

MEDLEY MANAGEMENT INC.
Form DEF 14A
April 21, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant "

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

MEDLEY MANAGEMENT INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

Edgar Filing: MEDLEY MANAGEMENT INC. - Form DEF 14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 21, 2015

Dear Stockholders:

Please join us for Medley Management Inc.'s Annual Meeting of Stockholders on Tuesday, June 2, 2015, at 11:00 a.m., Eastern Time. For your convenience, we are pleased to advise that the Annual Meeting will be a completely virtual meeting, which will be conducted via live webcast. You will be able to attend the Annual Meeting via the Internet, vote your shares electronically and submit questions during the Annual Meeting by visiting www.virtualshareholdermeeting.com/MDLY2015.

In accordance with the Securities and Exchange Commission rules allowing companies to furnish proxy materials to their stockholders over the Internet, we have sent stockholders of record at the close of business on April 7, 2015 a Notice of Internet Availability of Proxy Materials on or about April 21, 2015. The notice contains instructions on how to access our Proxy Statement and Annual Report and vote online. If you would like to receive a printed copy of our proxy materials from us instead of downloading a printable version from the Internet, please follow the instructions for requesting such materials included in the notice, as well as in the attached Proxy Statement.

Attached to this letter are a Notice of Annual Meeting of Stockholders and Proxy Statement, which describe the business to be conducted at the meeting.

Your vote is important to us. Whether you own a few shares or many, and whether or not you plan to attend the Annual Meeting via the Internet, it is important that your shares be represented and voted at the meeting. You may vote your shares by proxy on the Internet, by telephone or by completing, signing and promptly returning a proxy card or you may vote during the Annual Meeting's online webcast. Voting online, by telephone or by returning your proxy card does not deprive you of your right to attend the Annual Meeting via the Internet. If you do attend the Annual Meeting via the Internet and wish to vote your shares personally, you may revoke your proxy at or prior to the Annual Meeting.

Thank you for your continued support of Medley Management Inc.

Sincerely,

/s/ Brook Taube

Co-Chief Executive Officer and Co-Chairman
of the Board of Directors

/s/ Seth Taube

Co-Chief Executive Officer and
Co-Chairman
of the Board of Directors

MEDLEY MANAGEMENT INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME 11:00 a.m., Eastern Time, on Tuesday, June 2, 2015

PLACE You will be able to attend the Annual Meeting via the Internet, vote your shares electronically and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/MDLY2015. You will need the control number included in your Notice Regarding the Availability of Proxy Materials or your proxy card (if you received a printed copy of the proxy materials) to enter the meeting online.

ITEMS OF BUSINESS

1. To elect the director nominees listed in the Proxy Statement.
2. To ratify the appointment of McGladrey LLP as our independent registered public accounting firm for 2015.
3. To consider such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

RECORD DATE You may vote at the Annual Meeting if you were a stockholder of record at the close of business on April 7, 2015.

VOTING BY PROXY To ensure your shares are voted, you may vote your shares over the Internet, by telephone or by requesting a proxy card to complete, sign and return by mail. Internet and telephone voting procedures are described on the following page, in the General Information section beginning on page 1 of the Proxy Statement and on the Notice of Internet Availability. For shares held through a bank, broker or nominee, you may vote by submitting voting instructions to your bank, broker or nominee.

By Order of the Board of Directors,

John D. Fredericks

General Counsel and Secretary

This Notice of Annual Meeting and Proxy Statement are first being distributed or made available, as the case may be, on or about April 21, 2015.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 2, 2015: This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 are available free of charge on the Investor Relations section of our website (www.mdly.com). In addition, you may access the Proxy Statement and Annual Report on Form 10-K free of charge at www.proxyvote.com, a site that does not have “cookies” that identify visitors to the site.

PROXY VOTING METHODS

If, at the close of business on April 7, 2015, you were a stockholder of record or held shares through a broker, bank or other nominee, you may vote your shares by proxy through the Internet, by telephone or by mail or you may vote in person at the Annual Meeting. For shares held through a broker, bank or other nominee, you may vote by submitting voting instructions to your broker, bank or other nominee. Please refer to information from your broker, bank or other nominee on how to submit voting instructions. To reduce our administrative costs and help the environment by conserving natural resources, we ask that you vote through the Internet or by telephone, both of which are available 24 hours a day. You may revoke your proxies at the times and in the manners described on page 6 of the Proxy Statement.

If you are a stockholder of record or hold shares through a broker, bank or other nominee and are voting by proxy, your vote must be received by 11:59 p.m., Eastern Time, on June 1, 2015 to be counted.

To vote by proxy if you are a stockholder of record:

BY INTERNET

Go to the website www.proxyvote.com and follow the instructions, 24 hours a day, seven days a week.

You will need the control number included on your Notice of Internet Availability of Proxy Materials or proxy card to vote online.

BY TELEPHONE

From a touch-tone telephone, dial 1-800-690-6903 and follow the recorded instructions, 24 hours a day, seven days a week.

You will need the control number included on your Notice of Internet Availability of Proxy Materials or proxy card in order to vote by telephone.

BY MAIL

Request a proxy card from us by following the instructions on your Notice of Internet Availability of Proxy Materials.

- When you receive the proxy card, mark your selections on the proxy card.
- Date and sign your name exactly as it appears on your proxy card.
- Mail the proxy card in the enclosed postage-paid envelope provided to you.

YOUR VOTE IS IMPORTANT TO US. THANK YOU FOR VOTING.

Table of Contents

	Page
<u>General Information</u>	2
<u>Proposal No. 1—Election of Directors</u>	7
<u>Nominees for Election to the Board of Directors in 2015</u>	7
<u>The Board of Directors and Certain Governance Matters</u>	9
<u>Director Independence and Independence Determinations</u>	9
<u>Board Structure</u>	9
<u>Family Relationships of Directors and Executive Officers</u>	9
<u>Controlled Company Exception</u>	10
<u>Board Committees and Meetings</u>	10
<u>Committee Membership</u>	10
<u>Oversight of Risk Management</u>	12
<u>Executive Sessions</u>	13
<u>Committee Charters and Corporate Governance Guidelines</u>	13
<u>Code of Conduct</u>	13
<u>Director Nomination Process</u>	13
<u>Communications with the Board</u>	15
<u>Compensation of Directors</u>	15
<u>Director Compensation for 2014</u>	15
<u>Narrative to Director Compensation Table</u>	16
<u>Executive Officers of the Company</u>	16
<u>Proposal No. 2—Ratification of Independent Registered Public Accounting Firm</u>	7

<u>Audit and Non-Audit Fees</u>	17
<u>Audit Committee Pre-Approval Policies and Procedures</u>	18
<u>Report of the Audit Committee</u>	19
<u>Executive Compensation</u>	20
<u>Emerging Growth Company Status</u>	20
<u>Summary Compensation Table</u>	20
<u>Outstanding Equity Awards at 2014 Fiscal Year End</u>	21
<u>Narrative Disclosure to Summary Compensation Table</u>	21
<u>Compensation Committee Interlocks and Insider Participation</u>	22
<u>Ownership of Securities</u>	23
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	25
<u>Transactions with Related Persons</u>	25
<u>Stockholder Proposals for the 2016 Annual Meeting</u>	30
<u>Householding of Proxy Materials</u>	30
<u>Other Business</u>	30

MEDLEY MANAGEMENT INC.

375 Park Avenue, 33rd Floor
New York, New York 10152
212-759-0777

PROXY STATEMENT
Annual Meeting of Stockholders
June 2, 2015

General Information

Why am I being provided with these materials?

We have made our proxy materials available to you on the Internet or, upon your request, delivered printed versions of these proxy materials to you by mail in connection with the solicitation by the Board of Directors (the “Board” or “Board of Directors”) of Medley Management Inc. of proxies to be voted at our Annual Meeting of Stockholders to be held on June 2, 2015 (“Annual Meeting”), and at any postponements or adjournments of the Annual Meeting. Directors, officers and other Company employees also may solicit proxies by telephone or otherwise. Brokers and other nominees will be requested to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable expenses. You are invited to attend the Annual Meeting via the Internet and vote your shares online in accordance with the instructions at www.virtualshareholdermeeting.com/MDLY2015. Except where the context requires otherwise, references to the “Company,” “Medley,” “we,” “us” and “our” refer to Medley Management Inc.

Why did I receive a one-page Notice Regarding the Availability of Proxy Materials in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to the rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide shareholders access to our proxy materials over the Internet. We believe that the e-proxy process will expedite our stockholders’ receipt of proxy materials, lower the costs of distribution and reduce the environmental impact of our Annual Meeting. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials (the “Notice”) on or about April 21, 2015 to stockholders of record entitled to vote at the Annual Meeting. All stockholders will have the ability to access the proxy materials at www.proxyvote.com to download printable versions of the proxy materials or to request and receive a printed set of the proxy materials from us. Instructions on how to access the proxy materials over the Internet or to request a printed copy from us may be found on the Notice.

What am I voting on?

There are two proposals scheduled to be voted on at the Annual Meeting:

Proposal No. 1: Election of the director nominees listed in this Proxy Statement.

Proposal No. 2: Ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for 2015.

Who is entitled to vote?

Holders of our Class A common stock and holders of our Class B common stock as of the close of business on April 7, 2015 (the "Record Date") may vote at the Annual Meeting or any postponement thereof.

How many votes do I have?

If you are a holder of our Class A common stock, you are entitled to one vote at our Annual Meeting for each share of our Class A common stock that you held as of the close of business on the Record Date. If you are a holder of our Class B common stock, you are entitled to a number of votes at our Annual Meeting that is equal to 10 times the number of units in Medley LLC ("LLC Units") held by you, regardless of the number of shares of Class B common stock held by you. All matters on the agenda for our Annual Meeting will be voted on by the holders of our shares of Class A common stock and Class B common stock voting together as a single class.

As of the Record Date, there were 6,000,000 shares of Class A common stock outstanding that will carry an aggregate of 6,000,000 votes and 100 shares of Class B common stock outstanding that will carry an aggregate of 233,333,330 votes (i.e., a number of votes that is equal to 10 times the number of outstanding LLC Units, not including the 6,000,000 LLC Units held by Medley Management Inc.). As of the Record Date, Medley Group LLC, an entity wholly owned by our pre-IPO owners, held all 100 issued and outstanding shares of our Class B common stock.

For so long as our pre-IPO owners and then-current Medley personnel hold at least 10% of the aggregate number of shares of Class A common stock and LLC Units (excluding those LLC Units held by Medley Management Inc.) then outstanding, referred to as the “Substantial Ownership Requirement,” the Class B common stock will entitle Medley Group LLC, without regard to the number of shares of Class B common stock held by it, to a number of votes that is equal to 10 times the aggregate number of LLC Units held by all non-managing members of Medley LLC that do not themselves hold shares of Class B common stock and entitle each other holder of Class B common stock, without regard to the number of shares of Class B common stock held by such other holder, to a number of votes that is equal to 10 times the number of LLC Units held by such holder. For purposes of calculating the Substantial Ownership Requirement, (1) shares of Class A common stock deliverable to our pre-IPO owners and then-current Medley personnel pursuant to outstanding equity awards will be deemed then outstanding and (2) shares of Class A common stock and LLC Units held by any estate, trust, partnership or limited liability company or other similar entity of which any pre-IPO owner or then-current Medley personnel is a trustee, partner, member or similar party will be considered held by such pre-IPO owner or other then-current Medley personnel. From and after the time that the Substantial Ownership Requirement is no longer satisfied, the Class B common stock will entitle Medley Group LLC, without regard to the number of shares of Class B common stock held by it, to a number of votes that is equal to the aggregate number of LLC Units held by all non-managing members of Medley LLC that do not themselves hold shares of Class B common stock and entitle each other holder of Class B common stock, without regard to the number of shares of Class B common stock held by such other holder, to a number of votes that is equal to the number of LLC Units held by such holder.

What is a “broker non-vote”?

A broker non-vote occurs when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the stockholder who beneficially owns the shares and (2) the broker lacks the authority to vote the shares at his/her discretion. Under current New York Stock Exchange (“NYSE”) interpretations that govern broker non-votes, Proposal No. 1 is considered a non-discretionary matter, and a broker will lack the authority to vote uninstructed shares at their discretion on such proposal. Proposal No. 2 is considered a discretionary matter, and a broker will be permitted to exercise its discretion to vote uninstructed shares on this proposal.

How many votes are required to approve each proposal?

With respect to the election of the director nominees (Proposal No. 1), all elections of directors will be determined by a plurality of the votes cast. A plurality vote requirement means that the director nominees with the greatest number of votes cast, even if less than a majority, will be elected. There is no cumulative voting.

With respect to the ratification of the independent registered public accounting firm for 2015 (Proposal 2), approval of the proposal requires a majority of the votes cast.

As of the Record Date, Medley Group LLC, an entity wholly-owned by our pre-IPO owners, held all of the issued and outstanding shares of our Class B common stock and had the right to 233,333,330 votes (representing 97.5% of the voting power) and have advised us that they intend to vote all such shares in favor of the director nominees listed herein and for the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for 2015. As a result, we are assured a quorum at the Annual Meeting, the election of the director nominees listed herein and the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for 2015.

How are votes counted?

With respect to the election of directors (Proposal No. 1), you may vote “FOR” or “WITHHOLD” with respect to each nominee. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld and will have the same effect as an abstention. Votes that are withheld and broker non-votes will have no effect on the outcome of Proposal No. 1.

You may vote “FOR,” “AGAINST” or “ABSTAIN” with respect to the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for 2015 (Proposal No. 2). Abstentions are not considered votes cast and will not affect the outcome of this proposal.

If you just sign and submit your proxy card without voting instructions, your shares will be voted “FOR” each director nominee listed herein, “FOR” Proposal No. 2 as recommended by the Board of Directors and in accordance with the discretion of the holders of the proxy as to any other matters that may be voted on.

Who will count the vote?

Representatives of Broadridge Financial Solutions, Inc. will tabulate the votes and act as inspectors of election.

How does the Board recommend that I vote?

Our Board recommends that you vote your shares:

“FOR” each of the nominees to the Board set forth in this Proxy Statement.

“FOR” the ratification of the appointment of McGladrey LLP as our independent registered public accounting firm for 2015.

How do I vote my shares without attending the Annual Meeting?

If you are a stockholder of record, you may vote by granting a proxy. Specifically, you may vote:

By Internet—If you have Internet access, you may submit your proxy by going to www.proxyvote.com and by following the instructions on how to complete an electronic proxy card. You will need the control number included on your Notice or your proxy card in order to vote by Internet.

By Telephone—If you have access to a touch-tone telephone, you may submit your proxy by dialing 1-800-690-6903 and by following the recorded instructions. You will need the control number included on your Notice or your proxy card in order to vote by telephone.

By Mail—You may vote by mail by requesting a proxy card from us, indicating your vote by completing, signing and dating the card where indicated and by mailing or otherwise returning the card in the envelope provided to you. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney or officer of a corporation), indicate your name and title or capacity.

If you hold your shares through bank, broker or other nominee (i.e., in “street name”), you may submit voting instructions to your broker, bank or other nominee. In most instances, you will be able to do this over the Internet, by telephone or by mail. Please refer to information from your bank, broker or other nominee on how to submit voting instructions.

Internet and telephone voting facilities will close at 11:59 p.m. Eastern Time on June 1, 2015.

Mailed proxy cards with respect to stockholders of record must be received no later than June 1, 2015.

How can I attend and vote at the Annual Meeting?

We will be hosting the Annual Meeting live via webcast. Any stockholder can attend the Annual Meeting via the Internet at www.virtualshareholdermeeting.com/MDLY2015. If you were a stockholder as of the Record Date, or you hold a valid proxy for the Annual Meeting, you can vote at the Annual Meeting. A summary of the information you need to attend the Annual Meeting online is provided below:

Instructions on how to attend and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.virtualshareholdermeeting.com/MDLY2015

Webcast starts at 11:00 a.m. Eastern Time

Stockholders may vote and submit questions while attending the Annual Meeting via the Internet

You will need your control number to enter the Annual Meeting

Even if you plan to attend the Annual Meeting via the Internet, we encourage you to vote in advance by Internet, telephone or mail so that your vote will be counted even if you later decide not to attend the Annual Meeting.

What does it mean if I receive more than one Notice on or about the same time?

It generally means you hold shares registered in more than one account. To ensure that all your shares are voted, please sign and return each proxy card or, if you vote by Internet or telephone, vote once for each Notice of Internet Availability you receive.

May I change my vote or revoke my proxy?

Yes. Whether you have voted by Internet, telephone or mail, if you are a stockholder of record, you may change your vote and revoke your proxy by:

· sending a written statement to that effect to our Secretary, provided such statement is received no later than June 1, 2015;

· voting again by Internet or telephone at a later time before the closing of those voting facilities at 11:59 p.m., Eastern Time, on June 1, 2015;

· submitting a properly signed proxy card with a later date that is received no later than June 1, 2015; or

· attending the Annual Meeting via the Internet, revoking your proxy and voting online.

If you hold shares in street name, you may submit new voting instructions by contacting your bank, broker or other nominee. You may also change your vote or revoke your proxy at the Annual Meeting if you obtain a signed proxy from the record holder (broker, bank or other nominee) giving you the right to vote the shares, attending the Annual Meeting via the Internet and voting again.

Could other matters be decided at the Annual Meeting?

At the date this Proxy Statement went to print, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement.

If other matters are properly presented at the Annual Meeting for consideration and you are a stockholder of record and have submitted a proxy card, the persons named in your proxy card will have the discretion to vote on those matters for you.

Who will pay for the cost of this proxy solicitation?

We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees (for no additional compensation) in person or by telephone, electronic transmission and facsimile transmission. Brokers and other nominees will be requested to solicit proxies or authorizations from beneficial owners and will be reimbursed for their reasonable expenses.

Proposal No. 1—Election of Directors

Our Board of Directors has considered and nominated the following nominees for a one-year term expiring at the 2016 Annual Meeting of Stockholders or until his successor is duly elected and qualified: Brook Taube, Seth Taube, Jeffrey Tonkel, Jeffrey T. Leeds, Guy Rounsaville, Jr. and Philip K. Ryan. Action will be taken at the Annual Meeting for the election of these nominees.

Unless otherwise instructed, the persons named in the form of proxy card (the “proxyholders”) attached to this Proxy Statement, as filed with the Securities and Exchange Commission (“SEC”), intend to vote the proxies held by them for the election of the director nominees. If any of these nominees ceases to be a candidate for election by the time of the Annual Meeting (a contingency which the Board does not expect to occur), such proxies may be voted by the proxyholders in accordance with the recommendation of the Board.

Nominees for Election to the Board of Directors in 2015

The following information describes the offices held, other business directorships and the term of each director nominee as of April 7, 2015. Beneficial ownership of equity securities of the director nominees is shown under “Ownership of Securities” below.

Brook Taube

Brook Taube, 45, co-founded Medley in 2006 and has served as our Co-Chief Executive Officer since then and as Co-Chairman of the Board of Directors of Medley Management Inc. since its formation. He has also served as Chief Executive Officer and Chairman of the Board of Directors of Medley Capital Corporation since 2011 and has served on the Board of Directors of Sierra Income Corporation since its inception in 2012. Prior to forming Medley, Mr. Taube was a Partner with CN Opportunity Fund, T3 Group, a principal and advisory firm focused on distressed asset and credit investments, and Griphon Capital Management. Mr. Taube began his career at Bankers Trust in leveraged finance in 1992. Mr. Taube received a B.A. from Harvard University.

Seth Taube

Seth Taube, 45, co-founded Medley in 2006 and has served as our Co-Chief Executive Officer since then and as Co-Chairman of the Board of Directors of Medley Management Inc. since its formation. He has also served as Chief Executive Officer and Chairman of the Board of Directors of Sierra Income Corporation since its inception in 2012 and on the Board of Directors of Medley Capital Corporation since its inception in 2011. Prior to forming Medley, Mr. Taube was a Partner with CN Opportunity Fund, T3 Group, a principal and advisory firm focused on distressed asset and credit investments, and Griphon Capital Management. Mr. Taube previously worked with Tiger Management and held positions with Morgan Stanley & Co. in the Investment Banking and Institutional Equity Divisions. Mr. Taube received a B.A. from Harvard University, an M. Litt. in Economics from St. Andrew's University in Great Britain, where he was a Rotary Foundation Fellow, and an M.B.A. from the Wharton School at the University of Pennsylvania.

Jeffrey Tonkel

Jeffrey Tonkel, 44, joined Medley in 2011 and has served as President and as a member of the Board of Directors of Medley Management Inc. since its formation. He has also served as President of Sierra Income Corporation since July 2013 and a member of the Board of Directors of Medley Capital Corporation since February 2014. Prior to joining Medley, Mr. Tonkel was a Managing Director with JP Morgan from January 2010 to November 2011, where he was Chief Financial Officer of a global financing and markets business. Prior to JP Morgan, Mr. Tonkel was a Managing Director, Principal Investments, with Friedman Billings Ramsey, where he focused on merchant banking and corporate development investments in diversified industrials, energy, real estate and specialty finance. Mr. Tonkel began his investment career with Summit Partners. Mr. Tonkel received a B.A. from Harvard University and an M.B.A. from Harvard Business School.

Jeffrey T. Leeds

Jeffrey T. Leeds, 59, has been a member of the Board of Directors since September 2014. Mr. Leeds is President and Co-Founder of Leeds Equity Partners, LLC, a private equity investment firm focused on the knowledge sector. Mr. Leeds also serves as a director of BARBRI, Education Management Corporation, Evanta Ventures, Knowledge Factor, INTO University Partnerships and Real Page, Inc.. Prior to co-founding Leeds Equity in 1993, Mr. Leeds worked at Lazard Frères & Co., specializing in mergers and acquisitions and corporate finance from 1986 to 1992. Prior to joining Lazard, Mr. Leeds served as a law clerk to the Hon. William J. Brennan, Jr. of the Supreme Court of the United States. Mr. Leeds also worked in the corporate department of the law firm of Cravath, Swaine & Moore in New York from 1983 to 1985. Mr. Leeds also serves as a member of the Board of Directors of the Association of Private Sector Colleges and Universities. He has previously served as a director of Argosy University, Datamark, Miller Heiman and Ross University, among others. He was the founding chairman of the Green Dot New York Charter School and serves on the board of the Colin L. Powell School for Civic and Global Leadership at the City College of New York. Mr. Leeds received a B.A. from Yale University, attended Oxford University as a Marshall Scholar and received a J.D. from Harvard Law School.

Guy Rounsaville, Jr.

Guy Rounsaville, Jr., 71, has been a member of the Board of Directors since September 2014. Mr. Rounsaville serves on the board of directors of Tri-Valley Bank and First Banks, Inc. since 2011, and of United American Bank since 2012. Mr. Rounsaville served as Director of Diversity of the law firm Allen Matkins Leck Gamble Mallory & Natsis LLP from 2009 until May 2012 and as co-managing partner of their San Francisco office from 1999 to 2001. Mr. Rounsaville served as General Counsel and Corporate Secretary of LaSalle Bank from 2006 until it was acquired by Bank of America in October 2007, after which he served, for transition purposes, as Bank of America's Senior Vice President and Assistant General Counsel until May 2008. From 2001 to 2006, Mr. Rounsaville served as General Counsel and Corporate Secretary of Visa International. Prior to that, Mr. Rounsaville served in several roles at Wells Fargo from 1969 through 1998, including General Counsel and Corporate Secretary. Mr. Rounsaville serves on numerous civic and professional committees and boards. He received a B.A. from Stanford University and a J.D. from Hastings College of Law.

Philip K. Ryan

Philip K. Ryan, 59, has been a member of the Board of Directors since September 2014. Mr. Ryan has served on the board of directors of Swiss Re Americas Holding Corporation since 2010 and as Chairman since 2012. He has also been an Executive in Residence and Adjunct Professor at the NYU Stern School of Business since 2013. Mr. Ryan served as Executive Vice President and Chief Financial Officer of Power Corporation of Canada and Power Financial Corporation in Montreal from February 2008 to May 2012 and in that capacity served on the board and committees of Great West Lifeco and IGM Financial. Prior to that Mr. Ryan served as an officer of Credit Suisse Group in New

York, London and Zurich from 1985 to 2008 in a variety of roles, including Group Chief Financial Officer, Chief Financial Officer of Credit Suisse Asset Management and Chairman of the Financial Institutions Group. Mr. Ryan is also engaged in a number of charitable activities including the National Board of the Smithsonian Institute. Mr. Ryan received a B.S. from the University of Illinois School of Engineering and an M.B.A. from the Indiana University Kelly Graduate School of Business.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF EACH OF THE DIRECTOR NOMINEES NAMED ABOVE.

The Board of Directors and Certain Governance Matters

Our Board manages or directs our business and affairs, as provided by Delaware law, and conducts its business through meetings of the Board and three standing committees: the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Prior to our initial public offering in September 2014 (the “IPO”), our pre-IPO owners beneficially owned 100% of our Company. In connection with the IPO, these pre-IPO owners became members of Medley Group LLC, which holds shares of our Class B common stock entitling it to 97.5% of the voting power of our common stock eligible to vote in the election of directors. As a result, we are a “controlled company” within the meaning of the NYSE corporate governance standards and utilize the exemptions from certain corporate governance standards, including the requirement that a majority of our board of directors consist of independent directors and the requirement that we have a compensation committee and a nominating and corporate governance committee that is each composed entirely of independent directors. However, since the IPO, we have had a fully independent Audit Committee and independent director representation on each of our Compensation Committee and our Corporate Governance and Nominating Committee, and each such committee is chaired by an independent director.

Director Independence and Independence Determinations

Under our Corporate Governance Guidelines and NYSE rules, a director is not independent unless the Board affirmatively determines that he or she does not have a direct or indirect material relationship with us or any of our subsidiaries. In addition, the director must meet the bright-line test for independence set forth by the NYSE rules.

Our Corporate Governance Guidelines define independence in accordance with the independence definition in the current NYSE corporate governance rules for listed companies. Our Corporate Governance Guidelines require the Board to review the independence of all directors at least annually.

In the event a director has a relationship with the Company that is relevant to his or her independence and is not addressed by the objective tests set forth in the NYSE independence definition, the Board will determine, considering all relevant facts and circumstances, whether such relationship is material.

Our Board has affirmatively determined that each of Messrs. Leeds, Rounsaville, Jr. and Ryan is independent under the guidelines for director independence set forth in the Corporate Governance Guidelines and under all applicable NYSE guidelines, including with respect to committee membership. Our Board also has determined that each of Messrs. Leeds, Rounsaville, Jr. and Ryan is “independent” for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Board Structure

The Board does not have a policy on whether or not the roles of the Chief Executive Officer and Chairman should be separate. The Board evaluates relevant factors and determines the best leadership structure for the Company's operating and governance environment at the time. The Board believes that having combined Co-Chairmen and Co-Chief Executive Officers is the appropriate leadership structure for the Company at this time. As the Co-Chairmen and Co-Chief Executive Officers, Messrs. Brook and Seth Taube are able to draw on their knowledge and expertise related to the Company's daily operations, industry and competitive developments to set the agenda for the Board and ensure the appropriate focus on issues of concern to the Company. Furthermore, the Board believes that combining these roles enables decisive leadership, ensures clear accountability and facilitates information flow between management and the Board, all of which are essential to effective governance.

Family Relationships of Directors and Executive Officers

Messrs. Brook and Seth Taube, each a Co-Chief Executive Officer and Co-Chairman of the Board of Directors, are brothers. There are no other family relationships among any of our directors or executive officers.

Controlled Company Exception

Medley Group LLC, an entity owned by our pre-IPO owners, holds more than a majority of the voting power of our common stock eligible to vote in the election of our directors. As a result, we are a “controlled company” within the meaning of the NYSE’s corporate governance standards. Under these corporate governance standards, a company of which more than 50% of the voting power is held by an individual, group or another company entitled to vote for the election of directors is a “controlled company” and may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of the board of directors consist of independent directors, (2) that the board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities and (3) that the board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities. We are utilizing these exemptions. As a result, the majority of our directors are not independent and our committees of the Board of Directors are not comprised entirely of independent directors. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements. In the event that we cease to be a “controlled company” and our shares continue to be listed on the NYSE, we will be required to comply with these provisions within the applicable transition periods.

Board Committees and Meetings

The following table summarizes the current membership of each of the Board’s committees.

	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Brook Taube		X	X
Seth Taube		X	X
Jeffrey T. Leeds	X	Chair	
Guy Rounsaville, Jr.	X		Chair
Philip K. Ryan	Chair		
Jeffrey Tonkel			

All directors are expected to make every effort to attend all meetings of the Board, meetings of the committees of which they are members and the annual meeting of stockholders. During the year ended December 31, 2014 and subsequent to the Company’s September 2014 IPO, the Board held one meeting, the Audit Committee held one meeting and the Compensation Committee and Corporate Governance and Nominating Committee did not hold any meetings. In 2014, all of our directors attended 100% of the meetings of the Board and committees during which he served as a member of the Board or such committee.

Committee Membership

Audit Committee

All members of the Audit Committee have been determined to be “independent,” consistent with our Audit Committee Charter, Corporate Governance Guidelines and the NYSE listing standards applicable to boards of directors in general and audit committees in particular. Our Board also has determined that each of the members of the Audit Committee is “financially literate” within the meaning of the listing standards of the NYSE. In addition, our Board has determined that Philip K. Ryan qualifies as an “audit committee financial expert” as defined by applicable SEC regulations.

The duties and responsibilities of the Audit Committee are set forth in its charter, which may be found at www.mdly.com under Investor Relations: Corporate Governance: Committee Charters: Audit, and include among duties and responsibilities:

selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;

· assisting the Board of Directors in evaluating the qualifications, performance and independence of our independent auditors;

· assisting the Board of Directors in monitoring the quality and integrity of our financial statements and our accounting and financial reporting;

· assisting the Board of Directors in monitoring our compliance with legal and regulatory requirements;

· reviewing the adequacy and effectiveness of our internal control over financial reporting processes;

· assisting the Board of Directors in monitoring the performance of our internal audit function;

· monitoring the performance of our internal audit function;

· reviewing with management and our independent auditors our annual and quarterly financial statements; and

· reviewing and evaluating complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and

With respect to our reporting and disclosure matters, the responsibilities and duties of the Audit Committee include reviewing and discussing with management and the independent registered public accounting firm our annual audited financial statements prior to inclusion in our Annual Report on Form 10-K, our quarterly financial statements and other public filings in accordance with applicable rules and regulations of the SEC and the Audit Committee Charter.

On behalf of the Board, the Audit Committee plays a key role in the oversight of our risk management policies and procedures. See “Oversight of Risk Management” below.

Compensation Committee

Mr. Jeffrey T. Leeds has been determined to be “independent” as defined by our Corporate Governance Guidelines and the NYSE listing standards applicable to boards of directors generally and compensation committees specifically. The other members of the Compensation Committee, Messrs. Brook and Seth Taube have not been determined by our Board of Directors to be independent.

The duties and responsibilities of the Compensation Committee are set forth in its charter, which may be found at www.mdly.com under Investor Relations: Corporate Governance: Committee Charters: Compensation, and include, among other duties and responsibilities:

reviewing and approving corporate goals and objectives relevant to the compensation of our Co-Chief Executive Officers, evaluating our Co-Chief Executive Officers' performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board of directors), determining and approving our Co-Chief Executive Officers' compensation level based on such evaluation;

reviewing and approving, or making recommendations to the board of directors with respect to, the compensation of our other executive officers, including annual base salary, bonus and equity-based incentives and other benefits;

reviewing and recommending the compensation of our directors; and

reviewing and making recommendations with respect to our equity compensation plans.

With respect to our reporting and disclosure matters, the responsibilities and duties of the Compensation Committee include overseeing the preparation of the Compensation Discussion and Analysis, to the extent applicable, for inclusion in our annual proxy statement and Annual Report on Form 10-K in accordance with applicable rules and regulations of the SEC. The charter of the Compensation Committee permits the committee to delegate any or all of its authority to one or more subcommittees and to delegate to one or more of our officers the authority to make awards to employees other than any Section 16 officer under our incentive compensation or other equity-based plan, subject to compliance with the plan and the laws of our state of jurisdiction.

The Compensation Committee has the authority under its charter to retain outside consultants or advisors, as it deems necessary or advisable.

Corporate Governance and Nominating Committee

Mr. Rounsaville, Jr. is a member of the Corporate Governance and Nominating Committee who has been determined to be “independent” as defined by our Corporate Governance Guidelines and the NYSE listing standards. The other members of the Corporate Governance and Nominating Committee, Messrs. Brook and Seth Taube, have not been determined by our Board of Directors to be independent.

The duties and responsibilities of the Corporate Governance and Nominating Committee are set forth in its charter, which may be found at www.mdly.com under Investor Relations: Corporate Governance: Committee Charters: Corporate Governance and Nominating, and include, among other duties and responsibilities:

- assisting our Board of Directors in identifying prospective director nominees and recommending nominees to the Board of Directors;

- overseeing the evaluation of the Board of Directors and management;

- reviewing developments in corporate governance practices and developing and making recommendations to the Board with respect to the Company’s corporate governance guidelines; and

- recommending members for each committee of our Board of Directors.

Oversight of Risk Management

The Board of Directors has overall responsibility for risk oversight, including, as part of regular Board and committee meetings, general oversight of executives' management of risks relevant to the Company. A fundamental part of risk oversight is not only understanding the material risks a company faces and the steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. Each quarter, the Board of Directors receives presentations from senior management on matters involving the Company's operations and considers the risks related to strategies and business plans.

In addition, our Board committees consider the risks within their respective areas of responsibility. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and, in accordance with NYSE requirements, discusses with management policies with respect to risk assessment and risk management. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from the Company's compensation policies and programs and reviews and discusses with management the Company's compensation policies and practices and management's assessment of whether any risks arising from such policies and practices are reasonably likely to have a material adverse effect on the Company. The Corporate Governance and Nominating and Corporate Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with Board and Board committee organization, membership and structure, succession planning and corporate governance matters.

Our Board of Directors believes that this role in risk oversight is appropriate. We believe that we have robust internal processes in place and a strong internal control environment to identify and manage risks. However, not all risks that may affect us can be identified or eliminated and some risks are beyond the control of us and our service providers.

We recognize that different board roles in risk oversight are appropriate for companies in different situations. We re-examine the manners in which the Board of Directors administers its oversight function on an ongoing basis to ensure that it continues to meet the Company's needs.

Executive Sessions

Executive sessions, which are meetings of the non-management members of the Board, are regularly scheduled throughout the year. In addition, at least once a year, the independent directors meet in a private session that excludes management and non-independent directors. At each of these meetings, the independent directors in attendance will determine which director will preside at such session.

Committee Charters and Corporate Governance Guidelines

Our commitment to good corporate governance is reflected in our Corporate Governance Guidelines, which describe the Board's views on a wide range of governance topics. These Corporate Governance Guidelines are reviewed from time to time by the Board and, to the extent deemed appropriate in light of emerging practices, revised accordingly, upon recommendation to and approval by the Board.

Our Corporate Governance Guidelines, our Audit, Compensation and Corporate Governance and Nominating Committee charters and other corporate governance information are available on the Corporate Governance page of the Investor Relations section on our website at www.mdly.com. Any stockholder also may request them in print, without charge, by contacting the General Counsel and Secretary, Medley Management Inc., 600 Montgomery Street, 35th Floor, San Francisco, California 94111.

Code of Conduct

We maintain a Code of Business Conduct and Ethics that is applicable to all of our directors, officers and employees, including our Co-Chairmen and Co-Chief Executive Officers, Chief Financial Officer and other senior financial

officers. The Code of Business Conduct and Ethics sets forth our policies and expectations on a number of topics, including conflicts of interest, compliance with laws, use of our assets and business conduct and fair dealing. This Code of Business Conduct and Ethics also satisfies the requirements for a code of ethics, as defined by Item 406 of Regulation S-K promulgated by the SEC. We will disclose within four business days any substantive changes in or waivers of the Code of Business Conduct and Ethics granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website as set forth above rather than by filing a Form 8-K. In the case of a waiver for an executive officer or a director, the required disclosure also will be made available on our website within four business days of the date of such waiver.

The Code of Business Conduct and Ethics may be found on our website at www.mdly.com under Investor Relations: Corporate Governance: Governance Documents: Code of Business Conduct and Ethics.

Director Nomination Process

The Corporate Governance and Nominating Committee weighs the characteristics, experience, independence and skills of potential candidates for election to the Board and recommends nominees for director to the Board for election. In considering candidates for the Board, the Corporate Governance and Nominating Committee also assesses the size, composition and combined expertise of the Board. As the application of these factors involves the exercise of judgment, the Corporate Governance and Nominating Committee does not have a standard set of fixed qualifications that is applicable to all director candidates, although the Corporate Governance and Nominating Committee does at a minimum assess each candidate's strength of character, judgment, industry knowledge or experience, his or her ability to work collegially with the other members of the Board and his or her ability to satisfy any applicable legal requirements or listing standards. In addition, although the Board considers diversity of viewpoints, background and experiences, the Board does not have a formal diversity policy. In identifying prospective director candidates, the Corporate Governance and Nominating Committee may seek referrals from other members of the Board, management, stockholders and other sources, including third party recommendations. The Corporate Governance and Nominating Committee also may, but need not, retain a search firm in order to assist it in identifying candidates to serve as directors of the Company. The Corporate Governance and Nominating Committee utilizes the same criteria for evaluating candidates regardless of the source of the referral. When considering director candidates, the Corporate Governance and Nominating Committee seeks individuals with backgrounds and qualities that, when combined with those of our incumbent directors, provide a blend of skills and experience to further enhance the Board's effectiveness.

In connection with its annual recommendation of a slate of nominees, the Corporate Governance and Nominating Committee also may assess the contributions of those directors recommended for re-election in the context of the Board evaluation process and other perceived needs of the Board.

Each of Messrs. Leeds, Rounsaville, Jr. and Ryan were recommended as candidates to serve on the Board by our management and our employee directors.

When considering whether the directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board to satisfy its oversight responsibilities effectively in light of our business and structure, the Board focused primarily on the information discussed in each of the Board member's biographical information set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. In particular, the members of our Board of Directors considered the following important characteristics:

Messrs. Brook Taube and Seth Taube — we considered that these two individuals have played an integral role in our firm's successful growth, and that each has developed a unique and unparalleled understanding of our business. We also noted that these two individuals are our largest equity owners and, as a consequence of such alignment of interest with our other equity owners, each has additional motivation to diligently fulfill his oversight responsibilities as a member of our Board of Directors.

Mr. Tonkel — we considered his invaluable perspective owing to his experience in various senior leadership roles in the financial services industry, including his role as a Managing Director with JPMorgan where he was the Chief Financial Officer of a global financing and markets business, as well as his familiarity with our business and operations as President of Medley and Sierra Income Corporation and a member of the Board of Directors of Medley Capital Corporation.

Mr. Jeffrey T. Leeds — we considered his extensive experience in private equity investing, investment banking and law, along with his prior experience as a board member.

Mr. Guy Rounsaville, Jr. — we considered his background in law, banking and lending, including his extensive experience serving in general counsel, corporate secretary and board member roles at several financial institutions.

Mr. Philip K. Ryan — we considered his background in finance, accounting and financial services, owing to his extensive experience in chief financial officer, investment banking and board member roles.

This process resulted in the Board's nomination of the incumbent directors named in this Proxy Statement and proposed for election by you at the upcoming Annual Meeting.

The Corporate Governance and Nominating Committee will consider director candidates recommended by stockholders. Any recommendation submitted to the Secretary of the Company should be in writing and should include any supporting material the stockholder considers appropriate in support of that recommendation, but must include information that would be required under the rules of the SEC to be included in a proxy statement soliciting proxies for the election of such candidate and a written consent of the candidate to serve as one of our directors if elected. Stockholders wishing to propose a candidate for consideration may do so by submitting the above information to the attention of the General Counsel and Secretary, Medley Management Inc., 600 Montgomery Street, 35th Floor, San Francisco, California 94111. All recommendations for nomination received by the General Counsel and Secretary that satisfy our by-law requirements relating to such director nominations will be presented to the Corporate Governance and Nominating Committee for its consideration. Stockholders also must satisfy the notification, timeliness, consent and information requirements set forth in our by-laws. These requirements are also described under the caption "Stockholder Proposals for the 2016 Annual Meeting."

Communications with the Board

As described in the Corporate Governance Guidelines, stockholders and other interested parties who wish to communicate with a member or members of the Board, including the chairperson of the Audit, Compensation, or Corporate Governance and Nominating Committees or to the non-management or independent directors as a group, may do so by addressing such communications or concerns to the General Counsel of the Company, at Medley Management Inc., 600 Montgomery Street, 35th Floor, San Francisco, California 94111, who will forward such communication to the appropriate party.

Compensation of Directors

Prior to our IPO, all of the individuals who served our Board of Directors were also employees of the Company and did not receive any separate compensation for their service on our Board or on any committee thereof. In connection with our IPO, we adopted the following annual compensation package for each of our non-employee directors. Our employees who serve as directors receive no separate compensation for service on the Board or on committees thereof.

For 2014, each of our non-employee directors was entitled to receive annual compensation consisting of:

a cash retainer in the amount of \$35,000 payable quarterly;

restricted stock units (“RSUs”) having a fair market value on the date of grant of \$35,000; provided, however, that each non-employee director has the option to elect to receive 100% of his compensation in RSUs, having a fair market value on the date of grant of \$70,000 (or, in the case of 2014, a fair market value equal to the IPO price of our Class A common stock of \$18) and subject to vesting terms as set forth in the applicable award agreement; and

as to the chairperson of the Audit Committee, an additional annual RSU award having a fair market value on the date of grant of \$15,000.

Each of our directors is entitled to be reimbursed for reasonable travel and related expenses associated with attendance at Board or committee meetings, although they will not be paid additional fees for attending meetings or for serving on Board committees.

In connection with our IPO, we granted each of our non-employee directors RSUs in an amount representing the director’s annual equity award, or total compensation if the director elected to receive the entire compensation in the form of RSUs, for the annual period from September 2014 to September 2015.

Director Compensation for 2014

The table below sets forth information regarding non-employee director compensation for the fiscal year ended December 31, 2014.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	All Other Compensation (\$)	Total (\$)	Total Number of Outstanding Unvested Equity Awards (#)(3)
Jeffrey K. Leeds	—	\$ 70,000	—	\$70,000	3,888
Guy Rounsaville, Jr.	\$ 8,750	\$ 35,000	—	\$43,750	1,944
Philip K. Ryan	—	\$ 85,000	—	\$85,000	4,814

(1) Represents the prorated amount of the annual cash retainer earned for services rendered in 2014.

(2) Represents the aggregate grant date fair value of the RSU awards computed in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718.

(3) Represents the aggregate number of unvested RSUs held by each non-employee director as of the fiscal year end.

Narrative to Director Compensation Table

Eligible non-employee directors are awarded equity under the Company’s 2014 Omnibus Incentive Plan (the “Incentive Plan”). The directors’ RSUs granted in 2014 vest in full one year from the date of grant, subject to the director’s continued service on the Board on the applicable vesting date. If the director ceases to be a member of the Board for any reason, all of his then unvested RSUs will be forfeited, and upon a change in control (as defined in the Incentive Plan), all of the director’s unvested RSUs will fully vest.

Executive Officers of the Company

Set forth below is certain information regarding each of our current executive officers as of April 7, 2015, other than Messrs. Brook Taube, Seth Taube and Jeffrey Tonkel, whose biographical information are presented under “Nominees for Election to the Board of Directors in 2015.”

Richard T. Allorto, Jr.

Richard T. Allorto, Jr. 43, has served as our Chief Financial Officer since July 2010. Mr. Allorto has also served as the Chief Financial Officer and Secretary of Medley Capital Corporation since January 2011 and of Sierra Income

Corporation since April 2012. Prior to joining Medley, Mr. Allorto held various positions at GSC Group, Inc., a registered investment adviser, including, most recently as Chief Financial Officer of GSC Investment Corp, a business development company that was externally managed by GSC Group. Mr. Allorto began his career at Arthur Andersen in public accounting in 1994. Mr. Allorto is a licensed CPA and received a B.S. in Accounting from Seton Hall University.

John D. Fredericks

John D. Fredericks, 51, has served as our General Counsel since June 2013. Mr. Fredericks has also served as the Chief Compliance Officer of Medley Capital Corporation and Sierra Income Corporation since February 2014. Prior to joining Medley, Mr. Fredericks was a partner with Winston & Strawn, LLP from February 2003 to May 2013, where he was a member of the firm's restructuring and insolvency and corporate lending groups. Before joining Winston & Strawn, LLP, from 2000 to 2003, Mr. Fredericks was a partner with Murphy Sheneman Julian & Rogers and, from 1993 to 2000, an associate at Murphy, Weir & Butler. Mr. Fredericks was admitted to the California State Bar in 1993. Mr. Fredericks received a B.A. from the University of California Santa Cruz and a J.D. from University of San Francisco.

Proposal No. 2—Ratification of Independent Registered
Public Accounting Firm

The Audit Committee has selected McGladrey LLP to serve as our independent registered public accounting firm for 2015.

Although stockholder ratification is not required by our by-laws or otherwise, the Board is submitting the selection of McGladrey LLP to our stockholders for ratification because we value our stockholders' views on the Company's independent registered public accounting firm. If our stockholders fail to ratify the selection, it will be considered as notice to the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Representatives of McGladrey LLP are expected to be present at the Annual Meeting. They also will have the opportunity to make a statement if they desire to do so, and they are expected to be available to respond to appropriate questions.

Audit and Non-Audit Fees

In connection with the audit of the Company's and its predecessor's annual financial statements for the fiscal year ended December 31, 2014, we entered into an agreement with McGladrey LLP which sets forth the terms by which McGladrey LLP performed audit services for the Company.

The following table presents fees for professional services rendered by McGladrey LLP for the audit of our financial statements for 2014 and 2013 and fees billed for other services rendered by McGladrey LLP for those periods:

	2014	2013
Audit fees ⁽¹⁾	\$ 500,293	\$ 397,291
Audit-related fees ⁽²⁾	\$ 669,500	—
Tax fees ⁽³⁾	\$ 131,000	\$ 39,825
All other fees ⁽⁴⁾	—	—
Total	\$ 1,300,793	\$ 437,116

(1) Amounts reported under Audit fees include professional services rendered for the audits of our annual financial statements and reviews of our quarterly financial statements.

(2) Amounts reported under Audit-related fees include reviews of registration statements filed with the SEC.

Amounts reported under Tax fees include professional services rendered for tax return compliance, including (3) review of partner capital accounts, and consultations related to technical interpretations, applicable laws and regulations and tax accounting.

(4) All other fees encompasses any services provided by the independent registered public accounting firm other than services reported in the other above categories. There were no such fees in 2014 and 2013.

Audit Committee Pre-Approval Policies and Procedures

Consistent with SEC policies regarding auditor independence and the Audit Committee's charter, the Audit Committee is directly responsible for the appointment, compensation, retention, oversight and termination of the independent registered public accounting firm engaged (including the resolution of disagreements between management and such firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In exercising this responsibility, the Audit Committee pre-approves all audit and permitted non-audit services provided by the independent registered public accounting firm prior to each engagement going forward. These services may include audit services, audit-related services, tax services and other services. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members who are independent directors, when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF McGLADREY LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015.

Report of the Audit Committee

The Audit Committee operates pursuant to a charter which is reviewed annually by the Audit Committee. Additionally, a brief description of the primary responsibilities of the Audit Committee is included in this Proxy Statement under the discussion of “The Board of Directors and Certain Governance Matters—Committee Membership—Audit Committee.” Our management is responsible for the preparation, presentation and integrity of our financial statements, the application of accounting and financial reporting principles and our internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for auditing our financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States.

In the performance of its oversight function, the Audit Committee reviewed and discussed the audited financial statements and internal control over financial reporting of the Company with management and with the independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16 “Communications with Audit Committee.” In addition, the Audit Committee received the written disclosures and the letters from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and discussed with the independent registered public accounting firm their independence.

Based upon the review and discussions described in the preceding paragraph, our Audit Committee recommended to the Board that the audited financial statements of the Company be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC.

Submitted by the Audit Committee of the Company’s Board of Directors:

Philip K. Ryan, Chair
Jeffrey T. Leeds
Guy Rounsaville, Jr.

Executive Compensation

Emerging Growth Company Status

We qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, also known as the JOBS Act. As a result, we are permitted to, and rely on exemptions from certain disclosure requirements that are applicable to other companies that are not emerging growth companies. Accordingly, we have not included a compensation discussion and analysis of our executive compensation programs and have not included tabular compensation information other than the Summary Compensation Table. However, in the interest of providing more fulsome disclosure, we have included compensation information for our Co-Chief Executive Officers, our Chief Financial Officer and our three next most highly compensated executive officers serving at the end of the fiscal year (collectively referred to herein as our “named executive officers”).

In addition to the foregoing described reduced compensation disclosure, for so long as we are an emerging growth company, we will not be required to submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay,” “say-on-frequency” and “say-on-golden parachute” compensation. We will remain an emerging growth company until the earliest to occur of: (i) December 31, 2019; (ii) the first fiscal year after our annual gross revenues are \$1.0 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which we become a “large accelerated filer,” which means that we have been public for at least 12 months, have filed at least one annual report and the market value of our voting and non-voting common equity held by non-affiliates exceeds \$700 million as of the last day of our then most recently completed second fiscal quarter.

Summary Compensation Table

Our named executive officers for 2014 are:

· Brook Taube, our Co-Chief Executive Officer;

· Seth Taube, our Co-Chief Executive Officer;

· Jeffrey Tonkel, our President;

· Richard T. Allorto, Jr. our Chief Financial Officer; and

· John D. Fredericks, our General Counsel and Secretary .

The following table presents summary information regarding the total compensation awarded to, earned by, or paid to each of our named executive officers for the fiscal years indicated.

Name	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Incentive Plan Compensation (\$)	Non-Equity Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(2)	Total (\$)
Brook Taube Co-Chief Executive Officer	2014	\$ 1,125,000	—	—	—	—	—	\$ 44,484	\$ 1,169,484
	2013	\$ 1,458,333	—	—	—	—	—	\$ 55,457	\$ 1,513,790
Seth Taube Co-Chief Executive Officer	2014	\$ 1,125,000	—	—	—	—	—	\$ 42,703	\$ 1,167,703
	2013	\$ 1,458,333	—	—	—	—	—	\$ 38,737	\$ 1,497,070
Jeffrey Tonkel President	2014	\$ 300,000	—	—	—	—	—	\$ 38,123	\$ 338,123
	2013	\$ 300,000	—	—	—	—	—	\$ 41,635	\$ 341,635
Richard T. Allorto, Jr. Chief Financial Officer	2014	\$ 300,000	—	—	—	—	—	\$ 38,253	\$ 338,253
	2013	\$ 300,000	—	—	—	—	—	\$ 30,350	\$ 330,350
John D. Fredericks									
<i>General Counsel and Secretary</i>	2014	\$ 300,000	—	—	—	—	—	\$ 39,543	\$ 339,543

(1) Amounts reported under Salary include guaranteed cash distributions made on membership interests in Medley LLC owned directly or indirectly by our named executive officers. Of the amounts reported for Messrs. Brook and Seth Taube, each elected to voluntarily forego receipt of \$375,000 of his guaranteed cash distributions earned in respect of 2014.

(2) Amounts reported under All Other Compensation include Company-paid executive health insurance, Company matching 401(k) contributions and Company-paid life insurance premiums.

Outstanding Equity Awards at 2014 Fiscal Year End

Our named executive officers had no outstanding equity awards as of December 31, 2014.

Narrative Disclosure to Summary Compensation Table

Guaranteed Distributions on Membership Interests

Each of our named executive officers owns, directly or indirectly, membership interests in Medley LLC. Pursuant to an agreement, dated October 27, 2010, we agreed to pay a guaranteed distribution on account of the membership interests owned directly or indirectly by each of Brook and Seth Taube. These payments are subject to maximums based on our total assets under management. In addition, we pay to each of Messrs. Tonkel, Allorto and Fredericks a \$25,000 monthly cash payment. For the year ending December 31, 2015, each of Messrs. Brook and Seth Taube have elected to voluntarily forego receipt of his entire \$1.5 million guaranteed cash distribution.

As a condition to receiving membership interests in Medley LLC, each executive was required to become party to the limited liability company agreement of Medley LLC. The limited liability company agreement of Medley LLC, the unit award agreements evidencing such membership interests and the agreement described above relating to guaranteed payments, generally govern the rights and obligations of the executives.

Restrictive Covenants

Under the terms of their respective confidentiality, non-interference and invention assignment agreements, each of the named executive officers is subject to covenants restricting his (i) use and disclosure of confidential information while employed and at all times thereafter, (ii) ability to engage in any business activities that directly or indirectly competes with us while employed and for six months thereafter and (iii) solicitation of our employees and consultants while employed and for twelve months thereafter and solicitation of our customers and clients while employed and for six months thereafter.

Retirement Plan

We maintain a qualified contributory retirement plan that is intended to qualify as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (the "Code"). The plan covers all employees, including our named executive officers, who may contribute up to 96% of their eligible compensation, subject to statutory limits imposed by the Code. We are also permitted to provide for, but we currently do not provide any, matching contributions. In addition, the Company makes nonelective contributions under the 401(k) plan equal to 3% of each employee's eligible earnings, subject to statutory limits imposed by the Code.

Compensation Committee Interlocks and Insider Participation

During the 2014 fiscal year, the members of our Compensation Committee were Mr. Leeds, Mr. Brook Taube (our Co-Chief Executive Officer) and Mr. Seth Taube (our Co-Chief Executive Officer). None of our executive officers serves as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Ownership of Securities

The following table sets forth information regarding the beneficial ownership of shares of our common stock and of LLC Units as of April 7, 2015 by (1) each person known to us to beneficially own more than 5% of the outstanding voting securities of Medley Management Inc., (2) each of our directors and named executive officers and (3) all of our directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC.

Name of Beneficial Owner	Class A Common Stock Beneficially Owned ⁽¹⁾		LLC Units Beneficially Owned ⁽¹⁾⁽²⁾		Class B Common Stock Beneficially Owned ⁽²⁾		Combined Voting Power ⁽²⁾⁽³⁾
	Number	%	Number	%	Number	%	
Medley Group LLC ⁽²⁾							
375 Park Avenue 33 rd Floor New York, NY 10152 Wells Fargo & Company ⁽⁴⁾	—	—	—	—	100	97.5	%
420 Montgomery Street San Francisco, CA 94104 Royce & Associates, LLC ⁽⁵⁾	1,013,520	16.9%	—	—	—	*	
745 Fifth Avenue New York, NY 10151 American Financial Group Inc. ⁽⁶⁾	687,100	11.5%	—	—	—	*	
Great American Insurance Tower 301 East Fourth Street Cincinnati, OH 45202 Boston Partners ⁽⁷⁾	525,000	8.8%	—	—	—	*	
One Beacon Street	409,491	6.8%	—	—	—	*	

30th Floor

Boston, MA 02108

Brown Advisory Incorporated⁽⁸⁾

901 South Bond Street

397,608 6.6 % — — — *

Suite 400

Baltimore, MD 21231

Philadelphia Financial Management of San
Francisco, LLC⁽⁹⁾

450 Sansome Street

381,730 6.4 % — — — *

Suite 1500

San Francisco, CA 94111

BlackRock, Inc.⁽¹⁰⁾55 East 52nd Street

374,782 6.2 % — — — *

New York, NY 10022

Named Executive Officers and Directors

Brook Taube⁽²⁾⁽¹¹⁾ — — 10,000,000 34.1 % 100 97.5 %Seth Taube⁽²⁾⁽¹²⁾ — — 10,000,000 34.1 % 100 97.5 %

Jeffrey Tonkel — — 1,818,182 6.2 % — —

Richard T. Allorto, Jr. — — 606,061 2.1 % — —

John D. Fredericks — — 303,030 1.0 % — —

Jeffrey T. Leeds — — — — — —

Guy Rounsaville, Jr. — — — — — —

Philip K. Ryan 3,000 * — — — *

Directors and executive officers as a group 3,000 * 22,727,273 77.5 % — *

(8 persons)

*

Represents less than 1%.

Subject to the terms of the exchange agreement, the LLC Units are exchangeable for shares of our Class A common stock on a one-for-one basis from and after the first anniversary of the date of the completion of the IPO.

(1) See “Certain Relationships and Related Person Transactions — Exchange Agreement.” Beneficial ownership of LLC Units reflected in this table does not include beneficial ownership of shares of our Class A common stock for which such LLC Units may be exchanged.

- Holder of Class B common stock are entitled to a number of votes that is equal to 10 times the number of LLC Units held by such holder, regardless of the number of shares of Class B common stock held by such holder. Medley Group LLC, an entity wholly-owned by our pre-IPO owners, holds all 100 issued and outstanding shares of our Class B common stock, and the Class B common stock provides Medley Group LLC with a number of votes that is equal to 10 times the aggregate number of LLC Units held by all non-managing members of Medley LLC. As of April 7, 2015, the non-managing members of Medley LLC held 23,333,333 LLC Units entitling Medley Group LLC to 233,333,330 votes.
- (2)

Messrs. Brook and Seth Taube may be deemed to have beneficial ownership of the shares of Class B common stock held by Medley Group LLC.

- Represents percentage of voting power of the Class A common stock and Class B common stock voting together as a single class, based upon an aggregate of 6,000,000 shares of Class A common stock outstanding as of April 7, 2015, which carry a total of 6,000,000 votes, and 100 shares of Class B common stock outstanding as of April 7, 2014, which carry a total of 233,333,330 votes.
- (3)

- According to the Schedule 13G/A filed on February 5, 2015 by Wells Fargo & Company (“Wells Fargo”), Wells Fargo reported beneficial ownership of Class A common stock held by Wells Fargo and by its subsidiaries. Wells Fargo has shared voting power over 1,013,098 shares of our Class A common stock and shared dispositive power over 1,013,520 shares of our Class A common stock.
- (4)

- According to the Schedule 13G filed on January 6, 2015 by Royce & Associates, LLC (“Royce”). Royce has sole voting power and sole dispositive power over 687,100 shares of our Class A common stock.
- (5)

- According to the Schedule 13G filed on January 30, 2015 by American Financial Group, Inc. (“American Financial”). American Financial has sole voting power and sole dispositive power over 525,000 shares of our Class A common stock.
- (6)

- According to the Schedule 13G filed on February 11, 2015 by Boston Partners. Boston Partners has sole voting power over 254,691 shares of our Class A common stock and sole dispositive power over 409,491 shares of our Class A common stock.
- (7)

- According to the Schedule 13G filed on March 11, 2015 by Brown Advisory Incorporated (“Brown Advisory”), Brown Advisory reported beneficial ownership of Class A common stock beneficially owned by investment companies and other managed accounts of direct and indirect subsidiaries of Brown Advisory. Brown Advisory has sole voting power over 394,618 shares of our Class A common stock and shared dispositive power over 397,608 shares of our Class A common stock.
- (8)

- (9)

According to the Schedule 13G filed on February 17, 2015 by Philadelphia Financial Management of San Francisco, LLC (“PFM”), PFM reported beneficial ownership of Class A common stock held by PFM for the account of Boathouse Row I, L.P., Boathouse Row II, L.P. and Boathouse Row Offshore Ltd. Jordan Hymowitz is the managing member of PFM and its majority owner. PFM has shared voting power and shared dispositive power over 381,730 shares of our Class A common stock.

(10) According to the Schedule 13G filed on February 2, 2015 by BlackRock, Inc. (“BlackRock”). BlackRock has sole voting and sole dispositive power over 374,782 shares of our Class A common stock.

(11) Includes 1,818,182 LLC Units owned by B. Taube 2014 Associates, LLC and 8,181,818 LLC Units owned by Brook Taube Trust.

(12) Includes 909,091 LLC Units owned by A. Taube 2014 Associates, LLC, 909,091 LLC Units owned by S. Taube 2014 Associates and 8,181,818 LLC Units owned by Seth and Angie Taube Trust.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires executive officers and directors, a company's chief accounting officer and persons who beneficially own more than 10% of a company's common stock, to file initial reports of ownership and reports of changes in ownership with the SEC and the NYSE. Executive officers, directors, the chief accounting officer and beneficial owners with more than 10% of our common stock are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of copies of such reports and written representations from our executive officers and directors, we believe that our executive officers and directors complied with all Section 16(a) filing requirements during 2014 other than one transaction for Mr. Ryan that was inadvertently filed late due to administrative error.

Transactions with Related Persons

Statement of Policy Regarding Transactions with Related Persons

Our Board of Directors recognizes the fact that transactions with related persons present a heightened risk of conflicts of interests and/or improper valuation (or the perception thereof). Our Board of Directors has adopted a written policy on transactions with related persons that is in conformity with the requirements for issuers having publicly-held common stock that is listed on the NYSE.

Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our General Counsel any "related person transaction" (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The General Counsel will then promptly communicate that information to our Board. No related person transaction will be executed without the approval or ratification of our Board or a duly authorized committee of the Board. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest

Exchange Agreement

In September 2014, we entered into an exchange agreement with the holders of LLC Units pursuant to which each holder of LLC Units (and certain permitted transferees thereof) may, from and after the first anniversary of the date of the IPO (subject to the terms of the exchange agreement) exchange their LLC Units for shares of Class A common stock of Medley Management Inc. on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. The exchange agreement also provides that a holder of LLC Units will not have the right to exchange LLC Units if Medley Management Inc. determines that such exchange would be prohibited by law or regulation or would violate other agreements with Medley Management Inc. or its subsidiaries to which such holder may be subject. Medley Management Inc. may impose additional restrictions on exchange that it determines to be necessary or advisable so that Medley LLC is not treated as a “publicly traded partnership” for United States federal income tax purposes. As a holder exchanges LLC Units for shares of Class A common stock, the number of LLC Units held by Medley Management Inc. is correspondingly increased as it acquires the exchanged LLC Units.

Registration Rights Agreement

In September 2014, we entered into a registration rights agreement with our pre-IPO owners pursuant to which we will grant them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act shares of Class A common stock delivered in exchange for LLC Units. Under the registration rights agreement, we have agreed to register the exchange of LLC Units for shares of Class A common stock by our pre-IPO owners. In addition, Medley Group LLC, an entity wholly-owned by our pre-IPO owners, will have the right to request that we register the sale of shares of Class A common stock held by our pre-IPO owners an unlimited number of times and may require us to make available shelf registration statements permitting sales of shares of Class A common stock into the market from time to time over an extended period. Medley Group LLC will also have the ability to exercise certain piggyback registration rights in respect of shares of Class A common stock held by our pre-IPO owners in connection with registered offerings requested by other registration rights holders or initiated by us. Under the registration rights agreement, Medley Management Inc. will be liable for and pay all registration expenses in connection with each of the foregoing registrations.

Tax Receivable Agreement

Holders of LLC Units (other than Medley Management Inc.) may, subject to certain conditions, from and after the first anniversary of the date of the completion of the IPO (subject to the terms of the exchange agreement), exchange their LLC Units for shares of Class A common stock of Medley Management Inc. on a one-for-one basis. Medley LLC intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of LLC Units for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of Medley LLC at the time of an exchange of LLC Units. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Medley LLC. These increases in tax basis may reduce the amount of tax that Medley Management Inc. would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

In September 2014, we entered into a tax receivable agreement with the holders of LLC Units that provides for the payment by Medley Management Inc. to exchanging holders of LLC Units of 85% of the benefits, if any, that Medley Management Inc. is deemed to realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of Medley Management Inc. and not of Medley LLC. Medley Management Inc. expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of Medley Management Inc. (calculated with certain assumptions) to the amount of such taxes that Medley Management Inc. would have been required to pay had there been no increase to the tax basis of the assets of Medley LLC as a result of the exchanges and had Medley Management Inc. not entered into the tax

receivable agreement. The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless Medley Management Inc. exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement (as described in more detail below) or Medley Management Inc. breaches any of its material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if Medley Management Inc. had exercised its right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

the timing of exchanges — for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable or amortizable assets of Medley LLC at the time of each exchange;

the price of shares of our Class A common stock at the time of the exchange — the increase in any tax deductions, as well as the tax basis increase in other assets, of Medley LLC, is directly proportional to the price of shares of our Class A common stock at the time of the exchange;

the extent to which such exchanges are taxable — if an exchange is not taxable for any reason, increased deductions will not be available; and

the amount and timing of our income — Medley Management Inc. will be required to pay 85% of the cash tax savings as and when realized, if any. If Medley Management Inc. does not have taxable income, Medley Management Inc. is not required (absent circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

We anticipate that we will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future exchanges as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange;

- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and

- we will record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

We expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Medley LLC, the payments that we may make under the tax receivable agreement will be substantial. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that Medley Management Inc. realizes in respect of the tax attributes subject to the tax receivable agreement and/or distributions to Medley Management Inc. by Medley LLC are not sufficient to permit Medley Management Inc. to make payments under the tax receivable agreement after it has paid taxes. Late payments under the tax receivable agreement generally will accrue interest at an uncapped rate equal to LIBOR plus 500 basis points. The payments under the tax receivable agreement are not conditioned upon continued ownership of us by holders of LLC Units.

In addition, the tax receivable agreement provides that upon certain changes of control, Medley Management Inc.'s (or its successor's) obligations with respect to exchanged or acquired LLC Units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including Medley Management Inc. would have

sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Furthermore, Medley Management Inc. may elect to terminate the tax receivable agreement early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the tax receivable agreement includes several assumptions, including (i) that any LLC Units that have not been exchanged are deemed exchanged for the market value of the shares of Class A common stock at the time of termination, (ii) Medley Management Inc. will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (iii) the tax rates for future years will be those specified in the law as in effect at the time of termination and (iv) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to LIBOR plus 100 basis points.

As a result of the change in control provisions and the early termination right, Medley Management Inc. could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual cash tax savings that Medley Management Inc. realizes in respect of the tax attributes subject to the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our pre-IPO owners in the course of running our business may influence the timing and amount of payments that are received by an exchanging or selling existing owner under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement. Payments under the tax receivable agreement are based on the tax reporting positions that we will determine. Medley Management Inc. will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the IRS. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the Medley Management Inc.'s cash tax savings.

Medley LLC Limited Liability Company Agreement

Medley Management Inc. holds LLC Units in Medley LLC and is the sole managing member of Medley LLC. Accordingly, Medley Management Inc. will operate and control all of the business and affairs of Medley LLC and, through Medley LLC and its operating entity subsidiaries, conduct our business.

Pursuant to the limited liability company agreement of Medley LLC, Medley Management Inc. has the right to determine when distributions will be made to holders of LLC Units and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the holders of LLC Units pro rata in accordance with the percentages of their respective limited liability company interests.

The holders of LLC Units, including Medley Management Inc., will incur United States federal, state and local income taxes on their proportionate share of any taxable income of Medley LLC. Net profits and net losses of Medley LLC will generally be allocated to its holders (including Medley Management Inc.) pro rata in accordance with the percentages of their respective limited liability company interests, except as otherwise required by law. The limited liability company agreement of Medley LLC will provide for cash distributions, which we refer to as "tax distributions," to the holders of the LLC Units if Medley Management Inc., as the sole managing member of Medley LLC, determines that the taxable income of the Medley LLC will give rise to taxable income for the holders of LLC Units to the extent that other distributions made by Medley LLC for such year were otherwise insufficient to cover such tax liabilities. Generally, these tax distributions will be computed based on our estimate of the net taxable income of Medley LLC multiplied by an assumed tax rate equal to the highest effective marginal combined United States

federal, state and local income tax rate (including the “medicare” tax imposed under Internal Revenue Code) prescribed for an individual or corporate resident in New York, New York or California (taking into account the non-deductibility of certain expenses and the character of our income) and the character of the applicable income, but not taking into account the deductibility of state and local income taxes for U.S. federal income tax purposes.

The limited liability company agreement of Medley LLC also provides that substantially all expenses incurred by or attributable to Medley Management Inc., but not including obligations incurred under the tax receivable agreement by Medley Management Inc., income tax expenses of Medley Management Inc. and payments on indebtedness incurred by Medley Management Inc., will be borne by Medley LLC.

Other than Medley Management Inc., holders of LLC Units, including our pre-IPO owners, will, subject to limited exceptions, be prohibited from transferring any LLC Units held by them upon consummation of the IPO, or any shares of Class A common stock received upon exchange of such LLC Units, until the third anniversary of the IPO without our consent. Thereafter and prior to the fourth and fifth anniversaries of the IPO, such holders may not transfer more than 33 1/3% and 66 2/3%, respectively, of the number of LLC Units held by them upon consummation of the IPO, together with the number of any shares of Class A common stock received by them upon exchange therefor, without our consent. While this agreement could be amended or waived by us, our pre-IPO owners have advised us that they do not intend to seek any waivers of these restrictions.

Other Transactions

Christopher Taube, our Senior Managing Director, Head of Institutional Fund Raising is the brother of Messrs. Brook and Seth Taube, our Co-Chief Executive Officers. Mr. Chris Taube assumed this position in June 2014 and received an interest in Medley LLC and is entitled to a guaranteed annual payment of \$300,000.

Stockholder Proposals for the 2016 Annual Meeting

If any stockholder wishes to propose a matter for consideration at our 2016 Annual Meeting of Stockholders, the proposal should be mailed by certified mail return receipt requested, to our General Counsel and Secretary], Medley Management Inc., 600 Montgomery Street, 35th Floor, San Francisco, California 94111. To be eligible under the SEC's stockholder proposal rule (Rule 14a-8(e) of the Exchange Act) for inclusion in our 2016 Annual Meeting Proxy Statement and form of proxy, a proposal must be received by our Secretary on or before December 23, 2015. Failure to deliver a proposal in accordance with this procedure may result in it not being deemed timely received.

In addition, our by-laws permit stockholders to nominate directors and present other business for consideration at our Annual Meeting of Stockholders. To make a director nomination or present other business for consideration at the Annual Meeting of Stockholders to be held in 2016, you must submit a timely notice in accordance with the procedures described in our by-laws. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of our Company not less than 90 days or more than 120 days prior to the first anniversary of the preceding year's annual meeting. Therefore, to be presented at our Annual Meeting to be held in 2016, such a proposal must be received on or after February 3, 2016, but not later than March 4, 2016. In the event that the date of the Annual Meeting of Stockholders to be held in 2016 is advanced by more than 30 days, or delayed by more than 70 days, from the anniversary date of this year's Annual Meeting of Stockholders, such notice by the stockholder must be so received no earlier than 120 days prior to the Annual Meeting of Stockholders to be held in 2016 and not later than the 90th day prior to such Annual Meeting of Stockholders to be held in 2016 or 10 calendar days following the day on which public announcement of the date of such Annual Meeting is first made. Any such proposal will be considered timely only if it is otherwise in compliance with the requirements set forth in our by-laws.

Householding of Proxy Materials

SEC rules permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and notices with respect to two or more stockholders sharing the same address by delivering a single proxy statement or a single notice addressed to those stockholders. This process, which is commonly referred to as "householding," provides cost savings for companies and helps the environment by conserving natural resources. Some brokers household proxy materials, delivering a single proxy statement or notice to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or notice, or if your household is receiving multiple copies of these documents and you wish to request that future deliveries be limited to a single copy, please notify your broker. You can also request prompt delivery of a copy of this Proxy Statement and the Annual Report by contacting the General Counsel and Secretary, Medley Management Inc., 600 Montgomery Street, 35th Floor, San Francisco, California 94111.

Other Business

The Board does not know of any other matters to be brought before the meeting. If other matters are presented, the proxy holders have discretionary authority to vote all proxies in accordance with their best judgment.

By Order of the Board of Directors,

John D. Fredericks
General Counsel and Secretary

We make available, free of charge on our website, all of our filings that are made electronically with the SEC, including Forms 10-K, 10-Q and 8-K. To access these filings, go to our website (www.mdly.com) and click on “SEC Filings” under the “Investors Relations” heading. Copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including financial statements and schedules thereto, filed with the SEC, are also available without charge to stockholders upon written request addressed to:

General Counsel and Secretary

Medley Management Inc.

600 Montgomery Street

35th Floor

San Francisco, California 94111

