

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Medley LLC,

Debtor.¹

Chapter 11

Case No. 21-10526 (KBO)

Re: Docket No. 244

NOTICE OF FILING OF DRAFT PLAN TERM SHEET

On July 6, 2021, the above-captioned debtor and debtor-in-possession (collectively, the “Debtor”), by their undersigned counsel, filed the *Combined Disclosure Statement and Chapter 11 Plan of Reorganization and Wind-Down of Medley LLC* [Docket No. 244] (the “Combined Disclosure Statement and Plan”).

The Debtor intends to file an amended version of the Combined Disclosure Statement and Plan substantially in accordance with the attached Plan Term Sheet (the “Plan Term Sheet”). Attached hereto as **Exhibit A** is a draft of the Plan Term Sheet.

Dated: July 22, 2021

MORRIS JAMES LLP

/s/ Eric J. Monzo

Jeffrey R. Waxman (DE Bar No. 4159)

Eric J. Monzo (DE Bar No. 5214)

Brya M. Keilson (DE Bar No. 4643)

500 Delaware Avenue, Suite 1500

Wilmington, DE 19801

Telephone: (302) 888-6800

E-mail: jwaxman@morrisjames.com

E-mail: emonzo@morrisjames.com

E-mail: bkeilson@morrisjames.com

*Counsel to the Debtor and Debtor
in Possession*

¹ The last four digits of the Debtor’s taxpayer identification number are 7343. The Debtor’s principal executive office is located at 280 Park Avenue, 6th Floor East, New York, New York 10017.



EXHIBIT A

PLAN TERM SHEET

This Plan Term Sheet (the “Term Sheet”), dated July 21, 2021, sets forth the material terms of a chapter 11 plan to be filed by Medley LLC (the “Debtor”) and supported by Medley Capital LLC (“Medley Capital”) and the Official Committee of Unsecured Creditors (the “Committee” and, together with the Debtor and Medley Capital, the “Plan Parties”) appointed in the chapter 11 case of *In re Medley LLC*, No. 21-10526 (KBO) (Bankr. D. Del. Mar. 7, 2021) (the “Chapter 11 Case”) pending before the Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

During the Support Period (as defined below), the Plan Parties intend to take all necessary or appropriate actions reasonably required to more fully memorialize the transactions and arrangements effectuated hereby, including entering into the Definitive Documents (as defined below).

THIS TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF TITLE 11 OF THE UNITED STATES CODE (THE “BANKRUPTCY CODE”). ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

THIS TERM SHEET CONTAINS A SERIES OF ASSUMPTIONS, COMPROMISES, AND SETTLEMENTS OF ISSUES AND DISPUTES THAT WILL BE RESOLVED IN CONNECTION WITH CONFIRMATION OF A CHAPTER 11 PLAN. ACCORDINGLY, THIS TERM SHEET IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROHIBITING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS. THIS TERM SHEET IS SUBJECT TO ALL EXISTING CONFIDENTIALITY AGREEMENTS.

MEDLEY LLC
PLAN SUPPORT AGREEMENT TERM SHEET

I. Plan Support Agreement

<p>Overview</p>	<p>On March 7, 2021, the Debtor commenced the Chapter 11 Case in the Bankruptcy Court (the “<u>Petition Date</u>”). The Restructuring Transaction (as defined below) will be consummated through the Chapter 11 Case.</p> <p>This Term Sheet contemplates the wind-down of the Debtor through the filing of an amended version of the <i>Combined Disclosure Statement and Chapter 11 Plan of Reorganization and Wind-Down of Medley LLC</i> [Docket No. 244] (the “<u>Combined DS and Plan</u>”, and as amended, the “<u>Amended Combined DS and Plan</u>”, and the disclosure statement and plan to be contained therein, the “<u>Amended DS</u>” and the “<u>Amended Plan</u>”, respectively), in form and substance consistent with this Term Sheet and reasonably acceptable to Medley Capital and the Committee, to be approved and confirmed by the Bankruptcy Court. The Amended Combined DS and Plan will provide for the liquidation and distribution of assets and proceeds from the claims, Causes of Action (as defined below), and other assets transferred to the Liquidating Trust (as defined below), net of any costs of liquidation or distribution, and the funding of such wind-down efforts (collectively, the “<u>Restructuring Transaction</u>”).</p>
<p>Support Period</p>	<p>“<u>Support Period</u>” means the period commencing on the date set forth in the introductory paragraph of this Term Sheet and ending on the earliest of (i) the date on which the Debtor’s confirmed Amended Plan becomes effective (the “<u>Effective Date</u>”) and (ii) the date on which this Term Sheet is terminated according to its terms.</p>
<p>Milestones</p>	<p>The Restructuring Transaction shall be implemented in accordance with the following case milestones (the “<u>Milestones</u>”) (unless waived by both the Committee or Medley Capital in their discretion),¹ and the Debtor shall cooperate and use commercially reasonable efforts to confirm and effectuate the Amended Plan as soon as practicable:</p> <ul style="list-style-type: none"> • No later than July 21, 2021: <ul style="list-style-type: none"> ○ Medley Capital, the Committee, and the Debtor shall agree on the form of a non-Debtor employee compensation program (the “<u>Compensation Plan</u>,” the outline of which is set forth on <u>Exhibit 1</u> attached hereto)² for Medley Capital that is reasonably acceptable to the Committee and ensures continued cooperation between Medley Capital employees and the

¹ All dates and deadlines listed herein are subject to extension by mutual agreement of the Plan Parties without Court approval.

² To the extent the Amended Plan confirmation timeline moves materially, the Debtor will file a motion seeking to approve the settlement with Sierra so that timing of Sierra payments align with the timing of the non-Debtor employees services.

Debtor and the Liquidating Trustee (as defined below), as applicable, through the Outside Date (as defined below); and

- No later than July 27, 2021, the Debtor shall:
 - File the Amended Combined DS and Plan in form and substance consistent with this Term Sheet and reasonably acceptable to Medley Capital and the Committee; and
 - Withdraw, without prejudice, the *Debtor's Motion for Approval and Entry of Amended and Restated Final Order (I) Authorizing, but Not Directing, the Debtor to Continue and Maintain its Existing Cash Management System, Bank Account, and Business Forms, (II) Authorizing the Continuation of Ordinary-Course Intercompany Transactions, and (III) Granting Related Relief* [Docket No. 217] (the "Cash Management Motion").
- No later than July 28, 2021, the Committee shall:
 - Withdraw, without prejudice, the *Motion of the Official Committee of Unsecured Creditors to Terminate the Debtor's Exclusive Periods to Propose and Solicit Acceptance of a Plan of Reorganization* [Docket No. 234] (the "UCC Exclusivity Motion") and together with the Cash Management Motion, the "Motions"; and
 - File a statement in support of the *Debtor's Motion for an Order Extending the Periods during which Debtor may file a Plan and Disclosure Statement and Solicit Acceptances thereof Pursuant to 11 U.S.C. § 1121(d)* [Docket No. 243].
- No later than July 30, 2021, the Debtor and Sierra (as defined below) shall:
 - Execute a funding commitment letter (the "Commitment Letter") that provides for the payment of \$2.1 million (the "Sierra Compensation Plan Payment") as set forth herein. The Commitment Letter shall: (i) provide that the Sierra Compensation Plan Payment shall be used solely to fund a portion of the Compensation Plan; (ii) provide that the Sierra Compensation Plan Payments will be made no later than 5 business days prior to the applicable Compensation Payment date set forth in the Compensation Plan in 3 instalments of 33.3%, 33.3% and the remainder; (iii) otherwise be consistent with the Compensation Plan attached hereto.
- No later than August 5, 2021, the Committee shall:
 - File a statement in support of interim approval of the Amended Combined DS and Plan.
- No later than August 12, 2021, the Debtor shall:

	<ul style="list-style-type: none"> ○ Seek interim approval of the Amended Combined DS and Plan under Local Bankruptcy Rule 3017-2, and schedule a combined hearing on final approval of the Amended DS and confirmation of the Amended Plan. ● No later than September 30, 2021, subject to the Court’s availability and agreement of the Plan Parties, the Debtor shall: <ul style="list-style-type: none"> ○ Obtain entry of the Confirmation Order (as defined below). ● No later than October 14, 2021: <ul style="list-style-type: none"> ○ The Effective Date of the Amended Plan shall occur.
Estate Causes of Action	<p>On the Effective Date, and pursuant to the Amended Plan’s terms, all claims and causes of action that the Debtor and its estate could potentially assert against any party, including all causes of action arising under chapter 5 of the Bankruptcy Code (each, a “<u>Cause of Action</u>” and collectively, the “<u>Causes of Action</u>”) will be transferred to the Liquidating Trust for prosecution by the Liquidating Trustee.</p>
Budget and Reporting	<p>The Debtor’s use of cash to the Effective Date shall be subject to (and limited by) the budget attached as Exhibit 2 to this Term Sheet (the “<u>Pre-Effective Date Budget</u>”) as may be amended by the agreement of the Plan Parties.</p> <p>The Amended Plan or the Definitive Documents shall incorporate a budget agreed to by the Plan Parties for the wind-down of the Debtor’s and Medley Capital’s business (the “<u>Wind-Down Budget</u>”) from the Effective Date to the earlier of: (i) the earlier of (A) the termination of that certain Investment Advisory Agreement dated April 5, 2012 by and between Sierra Income Corporation (“<u>Sierra</u>”) and SIC Advisors LLC (and as may be further modified, amended, or supplemented, or otherwise modified from time to time), and (B) the monetization of any remaining direct or indirect investments in funds managed by any Affiliate of the Debtor (such termination or monetization date, the “<u>Runoff Date</u>”); and (ii) March 31, 2022 (the “<u>Outside Date</u>”).</p> <p>Following the Effective Date and prior to the occurrence of the first to occur of the Runoff Date or the Outside Date, Medley Capital shall provide updated budgets every 4 weeks and weekly variance reports to the Liquidating Trustee and the Oversight Committee (as defined below) as is currently provided to the Committee pursuant to the <i>Final Order (I) Authorizing, but Not Directing, the Debtor to Continue and Maintain its Existing Cash Management System, Bank Account, and Business Forms, (II) Authorizing the Continuation of Ordinary-Course Intercompany Transactions, and (III) Granting Related Relief</i> [Docket No. 83].</p> <p>In addition, Medley Capital shall provide no less than five (5) business days’ notice (i) during the Support Period, to the Committee, and (ii) from the Effective Date to the first to occur of the Runoff Date or the Outside Date, to the Liquidating Trustee and the Oversight Committee, of (x) any sale of assets</p>

	at Medley Capital, and (y) liquidation or settlement of any claim against Medley Capital.
Professional Fee Escrow	On the Effective Date, the Debtor shall be obligated to segregate cash on hand in a segregated account for (i) unpaid services rendered or costs incurred on or after the Petition Date through the Effective Date for the benefit of professional persons retained by the Debtor or the Committee by an order of the Bankruptcy Court pursuant to sections 327, 328, 329, 330, 331, or 503(b) of the Bankruptcy Code in the Chapter 11 Case, and (ii) with respect to Peter Kravitz, as independent board member (“ <u>Kravitz</u> ” or the “ <u>Independent Director</u> ”) of Medley Management, Inc. (“ <u>MDLY</u> ”), the reasonable fees, costs and expenses incurred by the Independent Director, including but not limited to the reasonable fees of the professionals retained by Kravitz during the pendency of the Bankruptcy Case (the “ <u>Independent Director Fees</u> ”), in an amount equal to the Pre-Effective Date Budget (the “ <u>Professional Fee Escrow</u> ”).
Affirmative Covenants	<p>During the Support Period, the Plan Parties shall:</p> <ol style="list-style-type: none"> (1) support the Restructuring Transaction, which shall be in form and substance consistent with this Term Sheet; (2) support and not object to entry of any orders proposed in the Chapter 11 Case that are consistent with this Term Sheet; (3) in good faith, negotiate the Definitive Documents, which shall be in form and substance consistent in all respects with this Term Sheet; (4) consent to those actions contemplated by this Term Sheet or otherwise required to be taken to effectuate the Restructuring Transaction, including entering into all documents and agreements necessary to consummate the Restructuring Transaction; and (5) support entry of an order or orders, in form and substance consistent with this Term Sheet and reasonably acceptable to Medley Capital and the Committee, approving the Amended Combined DS and Plan. <p>“<u>Definitive Documents</u>” means the documents (including any related orders, agreements, instruments, schedules, or exhibits) that are necessary or desirable to implement or otherwise relate to the Restructuring Transaction, including, without limitation: (a) the Amended Combined DS and Plan (and all exhibits thereto); (b) the order approving the Amended DS and confirming the Amended Plan (the “<u>Confirmation Order</u>”); (c) the Wind-Down Budget; (d) the agreement establishing the Liquidating Trust to be drafted by the Committee, subject to Medley Capital’s reasonable approval solely with respect to matters that would impact operations at Medley Capital (the “<u>Liquidating Trust Agreement</u>”); and (e) any other documents or exhibits related to or contemplated in the foregoing clauses (a) through (d), in each</p>

	<p>case in form and substance consistent with this Term Sheet and reasonably acceptable to Medley Capital and the Committee.</p>
<p>Negative Covenants</p>	<p>During the Support Period, no Plan Party shall take any action materially inconsistent with the Restructuring Transaction that is expressly contemplated by this Term Sheet and the Definitive Documents.</p> <p>During the Support Period, the Plan Parties shall not oppose in any manner withdrawal of the Motions or entry of the Confirmation Order. Subject to the Debtor’s fiduciary duties and the Committee’s fiduciary duties, and provided the Definitive Documents are consistent with this Term Sheet, no Plan Party shall support any Alternative Transaction (as defined below) or take any action materially inconsistent with the Restructuring Transaction that is expressly contemplated by this Term Sheet or the Definitive Documents.</p> <p>During the Support Period, no Plan Party shall take any action, or fail to take any action, that would result in (or that with the giving of notice or the passage of time, or both would result in) a Debtor Termination Event, Committee Termination Event, or a Medley Capital Termination Event (each as defined below).</p> <p>“<u>Alternative Transaction</u>” shall mean any reorganization, merger, consolidation, tender offer, exchange offer, business combination, joint venture, partnership, sale of a material portion of assets (excluding a sale process separately governed above), financing (excluding a debtor-in-possession financing facility separately governed above), recapitalization, workout or restructuring of the Debtor (including, for the avoidance of doubt, a transaction premised on a chapter 11 plan or a sale of a material portion of assets under section 363 of the Bankruptcy Code), other than the Restructuring Transaction.</p>
<p>Termination</p>	<p>Upon three (3) business days’ written notice to the Committee, during which time the Committee may cure any Debtor Termination Event (as defined below) that is susceptible to cure within such 3-business day period, the Debtor may terminate this Term Sheet upon the occurrence, and during the continuation of, any of the following events (each, a “<u>Debtor Termination Event</u>”):</p> <ol style="list-style-type: none"> (1) the Committee’s material breach of any of their obligations under this Term Sheet; (2) the Debtor determines in good faith that continued performance under this Term Sheet would be inconsistent with the exercise of its fiduciary duties under applicable law; (3) the Bankruptcy Court grants relief or <i>sua sponte</i> enters any order that is materially inconsistent with this Term Sheet or would reasonably be expected to materially frustrate the purpose of this Term Sheet;

- (4) the Committee files for approval of or otherwise supports any Alternative Transaction or other transaction that is inconsistent with the Amended Plan or the Restructuring Transaction;
- (5) any of the orders approving the Amended DS or the Amended Plan are reversed, stayed, dismissed, vacated, reconsidered, modified, or amended without the consent of the Debtor, the Committee, and Medley Capital; and
- (6) the Bankruptcy Court's confirmation of a competing plan that is inconsistent with the terms of the Restructuring Transaction.

Upon three (3) business days' written notice to the Debtor and Medley Capital, during which time either the Debtor or Medley Capital may cure any Committee Termination Event (as defined below) that is susceptible to cure within such 3-business day period, the Committee may terminate this Term Sheet after the occurrence, and during the continuation of, any of the following events (each, a "Committee Termination Event"):

- (1) the Debtor's or Medley Capital's material breach of any of its obligations under this Term Sheet;
- (2) the Committee determines in good faith that continued performance under this Term Sheet would be inconsistent with the exercise of its fiduciary duties under applicable law and the Committee obtains a Bankruptcy Court order finding the same;
- (3) the Debtor or Medley Capital fails to comply with, satisfy, or achieve any of the Milestones;
- (4) the Debtor or Medley Capital fails to provide the Committee and its advisors with reasonable access to the Debtor's or Medley Capital's books, records, and management through the Effective Date;
- (5) any of the Definitive Documents filed in the Chapter 11 Case contain terms and conditions materially inconsistent with this Term Sheet;
- (6) conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, appointment of a chapter 11 trustee, a responsible officer, or an examiner with enlarged powers (beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) relating to the operation of the Debtor, or dismissal of the Chapter 11 Case;
- (7) the Bankruptcy Court grants relief or *sua sponte* enters any order that is materially inconsistent with this Term Sheet or would reasonably be expected to materially frustrate the purpose of this Term Sheet;
- (8) the Debtor or Medley Capital files for approval of or otherwise supports any Alternative Transaction or other transaction that is

	<p>inconsistent with the Amended Plan or the Restructuring Transaction; and</p> <p>(9) the Bankruptcy Court’s approval of an Alternative Transaction or other transaction that is inconsistent with the terms of the Restructuring Transaction.</p> <p>“<u>Medley Capital Termination Event</u>” means any event that would constitute a Debtor Termination Event or a Committee Termination Event (excluding any Debtor Termination Event or Committee Termination Event due to any action or omission of Medley Capital); provided that upon three (3) business days’ written notice to the Debtor and the Committee, the Committee (in the case of a Debtor Termination Event) and the Debtor (in the case of a Committee Termination Event) may cure any such event that within such 3-business day period.</p> <p>This Term Sheet may also be terminated by mutual written agreement among the Plan Parties.</p> <p>This Term Sheet shall automatically terminate on the Effective Date.</p>
Venue	<p>Any disputes between the Plan Parties arising out of, or in connection with, this Term Sheet shall be brought in the Bankruptcy Court.</p>

II. Plan Treatment of Certain Allowed Claims and Interests

Class of Claim or Interest	Treatment of Certain Claims and Interests Under the Amended Plan
Administrative Expense Claims	<p>All allowed Administrative Expense Claims (as defined below), other than Professional Claims (as defined below), shall be paid in full in cash on the Effective Date or as otherwise provided in the Bankruptcy Code or approved by the Bankruptcy Court, except to the extent that a holder of such claim agrees to different treatment.</p> <p>“<u>Administrative Expense Claims</u>” means any claim for costs and expenses of administration of the Chapter 11 Case pursuant to sections 503(b), including section 503(b)(9), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred on or after the Petition Date until and including the Effective Date of preserving the Debtor’s estate and operating the Debtor’s business; and (b) all fees and charges assessed against the Debtor’s estate pursuant to section 1930 of chapter 123 of title 28 of the United States Code.</p> <p>Prior to the Effective Date, the Debtor will work with the Committee in good faith with respect to reviewing Administrative Expense Claims and will consult with the Committee prior to filing any objection to a purported Administrative Expense Claim.</p>

Class of Claim or Interest	Treatment of Certain Claims and Interests Under the Amended Plan
	On the Effective Date of the Amended Plan, all Administrative Expense Claims of Medley Capital shall be waived.
Professional Claims	<p>All allowed Professional Claims shall be paid in full in cash in such amounts as may be allowed by the Bankruptcy Court (a) as soon as practicable after the later of the Effective Date and the date on which the Court enters a final order allowing any such Professional Claim, (b) as otherwise provided in the Bankruptcy Code or approved by the Bankruptcy Court, or (c) as may be agreed upon between the holder of any such Professional Claim and the Debtor or the Liquidating Trustee, as applicable. In addition, the reasonable Independent Director Fees shall be paid on the Effective Date, or as may be agreed upon by the Independent Director and the Debtor or the Liquidating Trustee, as applicable.</p> <p>“<u>Professional Claim</u>” means any claim by a professional seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date (as defined below) under sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code.</p>
Priority Claims	<p>Holders of tax claims entitled to priority treatment under section 507(a)(8) of the Bankruptcy Code (“<u>Priority Tax Claims</u>”) shall receive treatment in a manner consistent with the terms of section 1129(a)(9)(C) of the Bankruptcy Code.</p> <p>Each holder or an allowed Other Priority Claim (as defined below) shall receive treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.</p> <p>“<u>Other Priority Claims</u>” means any claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.</p>
General Unsecured Claims	<p>Each holder of an allowed General Unsecured Claim (as defined below) shall receive its pro rata share of the Assets Available for Distribution to Unsecured Creditors (as defined below).</p> <p>“<u>General Unsecured Claim</u>” means any claim other than an Administrative Claim, a Secured Claim, a Priority Tax Claim, or an Other Priority Claim (as defined in the Combined DS and Plan).</p> <p>“<u>Assets Available for Distribution to Unsecured Creditors</u>” means all of the Liquidating Trust Assets (as defined below) after payment of all (i) allowed Secured Claims, (ii) allowed Administrative Expenses, (iii) allowed Priority Claims, and (iv) reasonable and customary expenses of the Liquidating Trust (as shall be set forth in the Amended Plan), and the proceeds therefrom.</p>
Intercompany Claims	Except for the Independent Director Fees, each allowed Intercompany Claim (as defined below) shall be allowed, settled, cancelled, released, or extinguished at the Debtor’s election, subject to the approval of the Committee and Medley Capital.

Class of Claim or Interest	Treatment of Certain Claims and Interests Under the Amended Plan
	<p>The Debtor has Intercompany Claims against MDLY in excess of approximately \$5 million (the “<u>MDLY Claim</u>”). The Amended Plan shall provide that MDLY agrees to transfer the MDLY Tax Refund (as defined below) to the Debtor (if issued to MDLY prior to the Effective Date) or to the Liquidating Trust (if issued to MDLY on or subsequent to the Effective Date) in satisfaction of the MDLY Claim by the amount of the MDLY Tax Refund remitted to the Debtor or the Liquidating Trust, as applicable;³ provided that none of MDLY, Medley Capital, or the Debtor will take any action to negatively affect the ability of the Debtor to receive the MDLY Tax Refund in satisfaction of the MDLY Claim. Nothing herein or in the Amended Plan shall be a settlement or a release of any immediate or mediate claims or transfers effectuated through MDLY that are subject to chapter 5 of the Bankruptcy Code.</p> <p>“<u>Intercompany Claim</u>” means any claim held by the Debtor or any non-Debtor Affiliate against another non-Debtor Affiliate and any claim against the Debtor held by a non-Debtor Affiliate.</p> <p>“<u>Affiliate</u>” has the meaning set forth in section 101(2) of the Bankruptcy Code.</p>
Interests	<p>Each holder of an Interest (as defined below) shall retain such Interest, except that on the Effective Date, the Debtor shall issue and transfer a 1% membership interest in the Debtor to the Liquidating Trust, solely for the purpose of conferring derivative standing upon the Liquidating Trustee to institute Causes of Action pursuant to the provisions of the Delaware Limited Liability Company Act to the extent the Liquidating Trustee is found not to have direct standing to pursue such claims as estate representative pursuant to section 1123(b) of the Bankruptcy Code (the “<u>Liquidating Trust Interest</u>”).</p> <p>“<u>Interest</u>” means any equity security (as defined in section 101(16) of the Bankruptcy Code) in the Debtor and any other rights, options, warrants, stock appreciation rights, phantom stock rights, restricted stock units, redemption rights, repurchase rights, convertible, exercisable or exchangeable Securities or other agreements, arrangements or commitments of any character relating to, or whose value is related to, any such interest or other ownership interest in the Debtor, and any claim against or interest in the Debtor subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing.</p>

III. Miscellaneous Plan Terms and Conditions

Medley Capital Plan Contribution	The Restructuring Transaction will be funded in part by the payments by Medley Capital (the “ <u>Medley Capital Plan Contribution</u> ”) (i) on the Effective Date to (A) the Debtor in an amount equal to allowed and estimated Administrative Expense Claims and Professional Claims, and (B) the Liquidating Trust in an amount equal
---	--

³ To be reflected in a 9019 settlement under the Amended Plan.

	to the Initial GUC Funds (as defined below), and (ii) thereafter to the Liquidating Trust from time to time through the Runoff Date, the Additional GUC Funds (as defined below).
Tax Refunds	MDLY anticipates that it is due to be issued a tax refund in the amount of approximately \$1.5 million (the “ <u>MDLY Tax Refund</u> ”). The MDLY Tax Refund shall be transferred to the Debtor or the Liquidating Trust as set forth above in “Intercompany Claims” and may not be distributed to any pre-IPO owners or other equity holders. Any tax refunds issued directly to the Debtor may only be used as set forth in the Amended Plan by the Debtor or the Liquidating Trustee.
SEC Claims	The Plan Parties agree to cooperate and work in good faith to resolve any claims asserted or maintained by the Securities and Exchange Commission against the Debtor.
Notes Trustee Fees	<p>“<u>Notes Trustee Fees</u>” means the reasonable fees and expenses of the Notes Trustee (as defined by the Combined DS and Plan), which shall be paid in full in cash on the Effective Date.</p> <p>The Amended Plan shall also contain reasonable and customary provisions for the preservation of certain rights and protections for the Notes Trustee under the Notes Indentures (as defined by the Combined DS and Plan) including, without limitation, the Notes Trustee’s charging lien under the Notes Indentures.</p> <p>The Plan Parties shall support payment of the Notes Trustee Fees, <u>provided, however</u>, that if the Bankruptcy Court does not approve such fees, it shall not be a condition to confirmation or effectiveness of the Amended Plan.</p>
Debtor Corporate Governance	Nothing in the Amended Plan shall amend or alter the Debtor’s Fifth Amended and Restated Limited Liability Agreement, which, among other things, provide that the business, property and affairs of the Debtor shall be managed under the sole, absolute and exclusive direction of Michelle Dreyer as the Debtor’s Independent Manager.
Establishment of the Medley LLC Liquidating Trust	On the Effective Date, a trust known as the “ <u>Medley LLC Liquidating Trust</u> ” (the “ <u>Liquidating Trust</u> ”) will be established. The Liquidating Trust is intended to qualify as a liquidating trust pursuant to Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of the trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. The Liquidating Trust shall be administered in accordance with the terms of the Liquidating Trust Agreement. On the Effective Date or by the Runoff Date, as applicable, all right, title and interest in and to all of the Liquidating Trust Assets shall be vested in the Liquidating Trust.
Funding of Liquidating Trust	The Amended Plan shall provide that the Liquidating Trust shall be funded with (i) all Cash held by the Debtor on the Effective Date; (ii) available funds on the Effective Date from Medley Capital in the amount of no less than \$100,000 (the “ <u>Initial GUC Funds</u> ”), and (iii) all net proceeds realized by Medley Capital through the Runoff Date from (A) the Remaining Company Contracts (as defined in the Combined DS and Plan), or (B) from the monetization of any direct or indirect

	<p>investments in funds managed by any Affiliate of the Debtor as such net proceeds are realized between the Effective Date and the Runoff Date to the extent net funds are, or may become, available from the Effective Date to the Runoff Date (the “<u>Additional GUC Funds</u>”).</p>
<p>Liquidating Trust Assets</p>	<p>“<u>Liquidating Trust Assets</u>” shall mean: (i) the Initial GUC Funds and the Additional GUC Funds; (ii) all Causes of Action and the net proceeds thereof; (iii) the MDLY Tax Refund; (iv) any tax refund received by the Debtor; (v) all claims and rights of the Debtor under any D&O Liability Insurance Policies; (vi) the Liquidating Trust Interest; and (vii) any Records (as defined in the Combined DS and Plan) relating to the foregoing.</p> <p>“<u>D&O Liability Insurance Policies</u>” means all insurance policies of the Debtor, or for the benefit of the Debtor, for directors’, managers’, and officers’ liability existing as of the Petition Date (including any “tail policy”) and all agreements, documents, or instruments relating thereto.</p>
<p>Selection of Liquidating Trustee and Establishment of Oversight Committee</p>	<p>The Liquidating Trust shall be managed by a trustee (the “<u>Liquidating Trustee</u>”), who shall be selected by the Committee no less than thirty five (35) business days prior to the date of the scheduled hearing on confirmation of the Amended Plan (the “<u>Confirmation Date</u>”). The Committee shall advise the Debtor and Medley Capital prior to the selection of the Liquidating Trustee and if either the Debtor or Medley Capital shall not concur with the Committee’s selection for Liquidating Trustee, each may file an objection with the Bankruptcy Court with the Committee’s selection contingent on the ruling of the Bankruptcy Court. An oversight committee (the “<u>Oversight Committee</u>”) shall be created on the Effective Date and will consist of two persons to be appointed by the Committee and one member appointed by existing management at Medley Capital no less than five (5) business days prior to the Confirmation Date. Upon the earlier of the Runoff Date and the Outside Date, the Oversight Committee member appointed by Medley Capital shall resign and be replaced by another member, who shall be selected by the Committee no less than five (5) business days prior to the Confirmation Date.</p>
<p>Rights and Responsibilities of Oversight Committee</p>	<p>The Amended Plan and/or the Liquidating Trust Agreement shall provide the Oversight Committee with the following rights and responsibilities to be exercised in its sole discretion: (i) terminate by unanimous vote the Liquidating Trustee and appoint a successor liquidating trustee; (ii) employ and retain professionals; (iii) approve the sale or other monetization of any assets remaining in the Debtor’s estate over \$100,000, including, but not limited to, the Debtor’s direct or indirect investments in funds managed by any Affiliate of the Debtor; (iv) receive and review any report detailing the means by which the Liquidating Trustee invests and/or insures the remaining assets pending final distributions under the Amended Plan; (v) approve certain delineated actions of the Liquidating Trustee (as set forth in the Liquidating Trust Agreement); and (vi) approve any amended Wind-Down Budget through the earlier of the Runoff Date and the Outside Date.</p> <p>In addition, the Amended Plan and/or the Liquidating Trust Agreement shall provide that the Oversight Committee is entitled to a status report on all Distributions, material litigation, investment/insurance of the Liquidating Trust</p>

	Assets, material Disputed Claims (as defined in the Combined DS and Plan), and all other material matters affecting the beneficiaries of the Liquidating Trust.
Oversight Committee Bankruptcy Court Challenge	At any time prior to the earlier of the Runoff Date and the Outside Date, if the Oversight Committee votes on a “Major Issue” (as such term will be defined in the Liquidating Trust Agreement that will be filed as part of the Definitive Documents) with less than unanimous consent, such dissenting member (the “ <u>Dissenting Member</u> ”) may challenge that decision with the Bankruptcy Court. The Dissenting Member shall be entitled to retain legal counsel to represent it in such challenge. The Liquidating Trust will pay the reasonable fees of the Dissenting Member’s legal counsel, up to \$50,000.
Rights and Responsibilities of Liquidating Trustee	The Amended Plan and/or the Liquidating Trust Agreement shall provide that the Liquidating Trustee shall inform the Oversight Committee of the filing or commencement of any Causes of Action (other than objections to claims or interests), and shall consult with and seek consent, if applicable, of the Oversight Committee (such consent not to be unreasonably withheld) regarding any of the following Major Issues: (i) the settlement or resolution of any Disputed Claims in which the amount in dispute is in excess of \$100,000; (ii) the settlement or resolution of any Causes of Action asserted in the amount of \$100,000 and above to the extent that the Liquidating Trustee proposes a settlement; (iii) the challenge of any expenditure by Medley Capital that deviates from the most recent Wind Down Budget approved by the Oversight Committee by more than 20% in the aggregate over a four week period; ⁴ (iv) any sale or other monetization of assets at Medley Capital in excess of \$250,000; and (v) liquidation or settlement of any claim against Medley Capital. In the event of a dispute related to the foregoing between the Liquidating Trustee and the Oversight Board, either party may seek relief from the Bankruptcy Court.
Debtor Exculpation and Releases	<p>The Amended Plan shall provide for usual and customary exculpations for all actions taken in connection with, relating to, or arising out of, the Chapter 11 Case in favor of Michelle Dreyer, as independent Manager of the Debtor, the Debtor’s professionals, John Dyett (“<u>Dyett</u>”), Peter Kravitz (“<u>Kravitz</u>”), and Guy Rounsaville, Jr. (“<u>Rounsaville</u>”), each as independent board members of MDLY, the Committee and each of its individual members (in their capacity as such) the Committee’s professionals, Medley Capital, Medley Capital’s current directors and officers, including Rick Allorto (“<u>Allorto</u>”), Dean Crowe (“<u>Crowe</u>”), Howard Liao (“<u>Liao</u>”), and David G. Richards (“<u>Richards</u>”), Sierra, and the respective professionals, agents, and representatives of each of the foregoing (each, an “<u>Exculpated Party</u>” and collectively, the “<u>Exculpated Parties</u>”).</p> <p>The Amended Plan shall further provide for usual and customary releases and injunctions for all Causes of Action for Medley Capital, Crowe, Liao, Richards, Sierra and the respective professionals, agents, and representatives of each of the foregoing (each, a “<u>Fully Released Party</u>” and collectively, the “<u>Fully Released Parties</u>”).</p>

⁴ For purposes of the variance calculation, the 20% excludes any expenditures that are being reimbursed by any of the underlying funds, clients, or SMAs.

	<p>The Amended Plan shall further provide for usual and customary releases and injunctions solely for all Causes of Action arising under chapter 5 of the Bankruptcy Code, granted by the Debtor in favor of [Allorto] and the respective professionals, agents, and representatives of each of the foregoing (each, a “Chapter 5 Released Party” and collectively, the “Chapter 5 Released Parties”)</p> <p>Each Plan Party consents to, and will not object to or otherwise oppose, all releases, exculpations, and injunctions granted under the Amended Combined DS and Plan in favor of the Exculpated Parties, the Fully Released Parties, and the Chapter 5 Released Parties.</p>
<p>Employee Cooperation</p>	<p>Releases of current officers shall be subject to reasonable cooperation and assistance through the Runoff Date with respect to (i) resolution of Disputed Claims, and (ii) Causes of Action to be pursued by the Liquidating Trustee, <u>provided, however</u>, that reasonable cooperation shall not materially interfere with such officer’s normal job responsibilities.</p>
<p>Conditions to Plan Confirmation</p>	<ol style="list-style-type: none"> (1) This Term Sheet shall not have been terminated. (2) The Motions shall have been withdrawn. (3) The Confirmation Order shall be in a form and substance reasonably acceptable to the Committee and Medley Capital. (4) The conditions to confirmation delineated in the Amended Plan shall have either been satisfied or waived in accordance with the Amended Plan. (5) No breach or failure to comply with the terms of the Definitive Documents, the Confirmation Order or any other material final order of the Bankruptcy Court shall have occurred and be continuing.
<p>Conditions to Effective Date</p>	<ol style="list-style-type: none"> (1) This Term Sheet shall not have been terminated. (2) The Confirmation Order in form and substance reasonably satisfactory to the Committee and Medley Capital shall have been entered by the Bankruptcy Court, shall not have been amended or modified other than in a manner satisfactory to each of the Committee and Medley Capital, and there shall not be a stay or injunction (or similar prohibition) in effect with respect thereto. (3) All Definitive Documents required under the Amended Plan shall have been executed and delivered. (4) No breach or failure to comply with the terms of the Definitive Documents, the Confirmation Order, or any other material final order of the Bankruptcy Court shall have occurred and be continuing.

Cancellation of Instruments, Certificates, and Other Documents	On the Effective Date, except to the extent otherwise provided herein, all instruments, certificates, and other documents evidencing debt or equity interests in the Debtor shall be cancelled and the obligations of the Debtor thereunder, or in any way related thereto, shall be discharged.
Other Plan Terms	The Amended Plan shall contain other customary terms for chapter 11 plans of this type, which shall be reasonably acceptable to the Committee and Medley Capital, including, without limitation, provisions dealing with retention of jurisdiction, claims allowance and objections, and exemption from stamp and other transfer taxes pursuant to section 1146 of the Bankruptcy Code.

Exhibit 1

Outline of Non-Debtor Compensation Program

Outline of Compensation Payments

1. Compensation Payment Schedule (each a “Compensation Payment” and collectively, the “Compensation Payments”)
 - a. 9/30/21: 33.3%
 - b. 12/31/21: 33.3%
 - c. Remainder at 1/31/22

2. Repayment Obligation
 - a. Employee is obligated to repay 50% of the immediately preceding Compensation Payment if employee
 - i. Voluntarily leaves Medley Capital prior to the completion of the investment advisory agreement with Sierra, or
 - ii. Is terminated by Medley Capital prior to the completion of the investment advisory agreement with Sierra “for cause”

 - b. Provided further, and for the avoidance of doubt there is no Repayment Obligation under 2(a)(i) if:
 - i. After the 9/30/21 payment, employee provides a 45 day notice for exit and stays for the full 45 days (or such shorter time period as determined by Howard Liao with a proportional reduction in salary for such employee, and subject to employee resignation not materially interrupting the business of Medley Capital or Medley LLC)
 - ii. After the 12/31/21 Compensation Payment, employee provides a 30 day notice for exit and stays for the full 30 days (or such shorter time period as determined by Howard Liao with a proportional reduction in salary for such employee, and subject to employee resignation not materially interrupting the business of Medley Capital or Medley LLC)
 - iii. Employee is no longer eligible for further Compensation Payments once resignation notice is tendered

 - c. Repayment Obligations will not be applicable to employees with aggregate Compensation Payments of \$150,000 or less

3. Incentive Pool

- a. In the event that an employee voluntarily leaves or is terminated for cause, 75% of the forfeited Compensation Payments and/or proceeds from Repayment Obligations committed or paid by the Company, if any, are contributed to a pool (the “Performance Compensation Pool”) and the remaining 25% will be returned to the Company. The application of the forfeited Compensation Payments and/or proceeds from Repayment Obligations committed or paid by Sierra will be at Sierra’s sole discretion.
- b. The Performance Compensation Pool will be distributed to employees that (i) remain with Medley Capital through the planned exit date for such employee, and (ii) (a) if distributable value to Medley LLC (“Distributable Value”) on 3/31/22 is equal to or greater than the midpoint (the “Midpoint”) between the “Low Case” and “High Case” as set forth in the Medley LLC & Medley Capital winddown projections (the “Projections”), then 100% of the Performance Compensation Pool will be distributed to employees or (b) if Distributable Value on 3/31/22 is between the Low Case and the Midpoint as set forth in the Projections, then the percentage of the Performance Compensation Pool distributed to employees will equal the percentage of Distributable Value achieved between the Low Case and Midpoint as set forth in the Projections. For the avoidance of doubt, if Distributable Value on 3/31/22 is below the Low Case as set forth in the Projections, then there will be no distribution to employees from the Performance Compensation Pool. The foregoing is subject to: (i) confirmation of mechanics for guaranteeing distributable value amounts to Medley LLC, and (ii) Committee sign-off on the winddown projections to be filed with the Plan.
- c. For executives Howard Liao, Rick Allorto, Dean Crowe, and David Richards (collectively, the “Executives”), 15% of each Compensation Payment (the “Holdback”) will be deferred to April 7, 2022. Payment of the Holdback to the Executives on April 7, 2022 will be contingent on Distributable Value as of 3/31/22 being equal to or greater than the Low Case as set forth in the Projections. If Distributable Value as of 3/31/22 exceeds the Midpoint as set forth in the Projections, the Executives will receive 20% of any Distributable Value in excess of the Midpoint, subject to an Executives aggregate cap of \$1M.
- d. Employee allocations of the Performance Compensation Pool is based on the employee’s third Compensation Payment as a percentage of the aggregate third Compensation Payments paid to employees

- e. With approval of the Oversight Committee, proceeds from the Performance Compensation Pool can be used for new hires or temporary help if recommended by management.
4. Compensation for Employees after the third payment
- a. If the Oversight Committee determines employees are required to wind-down the Company after the third Compensation Payments and continued employment is cash-flow positive to Medley Capital and Medley LLC, employees may be offered continued employment at a new annual base salary that is equal to the employee's base salary plus Compensation payments. Employment must be offered for a minimum of 30 days.
5. Liquidating Trustee Cooperation
- a. Employee retention letters for the Executives will include the following:
 - i. Executives will provide reasonable cooperation with the Liquidating Trustee (e.g., access to books and records, interviews for causes of action pursuits).
 - ii. The reasonable cooperation will not materially interfere with the Executives' normal job responsibilities.
 - iii. To the extent that cooperation will require employees other than the Executives, the Executives will coordinate with the applicable employees to facilitate such cooperation.
6. August 2021 Deferred Compensation Payments
- a. As an act of good faith, the Committee does not object to projected August deferred compensation payments of \$652K on account of 2020 work.

Exhibit 2

Pre-Effective Date Budget

Medley LLC
Pre-Effective Date Budget
(\$ in thousands)

Week Ended:	7/9/2021	7/16/2021	7/23/2021	7/30/2021	8/6/2021	8/13/2021	8/20/2021	8/27/2021	9/3/2021	9/10/2021	9/17/2021	9/24/2021	10/1/2021	10/8/2021	10/15/2021
Beginning Cash Balance	\$ 936	\$ 936	\$ 927	\$ 923	\$ 923	\$ 871	\$ 835	\$ 826	\$ 826	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
<i>Cash Inflows</i>															
Intercompany Inflow	-	-	-	-	-	-	-	-	106	-	15	23	46	-	3,305
<i>Total Inflows</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106	\$ -	\$ 15	\$ 23	\$ 46	\$ -	\$ 3,305
<i>Cash Outflows</i>															
Tax payments	-	-	-	-	(6)	-	-	-	-	-	(15)	(5)	-	-	-
Insurance ⁽¹⁾	-	-	-	-	-	-	-	-	(623)	-	-	-	-	-	-
Professional Fees	-	-	(5)	-	-	(36)	-	-	-	-	-	(18)	-	-	-
Legal Fees	-	(9)	-	-	(9)	-	(9)	-	(21)	-	-	-	(9)	-	-
Restructuring Fees	-	-	-	-	(38)	-	-	-	(38)	-	-	-	(38)	-	(3,205)
Plan of Reorganization Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100)
<i>Total Outflows</i>	\$ -	\$ (9)	\$ (5)	\$ -	\$ (52)	\$ (36)	\$ (9)	\$ -	\$ (682)	\$ -	\$ (15)	\$ (23)	\$ (46)	\$ -	\$ (3,305)
Free Cash Flow	\$ -	\$ (9)	\$ (5)	\$ -	\$ (52)	\$ (36)	\$ (9)	\$ -	\$ (576)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Cash Balance	\$ 936	\$ 927	\$ 923	\$ 923	\$ 871	\$ 835	\$ 826	\$ 826	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250

(1) The \$623k payment in the week ended 9/3/2021 is an estimate for E&O insurance based on historical costs and has not been priced in the market