

MEDLEY MANAGEMENT INC.

Form 425

December 24, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): December 18, 2018

Medley Management Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-36638	47-1130638
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

280 Park Avenue, 6th Floor East, New York, NY 10017
(Address of principal executive offices) (Zip Code)

(212) 759-0777
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On December 18, 2018, Medley Management Inc.'s operating company, Medley LLC ("Medley") entered into a Waiver Letter (the "Waiver Letter") with respect to certain provisions of Medley's existing Credit Agreement, dated as of August 19, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), entered into by and among City National Bank, a national banking association, as the administrative agent and collateral agent (in such capacities, the "Agent"), the lenders party thereto and Medley, as borrower. The Credit Agreement has been previously amended by Amendment Number One to Credit Agreement, dated as of August 12, 2015, Amendment Number Two to Credit Agreement, dated as of May 3, 2016, and Amendment Number Three to Credit Agreement, dated as of September 22, 2017, each by and among Medley, the Agent and the lenders party thereto, and has been further modified by the Letter Agreement and the Waiver to Credit Agreement, each dated as of November 14, 2018. The Credit Agreement makes a Revolving Credit Facility available to Medley.

The Waiver Letter was entered into in connection with the proposed merger transaction to be consummated pursuant to the Merger Agreement dated as of August 9, 2018 (the "Merger Agreement") among Medley Management Inc. ("MDLY"), Sierra Income Corporation ("Sierra") and Sierra Management, Inc., a wholly-owned subsidiary of Sierra ("Merger Sub"), in accordance with which MDLY will merge with and into Merger Sub, with Merger Sub as the survivor thereof (the "Designated Transaction"). Pursuant to the Waiver Letter, the Agent and the lenders waive (a) the financial covenant contained in Section 6.10(a) of the Credit Agreement which provides that Medley and its subsidiaries will not cause nor permit the Net Leverage Ratio (as defined in the Agreement) as of the last day of any fiscal quarter to be greater than 5.00:1.00 (the "Net Leverage Ratio Covenant"), solely with respect to the fiscal period ending on March 31, 2019, and (b) the financial reporting provisions of Section 5.04(c)(i)(y) of the Credit Agreement, solely with respect to the fiscal quarter ending on March 31, 2019, to the extent it requires the calculation of the Net Leverage Ratio (the "Net Leverage Ratio Compliance Calculation") be included in the compliance certificate to be delivered for the fiscal quarter ending as of such date (the waivers referred to in the foregoing clauses (a) and (b) being referred to collectively as the "Waiver"); provided, however, that the Waiver is effective only if the Designated Transaction occurs on or before March 29, 2019. If the Designated Transaction occurs on or after March 30, 2019, then the Waiver shall not be effective.

The Waiver Letter is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated by reference herein. The above description of the Waiver Letter and the Waiver granted thereby does not purport to be complete and is qualified in its entirety by reference to the Waiver Letter.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03 of this Current Report on Form 8-K.

Item 8.01 Other Events.

On December 21, 2018, MDLY issued a press release announcing investment commitments to middle market companies during the first nine months of 2018. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K. and is incorporated by reference herein.

No Offer or Solicitation

The information in this communication is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities or the solicitation of any vote or approval in any jurisdiction pursuant to or in connection with the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Important Information and Where to Find It

In connection with the proposed transactions, Sierra has filed with the SEC a Registration Statement on Form N-14 that it intends to mail to its stockholders and which includes a preliminary proxy statement and that also will constitute a prospectus of Sierra, and Medley Capital Corporation (“MCC”) and MDLY have filed with the SEC a preliminary proxy statement which MCC and MDLY intend to mail to their stockholders (collectively, the “Joint Proxy Statement/Prospectus”). The definitive Joint Proxy Statement/Prospectus will be mailed to stockholders of Sierra, MCC, and MDLY, respectively. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT SIERRA, MCC, AND MDLY, THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Investors and security holders are able to obtain the preliminary Joint Proxy Statement/Prospectus and other documents filed with the SEC by Sierra, MCC, and Medley, free of charge, from the SEC’s web site at www.sec.gov and from Sierra’s website (www.sierraincomecorp.com), MCC’s website (www.medleycapitalcorp.com), or MDLY’s website (www.mdly.com). Investors and security holders may also obtain free copies of the Joint Proxy Statement/Prospectus and other documents filed with the SEC from Sierra, MCC, or Medley by contacting Sam Anderson, Medley’s Investor Relations contact, at 212-759-0777.

Participants in the Potential Solicitation

Sierra, MCC, and MDLY and their respective directors, executive officers, other members of their management, employees and other persons may be deemed to be participants in the anticipated solicitation of proxies in connection with the proposed transactions. Information regarding Sierra’s directors and executive officers is available in its definitive proxy statement for its 2018 annual meeting of stockholders filed with the SEC on March 14, 2018 (the “Sierra 2018 Proxy Statement”). Information regarding MCC’s directors and executive officers is available in its definitive proxy statement for its 2018 annual meeting of stockholders filed with the SEC on December 21, 2017 (the “MCC 2018 Proxy Statement”). Information regarding Medley’s directors and executive officers is available in its annual report for the year ended December 31, 2017 on Form 10-K filed with the SEC on March 29, 2018 (the “MDLY 2017 10-K”). To the extent holdings of securities by such directors or executive officers have changed since the amounts disclosed in the Sierra 2018 Proxy Statement, the MCC 2018 Proxy Statement, and the MDLY 2017 Form 10-K, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed by such directors or executive officers, as the case may be, with the SEC, and in the Joint Proxy Statement/Prospectus. Additionally, more detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Joint Proxy Statement/Prospectus and in other relevant materials to be filed with the SEC. These documents may be obtained free of charge from the sources indicated above.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
<u>10.1</u>	Waiver Letter, dated as of December 18, 2018, regarding the Credit Agreement, dated as of August 19, 2014, among Medley LLC, the lenders party thereto and City National Bank.
<u>99.1</u>	Press Release of Medley Management Inc. dated December 21, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MEDLEY MANAGEMENT INC.

By: /s/ Richard T. Allorto, Jr.

Name: Richard T. Allorto, Jr.

Title: Chief Financial Officer

Date: December 21, 2018