLC, Case No. 21-10526 (KBO). Medley LLC is the only entity that has filed for Chapter 11 protection, and none of the Advisers, nor Medley Management Inc. has filed any bankruptcy petitions. Medley LLC will continue to operate the advisory business through the Advisers as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. To ensure its ability to continue operating in the ordinary course of business, Medley LLC has filed with the Bankruptcy Court motions seeking a variety of "first day" relief, including authority to continue utilizing and maintaining its existing cash management system. Information about this Chapter 11 Case, including the case docket, may be found free of charge at <https://www.kccllc.net/medley>.