

**LETTER OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS IN SUPPORT OF THIRD AMENDED COMBINED DISCLOSURE  
STATEMENT AND CHAPTER 11 PLAN OF MEDLEY LLC**

Chapter 11 Case No. 21-10526 (KBO)  
in the United States Bankruptcy Court  
for the District of Delaware

August 18, 2021

To: Holders of Claims in Class 3 and Class 4:

The Office of the United States Trustee formed the Official Committee of Unsecured Creditors (the “Committee”) to represent the interests of all unsecured creditors in the above-referenced chapter 11 bankruptcy case of Medley LLC (the “Debtor”). The Committee submits this letter in support of the enclosed *Third Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC* dated August 16, 2021 (the “Amended Plan”).<sup>1</sup>

The Committee believes, under the circumstances of this chapter 11 case, that the Amended Plan will provide the best potential recovery for Holders of Claims in Class 3 and Class 4. It will avoid the immediate conversion of this chapter 11 case to chapter 7, thus allowing the Debtor and Medley Capital to wind-down the Estate’s assets in an efficient and cost-effective manner. **Accordingly, the Committee supports the Amended Plan and recommends Holders of Claims in Class 3 and Class 4 vote to accept the Amended Plan.**

As set forth in the Amended Plan, this chapter 11 case has taken several unusual turns. The initial plan filed by the Debtor on the Petition Date was unconfirmable for various reasons and was withdrawn after the Notes Trustee, the Committee and certain other parties-in-interest communicated their opposition to the Debtor. Thereafter, the Debtor’s largest client, Sierra Income Corporation (“Sierra”), announced it had entered into a formal review process to evaluate strategic alternatives for the investment advisory agreement (the “Sierra IMA”) between Sierra and SIC Advisors LLC (“SIC Advisors”), a non-debtor subsidiary of the Debtor. The Debtor has no employees, and all business operations, including managing the Sierra IMA and other investment management agreements, are undertaken by an affiliate, Medley Capital LLC (“Medley Capital”). The management fees that SIC Advisors generates from Sierra’s IMA, after accounting for Medley Capital’s operational costs, are up-streamed to the Debtor and represent the Debtor’s largest source of revenue. Without the Sierra IMA, the Debtor could not continue as a going concern.

Since its appointment, the Committee has focused on navigating these difficult issues with the goal of obtaining the best possible recovery for unsecured creditors. The Committee also assessed the need for an employee compensation plan to allow Medley Capital to retain the necessary employees to wind-down the Sierra IMA and other investment management agreements in an orderly fashion.

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<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Amended Plan.

The Committee is pleased to report that following extensive negotiations with the Debtor and Medley Capital, it has reached a settlement with those parties, as reflected in the Amended Plan.

The Committee is a proponent of the Amended Plan, together with the Debtor and Medley Capital (collectively, the “Proponents”). General unsecured creditors of the Debtor’s estate will benefit from the Amended Plan in two specific ways. First, the agreement reached among the Proponents will allow for a controlled wind-down of Medley Capital and the Debtor’s other affiliates through the first quarter of 2022 and generate net proceeds which will flow to the Liquidating Trust to be established under the Amended Plan, for the benefit of Holders of Claims in Class 3 and Class 4.

Second, all Causes of Action of the Debtor, including against Insiders and other third parties, will automatically vest in the Liquidating Trust and will be pursued subsequent to the Effective Date. The Liquidating Trust will also receive all claims and rights of the Debtor under any insurance policies, including D&O Liability Insurance Policies. While there can never be any assurances that the Causes of Action will generate any additional recoveries for unsecured creditors, preserving such Causes of Action for proper investigation and prosecution, if appropriate, have been a top priority for the Committee.

The Liquidating Trustee will be selected by the Committee. An Oversight Committee will oversee the activities of the Liquidating Trust and will initially be comprised of two members selected by the Committee and one by Medley Capital during the wind-down. Upon the completion of Medley Capital’s wind-down, the Medley Capital member will be replaced with a third Oversight Committee member who will be appointed by the Committee. General unsecured creditors can, therefore, have assurance that the Liquidating Trust will be administered in a manner which will maximize the value of the Assets Available for Distribution to Unsecured Creditors under the Amended Plan.

**PLEASE BE ADVISED THAT THE COMMITTEE IS NOT PROVIDING ANY LEGAL ADVICE TO HOLDERS OF CLAIMS IN CLASS 3 AND CLASS 4 WITH RESPECT TO THE AMENDED PLAN. EACH CREDITOR (INCLUDING INDIVIDUAL MEMBERS OF THE COMMITTEE) MUST MAKE ITS OWN INDEPENDENT DECISION AS TO WHETHER OR NOT THE AMENDED PLAN IS ACCEPTABLE. THE COMMITTEE URGES EACH CREDITOR TO CONSULT WITH ITS OWN LEGAL AND/OR FINANCIAL ADVISOR REGARDING THE IMPACT OF THE PLAN ON SUCH CREDITOR AND ITS DECISION TO VOTE TO ACCEPT OR REJECT THE AMENDED PLAN.**

**PLEASE MAKE SURE TO READ THE DIRECTIONS ON THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT. ALL BALLOTS MUST BE RECEIVED BY THE VOTING AGENT BY SEPTEMBER 24, 2021 AT 4:00 PM (PREVAILING EASTERN TIME) TO BE COUNTED.**

**YOU ARE URGED TO READ THE AMENDED PLAN CAREFULLY. THE DESCRIPTION OF THE AMENDED PLAN IN THIS LETTER IS INTENDED TO BE ONLY A SUMMARY.**

**THIS COMMITTEE LETTER MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE COMMITTEE'S RECOMMENDATION TO SUPPORT THE AMENDED PLAN, AND THE INFORMATION CANNOT BE RELIED UPON FOR ANY OTHER PURPOSE. THE COMMITTEE DOES NOT GUARANTEE ANY PARTICULAR RESULT IN THIS BANKRUPTCY CASE.**

**THIS COMMUNICATION DOES NOT CONSTITUTE, AND SHALL NOT BE CONSTRUED AS, A SOLICITATION BY ANY INDIVIDUAL MEMBER OF THE COMMITTEE.**

Should you have any questions about this letter, the Amended Plan, your Ballot or the voting procedures, please contact Kelley Drye & Warren LLP by sending an email to [JCarr@kelleydrye.com](mailto:JCarr@kelleydrye.com) and [BFeder@kelleydrye.com](mailto:BFeder@kelleydrye.com).

Very truly yours,

The Official Committee of Unsecured Creditors of  
Medley LLC