IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
Medley LLC,[1]	Case No. 21-10526 (KBO)
Debtor.	**Docket Nos. 324, 328, 371, 376**

DECLARATION OF MICHELLE DREYER
IN SUPPORT OF CONFIRMATION OF THE THIRD AMENDED COMBINED DISCLOSURE STATEMENT AND CHAPTER 11 PLAN OF MEDLEY LLC

I, Michelle Dreyer, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a Managing Director of the Independent Director Services & Default Administration of CSC Global Financial Markets and Delaware Trust Company, with offices at 251 Little Falls Drive, Wilmington, Delaware 19808 and other locations and I am the independent manager of the above-captioned debtor (the "Debtor") in the above-captioned chapter 11 case (the "Chapter 11 Case"). I submit this Declaration in support of confirmation of the *[Modified] Third Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC* [Docket No. 324] (as may be amended, modified, or supplemented from time to time, the "Plan").[2] Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my review of the relevant documents, and/or my opinion based upon my experiences, knowledge, and information concerning the Debtor and provided to me by the Debtor's and its subsidiaries management team, and/or the Debtor's other professionals.

[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.
[2] Defined terms used, but not otherwise defined, herein shall have the same meanings ascribed to them in the Plan or Solicitation Order (as defined herein below), as applicable.

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2. I am authorized to submit this declaration (the "Declaration") on behalf of the Debtor. If I were called upon to testify, I would testify competently to the facts set forth herein.

BACKGROUND

3. On March 7, 2021, the Debtor filed its voluntary Chapter 11 petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

4. The Debtor has continued in possession of its property and has continued to operate and manage its business as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. On April 22, 2021, the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed an official committee of unsecured creditors (the "Committee") in the Chapter 11 Case.

6. On June 1, 2021, I was appointed the Debtor's independent manager as provided in the Fifth Amended and Restated Limited Liability Company Agreement of Medley LLC and continue to serve in this capacity.

7. The Plan is premised upon maximizing the remaining value of the Debtor's assets. The Debtor has three primary assets: (i) cash on hand, (ii) the income stream generated by non-Debtor Affiliates from the Remaining Company Contracts, less expenses, and (iii) Causes of Action. On the Effective Date, the Plan provides for the creation of a Liquidating Trust that will be established for the benefit of creditors holding Allowed Claims and on the Effective Date or by the Wind-Down Date, as applicable, the Liquidating Trust Assets shall vest in the Liquidating Trust. The Liquidating Trust shall be funded with (i) all Cash held by the Debtor on the Effective Date; (ii) the Initial GUC Funds, and (iii) the Additional GUC Funds.

8. On August 16, 2021, the Bankruptcy Court entered the *Order Granting the Motion of the Debtor for an Order (I) Approving on an Interim Basis the Adequacy of Disclosures in the Combined Plan and Disclosure Statement, (II) Scheduling the Confirmation Hearing and Deadline for Filing Objections, (III) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject the Third Amended Combined Plan and Disclosure Statement, and Approving the Form of Ballot and Solicitation Package, and (IV) Approving the Notice Provisions* [Docket No. 328] (the "Solicitation Order").

9. By the Solicitation Order, the Bankruptcy Court, among other things, conditionally approved the Plan for solicitation purposes only. In addition, a hearing to consider final approval of the adequacy of the disclosures contained in, and confirmation of, the Plan is scheduled for October 5, 2021 starting at 1:00 p.m. (Eastern Daylight Time) (the "Confirmation Hearing").

10. As set forth in the Solicitation Order, only members of the Voting Classes were entitled to vote on the Plan. As such, only members of and Class 3 (Note Claims) and Class 4 (General Unsecured Claims) were entitled to vote to accept or reject the Plan. Holders of Claims and Interests in Class 1 (Secured Claims), Class 2 (Priority Non-Tax Claims), and Class 5 (Intercompany Claims) are unimpaired under the Plan, and consequently are deemed to have accepted the Plan pursuant to the Bankruptcy Code. Holders of Claims and Interests in Class 6 (Interests) are not entitled to receive a distribution or retain any property under the Plan, and consequently, are conclusively deemed to have rejected the Plan pursuant to the Bankruptcy Code.

11. In compliance with the Solicitation Order, and as set forth on the Certificate of Service of the Plan Solicitation Materials [Docket No. 343] filed by the Debtor's claims, noticing, and balloting agent, Kutzman Carson Consultants LLC ("KCC"), on August 23, 2021 (the

"Solicitation Commencement Date"), the Debtor caused copies of the following materials to be transmitted to the known Holders of Claims and Interests:

(a) If applicable, a flash drive (the "USB Drive") containing the following documents: (i) the Plan, (ii) the Solicitation Procedures Order

(b) either a printed copy of the appropriate Ballot(s) and voting instructions for the voting class in which the creditor is entitled to vote (with a pre-addressed postage prepaid return envelope, is applicable (the "Return Envelope")

i. Class 3 Notes Claim Beneficial Holder Ballot ("Class 3 Beneficial Owner Ballot") (substantially in the form attached as Exhibit 2A to the Solicitation Procedures Order)

ii. Class 3 Master Ballot for Holders of Notes Claim ("Class 3 Master Ballot") (substantially in the form attached as Exhibit 2B to the Solicitation Procedures Order)

iii. Class 4 General Unsecured Claims Ballot ("Class 4 Ballot") (substantially in the form attached as Exhibit 2C to the Solicitation Procedures Order)

(c) or in lieu of Ballot, the following notices, as appropriate based on the treatment under the Plan of any Claim or Interest held by the party to whom the notice is provided:

i. Unimpaired Non-Voting Status Notice (substantially in the form attached as Exhibit 3 to the Solicitation Procedures Order)

ii. Impaired Non-Voting Status Notice (substantially in the form attached to Exhibit 4 to the Solicitation Procedures Order)

(d) a printed letter from the Official Committee of Unsecured Creditors and

(e) the Notice of (I) Interim Approval of Disclosure Statement, (II) Establishment of Voting Record Date, (III) Procedures and Deadlines for Voting on Plan, (IV) Hearing on Final Approval of Disclosure Statement and Confirmation of Plan and Related Procedures for Objections (the "Confirmation Hearing Notice") (substantially in the form attached as Exhibit 1 to the Solicitation Procedures Order).

12. Pursuant to the Solicitation Order and the Confirmation Hearing Notice, the deadline for the Holders of Claims in the Voting Classes to cast their votes to accept or reject the Plan was September 24, 2021 at 4:00 p.m. (Eastern Daylight Time).

13. On September 28, 2021, the Debtor filed the Declaration of James Lee regarding the Solicitation of Votes and Tabulation of Ballots Cast on the Third Amended Combined Disclosure Statement of the Chapter 11 Plan of Medley LLC [Docket No. 385], and as amended on October 1, 2021 (the "Voting Certification"), containing a tabulation of all Ballots received. The tabulation of all Ballots received demonstrates acceptance of the Plan by the Voting Classes, because each of the Voting Classes accepted the Plan by holders of two-thirds in amount and more than one half in number of the Allowed Claims in each Class of Holders of Claims or Interests that voted.

The Third Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC

14. On August 13, 2021, the Debtor filed the Plan, a copy of which was served upon all parties having entered their appearance in the Chapter 11 Case. On September 17, 2021, the Debtor filed a Notice of Plan Supplement to the Plan which at Exhibit A contained a copy of the Liquidating Trust Agreement and Declaration of Trust, at Exhibit B contained a copy of the Liquidation Analysis and Cash Forecast, and at Exhibit C a copy of the Rejected Executory Contracts and Unexpired Leases Schedule.

Approval of the Disclosure Statement on a Final Basis

15. The Third Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC which was provided to the Debtor's creditors and other parties in interest, provided holders of Claims and Interests with adequate information with respect to such Claims and Interests, to enable those holders of claims and interests sufficient information to make an informed

decision whether to vote to accept or reject the plan and satisfies the requirements of Section 1125 of the Bankruptcy Code.

16. Among other things, the Plan provides Holders of Claims and Interests in the Chapter 11 Case with information, including among other things: (i) the circumstances that gave rise to the filing of the Debtor's bankruptcy petition; (ii) the Debtor's actions and conditions during the Chapter 11 Case, including the settlement reached among the Debtor, the Committee, Medley Capital LLC ("Medley Capital") and Sierra Income Corporation ("Sierra") (iii) the assets of the estates remaining after confirmation of the Plan; (iv) an estimate of the estates' liabilities; (v) the proposed treatment of claims and interests under the Plan and likely distributions to be received on account of each class of claims and interests under the Plan; (vi) an analysis as to the distributions creditors would receive from the Debtor's estate were they liquidated under Chapter 7; (vii) a summary of what remaining assets are left to be liquidated by the Liquidating Trustee after the Effective Date; (viii) a disclaimer stating that no statements or information regarding the Debtor, its assets or securities are authorized, other than those included in the Plan; (ix) the relevant sources of information contained in the Plan; (x) information regarding the Liquidating Trust, including the Liquidating Trustee and his compensation; (xi) financial information necessary to allow a creditor to decide whether to approve or reject the plan; (xii) information regarding the risks being taken by the Holders of Claims and Interests prior to voting; (xiii) a description of the assets, including Causes of Action, that may be brought by the Liquidating Trust on behalf of Holders of Unsecured Claims; (xiv) the right and ability of the Liquidating Trustee to assert, compromise or dispose of the certain causes of action and claims without further notice to Creditors or Interest Holders or authorization of the Bankruptcy Court; (xv) the tax consequences of the Plan; (xvi) conspicuous language containing releases by the Debtor, exculpation and

limitation of liabilities and the injunction to be entered by and in connection with the Plan; and (xvii) such other and further information that informs Holders of Claims and Interests of their rights arising from and relating to the Plan.

COMPLIANCE WITH THE BANKRUPTCY CODE

17. Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(1)). I believe that the Plan complies with the following requirements of the Bankruptcy Code.

a. Proper Classification (11 U.S.C. §§ 1122, 1123(a)(1)). Article V of the Plan designates six (6) Classes of Claims and Equity Interests. I am familiar with the classification of Claims and Equity Interests in the Plan, and I believe that such classification system is based upon the legal nature and relative rights of such Claims and Equity Interests and is not proposed for any improper purposes. Each Class contains only Claims or Equity Interests that are substantially similar to other Claims and Equity Interests therein. Additionally, Article V of the Plan designates (but does not classify) certain Claims under sections 507(a)(2) and 507(a)(8), including Administrative Claims, Priority Tax Claims, and Professional Fee Claims.

b. Specified Treatment of Unimpaired Claims (11 U.S.C. §§ 1123(a)(2), (3)). Article V of the Plan specifies whether each Class of Claims and Equity Interests is impaired or unimpaired under the Plan.

c. No Discrimination (11 U.S.C. § 1123(a)(4)). Pursuant to the Plan, the treatment of each Claim or Equity Interest in each particular Class is afforded the same treatment as each other Claim or Equity Interest in such Class, unless the Holder of a particular Claim or Equity Interest has agreed to a less favorable treatment of such particular Claim or Equity Interest.

d. Implementation of the Plan (11 U.S.C. § 1123(a)(5)). Article V and various other provisions of the Plan provide an adequate and proper means for the implementation of the

Plan. Specifically, Article V of the Plan provides, among other things, (i) the vesting of all property of the Debtor's estate to the Liquidating Trust, free and clear of all Claims, liens, charges, other encumbrances, Interests, or other interests, to be administered by the Liquidating Trustee; and (ii) that, upon the Effective Date, the Liquidating Trustee is authorized to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

e. Nonvoting Equity Securities (11 U.S.C. § 1123(a)(6)). The Plan is a liquidating plan that calls for the dissolution of the Debtor. Accordingly, section 1123(a)(6) of the Bankruptcy Code is not applicable.

f. Impairment of Classes (11 U.S.C. § 1123(b)(1)). Article V of the Plan impairs or leaves unimpaired, as the case may be, each Class of Claims or Interests under the Plan.

g. Treatment of Executory Contracts and Unexpired Leases (11 U.S.C. § 1123(b)(2)). Pursuant to Article VIII of the Plan, on the Effective Date, all Executory Contracts and unexpired leases not assumed before the Effective Date, or subject to a pending motion to assume as of the Effective Date, will be assumed by the Debtor in accordance with sections 365 and 1123 of the Bankruptcy Code.

h. Section 1123(b)(6) of the Bankruptcy Code. Pursuant to section 1123(b)(6) of the Bankruptcy Code, the Plan may include any other appropriate provision that is not inconsistent with any applicable provisions of the Bankruptcy Code. Pursuant to this section, the Plan contains release and exculpation provisions that are integral components of the Plan. Based on my knowledge of the release and exculpation provisions set forth in Article XI of the Plan, these provisions are fair and reasonable, supported by consideration, and necessary to the

realization of the Plan and the value realized thereunder. Accordingly, it is my understanding that such provisions are not inconsistent with any applicable provision of the Bankruptcy Code and should be approved.

i. Compliance with Bankruptcy Code (11 U.S.C. § 1129(a)(2)). To the best of my knowledge, the Debtor, Medley Capital, and the Committee, as co-proponents of the Plan, acting through their respective agents, representatives, and professionals, have complied with all applicable provisions of the Bankruptcy Code in proposing the Plan and with the Conditional Approval and Procedures Order in commencing and conducting the solicitation of acceptances or rejections of the Plan.

j. Plan Proposed in Good Faith (11 U.S.C. § 1129(a)(3)). To the best of my knowledge, the Debtor, one of the proponents of the Plan, acting through their respective agents, representatives, and professionals, and after consultation with the Committee, Medley Capital, the U.S. Trustee and other parties in interest, have (i) proposed the Plan (a) in good faith, and (b) not by any means forbidden by law, and (ii) acted in good faith in the negotiation and formulation of the Plan.

k. Payments for Services or Costs and Expenses (11 U.S.C. § 1129(a)(4)). Any payment made or to be made by the Debtor, or by a person issuing securities or acquiring properties under the Plan, for services or for costs and expenses in or in connection with the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable.

l. Liquidating Trustee, Directors, Officers, and Insiders (11 U.S.C. § 1129(a)(5)). The identity, affiliations, and compensation of the Liquidating Trustee proposed to serve after the Effective Date have been fully disclosed in the Plan Supplement [Docket No. 371].

m. No Rate Changes (11 U.S.C. § 1129(a)(6)). The Plan does not provide for rate changes subject to the jurisdiction of any governmental regulatory agency.

n. Best Interests of Creditors Test (11 U.S.C. § 1129(a)(7)). With respect to each impaired Class, each Holder of a Claim or Equity Interest either has accepted the Plan or will receive or retain under the Plan on account of such Claim or Equity Interest, property of a value, as of the Effective Date, that is not less than the amount that such Holder would have received or retained had the Debtor been liquidated under chapter 7 of the Bankruptcy Code on such date.

o. Treatment of Administrative and Tax Claims (11 U.S.C. § 1129(a)(9)). Pursuant to Article IV of the Plan, except as otherwise agreed by the holder of an Allowed Administrative Claim and the Liquidating Trustee, each holder of an Allowed Administrative Claim (other than holders of Professional Claims and Claims for fees and expenses pursuant to section 1930 of chapter 123 of title 28 of the United States Code) will receive in full and final satisfaction of its Administrative Claim, an amount of Cash equal to the amount of such Allowed Administrative Claim in accordance with the following: (1) if an Administrative Claim is Allowed on or prior to the Effective Date, on the Effective Date or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter); (2) if such Administrative Claim is not Allowed as of the Effective Date, no later than thirty (30) days after the date on which an order allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter; (3) if such Allowed Administrative Claim is based on liabilities incurred by the Debtor in the ordinary course of their business after the Petition Date in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claim without any further action by the holders of such Allowed Administrative Claim; (4) at such time, and upon such terms, as

may be agreed upon by such holder and the Liquidating Trustee, as applicable; or (5) at such time, and upon such terms, as set forth in an order of the Bankruptcy Court. Notwithstanding the foregoing, Medley Capital agreed to waive any and all Administrative Claims it holds on the Effective Date and all such claims are waived. Further, pursuant to the Plan, except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

p. Acceptance by Impaired Classes (11 U.S.C. § 1129(a)(10)). Of those creditors that voted, more than a majority in number and two-thirds in dollar amount of the non-insider creditors in each of Class 3 (Note Claims) and Class 4 (General Unsecured Claims), who were entitled to accept or reject the Plan, and each of the Voting Classes, voted to accept the Plan. More specifically, and as set forth in the Voting Declaration, the Debtors received five hundred and thirty-seven (537) votes in Class 3, aggregating $21,225,366 of claims, of which four hundred and seventeen (417) voted to accept. Those acceptances totaled $19,801,900, or 93.29% of the amount of claims voted. Further, as set forth in the Voting Declaration, the Debtors received four (4) votes in Class 4, aggregating $9,583.49 of claims, all of which voted to accept. Therefore, section 1129(a)(10) of the Bankruptcy Code is satisfied.

q. Feasibility (11 U.S.C. § 1129(a)(11)). The Plan itself calls for liquidation of the Debtor. Therefore, confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtor, thereby satisfying (or eliminating the need to consider) section 1129(a)(11) of the Bankruptcy Code.

r. Payment of Fees (11 U.S.C. § 1129(a)(12)). All fees under 28 U.S.C. § 1930 presented to date have been paid or provided for. Moreover, as set forth in Article VII, of the Plan, after the Effective Date, to the extent that the case is not closed (or dismissed), the Liquidating Trustee will prepare quarterly financial reports in the format prescribed by the U.S. Trustee, to the extent necessary. To the extent that any payments made after the Effective Date by the Liquidating Trustee under the Plan are considered disbursements for U.S. Trustee Fee purposes, then any such associated U.S. Trustee Fees shall be paid by the Liquidating Trustee. Notwithstanding anything to the contrary in this Plan, the U.S. Trustee shall not be required to file a proof of Claim for administrative expenses

s. Retiree Benefits (11 U.S.C. § 1129(a)(13)). The Debtor provides no "retiree benefits" as such term is defined in section 1114 of the Bankruptcy Code. Therefore, 11 U.S.C. § 1129(a)(13) is inapplicable.

t. Domestic Support Obligation (11 U.S.C. § 1129(a)(14)). The Debtor is not required to pay any domestic support obligations. Therefore, 11 U.S.C. § 1129(a)(14) is inapplicable.

u. Individual Debtor Requirements (11 U.S.C. § 1129(a)(15)). The Debtor is not an individual. Therefore, 11 U.S.C. § 1129(a)(15) is inapplicable.

v. Identification of Plan Proponents (Fed. R. Bankr. P. 3016(a)). As required by Bankruptcy Rule 3016(a), the Plan is dated and identifies the Debtor, Medley Capital, and the Committee as the proponents of the Plan.

w. Fair and Equitable; No Unfair Discrimination (11 U.S.C. § 1129(b)). The Plan satisfies all of the applicable requirements of section 1129(a) of the Bankruptcy Code other

than section 1129(a)(8). The Holders of Class 3 Claims (Note Claims) and Class 4 Claims (General Unsecured Claims) voted to accept the Plan.

Claims and Interests in Class 5 (Intercompany Claims) and Class 6 (Interests) are not receiving a distribution or retaining any property under the Plan, and, consequently, are deemed to have rejected the Plan. Pursuant to section 1129(b)(1) of the Bankruptcy Code, the Plan may still be confirmed, notwithstanding that not all impaired Classes have voted to accept the Plan, if the Plan is fair and equitable with respect to, and does not unfairly discriminate against, such Classes. Here, all Interests in Class 6 (Interests) are deemed cancelled on the Wind-Down Date. Accordingly, it is my understanding that the Plan is fair and equitable with respect to such Classes and does not unfairly discriminate against such Classes. Therefore, the Plan complies with section 1129(b) of the Bankruptcy Code and may be confirmed notwithstanding that Class 5 (Intercompany Claims) and Class 6 (Interests) were deemed to have rejected the Plan.

x. Principal Purpose of Plan (11 U.S.C. § 1129(d)). The principal purpose of the Plan is not the avoidance of taxes or the avoidance of the application of section 5 of the Securities Act of 1933.

y. Section 1129(c) – Only One Plan. Other than the Plan, no plan has been filed in the Chapter 11 Cases and neither the Debtor, the Committee, nor any other party is presently seeking confirmation of any plan other than the Plan. Therefore, the Plan complies with section 1129(c) of the Bankruptcy Code.

18. Compliance with Bankruptcy Rule 3016(c). In accordance with Bankruptcy Rule 3016(c), the Plan describes in specific and conspicuous bold language all acts to be enjoined and identifies the entities that would be subject to the injunction to the extent required thereunder.

THE RELEASES AND EXCULPATION PROVISIONS

19. Article XI.C of the Plan provides for the releases by the Debtor of the Released Parties (the "Debtor Releases"). Article XI.D of the Plan also includes provisions for exculpation and limitation of liability (the "Exculpation Provision").

20. I believe that the Debtor Releases are appropriately tailored under the facts and circumstances of the Chapter 11 Cases and are supported by ample consideration.

21. The Debtor Releases are an integral part of the Plan and provide appropriate levels of protection to the Released Parties. Accordingly, I believe that approval of the Debtor Releases represents the sound and valid exercise of the Debtor's business judgment and is permissible under section 1123(b)(6) of the Bankruptcy Code and applicable law.

22. Each of the Released Parties has made a substantial contribution to the Debtor's Estate, as a result of which, creditors are projected to receive a distribution on account of their claims. The Released Parties played an integral role in the formulation of the Plan as amended and contributed to the Plan by expending significant time and resources analyzing and negotiating the issues presented by the Debtor's prepetition transactions. The Committee agreed to support the Plan as a Plan Proponent and negotiated to provide its constituents what it believes is the best possible outcome given the facts of this Chapter 11 Case. Medley Capital has committed, in accordance with the terms of the Plan, to provide the Medley Capital Non-Debtor Compensation Plan Payment and the Medley Capital Plan Contribution, which will include payments on the Effective Date to fund emergence and additional payments between the Effective Date and the Wind-Down Date to fund the Additional GUC Funds. Sierra has committed, in accordance with the terms of the Plan, to continue performing under the Sierra IAA, which, as set forth herein, will provide value to the Debtor's Estate, and to provide the Sierra Non-Debtor Compensation Plan

Payment, which will allow Medley Capital to retain the employees necessary to receive the benefits of the ongoing contractual arrangement. Without these contributions from Sierra, the arrangements necessary to implement the Plan would not be possible and the Debtor's Estate would fail to realize this significant additional value. Further, Medley Capital, Liao, Crowe, Richards, and Sierra have been instrumental in negotiating and formulating the transactions contemplated under the Plan, and have agreed to continue to be crucial to the implementation of those transactions in accordance with the Plan.

23. The Debtor Release is essential to the Debtor's restructuring because it constitutes an integral term of the Plan, and it is highly unlikely the Released Parties—each of the Released Parties contributed substantial value to this Chapter 11 Case—would have agreed to support the Plan without the Debtor Release. The support of the Released Parties is important to the wind down and transition of the advisory services. The Debtor Release, therefore, was a critical component to ensuring that the Debtor maximizes the value of its assets.

24. Additionally, the Committee, as a fiduciary of all general unsecured creditors in the Chapter 11 Case, actively negotiated the terms of the Plan, including the scope of the releases by the Debtor, and supports the Plan's release, exculpation, and injunction provisions as a Plan Proponent. Given the critical nature of the Releases to the Plan, this degree of consensus evidences the Debtor's stakeholders' support for the Debtor Release and the Plan.

25. The Plan specifically excludes from the Releases and Exculpation (a) Brook Taube, (b) Seth Taube, (c) any members of the Taube family, (d) any entities controlled by Brook Taube, Seth Taube, or any members of the Taube family, and their successors and assigns, and (e) Allorto, except to the extent he is a Chapter 5 Released Party and for any post-Petition Date services (collectively, the "Excluded Parties"). All Causes of Actions against the Excluded Parties are

preserved and will be transferred to the Liquidating Trust upon the Effective Date of the Plan. It is the Debtor's business judgment that the Released Parties should be released and the Plan Proponents (including the Committee) ensured that the Excluded Parties would not benefit from a release under the Plan.

26. Further, the Debtor does not believe valuable causes of action will be released pursuant to the Debtor Release that would outweigh the benefit provided by the Plan. In addition, the Debtor understands that the Committee conducted its own investigations with respect to certain potential claims and causes of action that may be asserted on behalf of the Debtor's estate and it concluded that the likelihood of success on the merits of any potential claims were greatly outweighed by the risk, delay, and expense of pursuing such claims. First, pursuing such claims did not provide a viable option for maximizing value for the unsecured creditors as a whole because pursuing such claims likely would have required pursuing claims against the very same parties who are providing the only path to exit from this Chapter 11 Case—Sierra and Medley Capital. Second, absent resolution on these issues, the Debtor may have faced far grimmer prospects, including a potential liquidation, rather than the value-maximizing wind-down that is before the Court. Finally, Liao, Crowe, and Richards were not executive officers of the Debtor until after commencement of this Chapter 11 Case, only taking on those positions after the former executives stepped down. The Debtor and Committee concluded that there were no likely causes of action that could be brought against Liao, Crowe and Richards for pre-petition or post-petition conduct.

27. The Debtor, after consultation with the Committee and its professionals, considered and approved the Debtor Releases in the sound exercise of their business judgement.

28. I believe that the proposed Exculpation Provision is appropriate based on the limitation of liability provided in section 1125(e) of the Bankruptcy Code. The Exculpation

Provision expressly and narrowly applies to the Exculpated Parties and only relates to prospective acts in connection with the Chapter 11 Case. The Plan's exculpation provision is the product of arm's-length negotiations, was critical to obtaining the support of various constituencies for the Plan, and, as part of the Plan, has received support from the Debtor's major stakeholders. The exculpation provision was important to the development of a feasible, confirmable Plan, and the Exculpated Parties participated in this Chapter 11 Case in reliance upon the protections afforded to those constituents by the exculpation.

29. The Exculpated Parties have participated in good faith in formulating and negotiating the Plan as it relates to the Debtor and they should be entitled to protection from exposure to any lawsuits filed by disgruntled creditors or other unsatisfied parties.

30. The Debtor and its officers, manager, and professionals actively negotiated with the Committee and holders of claims in connection with the Plan and this Chapter 11 Case. Such negotiations were extensive and the resulting agreements were implemented in good faith with a high degree of transparency, and as a result, the Plan enjoys support from impaired accepting classes sufficient to satisfy the Bankruptcy Code's requirements for confirmation of the Plan. The Exculpated Parties played a critical role in negotiating, formulating, and implementing the Plan and related documents in furtherance of the restructuring transactions.

31. Additionally, the promise of exculpation played a significant role in facilitating Plan negotiations. All of the Exculpated Parties played a key role in developing the Plan that paved the way for a successful confirmation, and likely would not have been so inclined to participate in the plan process without the promise of exculpation.

32. The exculpation provision is necessary and appropriate to protect parties who have made substantial contributions to the Debtor's reorganization from future collateral attacks related

to actions taken in good faith in connection with the Debtor's restructuring. Notably, Sierra, pursuant to the Sierra Commitment Letter, has agreed to continue its relationship with Medley Capital and SIC Advisors, and Sierra contributes $2.1 million (in additional fund not currently required under its existing contracts) towards funding the Non-Debtor Compensation Plan, which is essential to success of the Plan and the anticipated recovery for unsecured creditors.

33. Accordingly, I believe that the Exculpation Provision should be approved as appropriate under section 1125(e) of the Bankruptcy Code.

THE CASH MANAGEMENT SYSTEM

34. I was not appointed as independent manager of the Debtor until June 1, 2021 and I was not involved in the first day filings in the Debtor's chapter 11 case. Since my appointment, I have become familiar with the Cash Management Order[3] by reviewing the order and discussing the cash management system of the Debtor and its subsidiaries with various members of management of the Debtor and Medley Capital.

35. It is my understanding that prior to the Petition Date, in the ordinary course of business, when Advisor entities received payment from clients for advisory services, those fees would be deposited into the account of the applicable Advisor. A portion of those funds in the Advisor account would be transferred to Medley Capital for advisory and administrative services due and owing and to the extent any amounts remained in excess after meeting their contractual obligations to Medley Capital, those portions would be transferred to the Debtor as an equity distribution.

[3] "Cash Management Order" means that certain 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 Transaction, and (III) Granting Related Relief [Docket No. 83].

36. At the outset of this Chapter 11 Case and prior to my involvement, the Debtor attempted to deviate from its past practice, and the cash management structure dictated by its contracts, by trying to take all funds from all Advisors prior to the Advisor paying for the services rendered by Medley Capital. After Brook and Seth Taube resigned, I and Medley Capital's management reviewed the flow of funds through the system and the contractual obligations of the various parties and in consultation with the Creditors' Committee, began administering the cash management system in accordance with ordinary course operations prior to the Petition Date.

37. I believe that the manner in which the cash management system was administered from the Petition Date into early July 2021, was not in accordance with past practices, nor the contractual obligations of the entities.

CRITICAL ROLE OF MEDLEY CAPITAL'S EMPLOYEES

38. Medley Capital's most valuable assets are its employees and the contracts those employees service. The employees provide the investment advisory and administrative services to clients, which in turn produces revenue for the business. The ability of Medley Capital and the Advisors to acquire, service, and maintain their clients is directly related to the talent and ability of Medley Capital's employees—its human capital. But that human capital can walk out of the door if it chooses and its value diminishes quickly. Similarly, if the clients do not believe that Medley Capital has sufficient and/or appropriate staffing they will not continue to contract with the Advisors and may take actions to find Medley Capital or the Advisors to be in breach.

39. Presently, Medley Capital has 26 employees, down from 48 employees just prior to the Debtor's bankruptcy filing on March 7, 2021.[4] This loss of valuable human capital presented

[4] Between March 7, 2021 (the Petition Date) and July 22, 2021 (when the first iteration of the Non-Debtor Compensation Plan was filed as Exhibit 1 to the Plan Term Sheet [Docket No. 276]), I was advised that twenty-Medley Capital employees resigned. Since the filing of the outline of the Non-Debtor Compensation Plan on July 22, 201, only two Medley Capital employees have resigned.

a serious risk for Medley Capital and the Advisors because, without qualified personnel Medley Capital would not be able to provide investment advisory and administrative services to clients, which in turn could jeopardize the entire enterprise and destroy any value that might otherwise be available for distribution up to the Debtor.

40. To avoid this potential significant loss of value, it became clear that Medley Capital would need to assure its employees that Medley Capital would continue to compensate them at the market-level levels and manner that they agreed to for the work that they had already performed and for the work that they would continue to perform during the course of the Debtor's bankruptcy case. Specifically, consistent with market practice in the finance industry, any remaining employees would receive a material portion of their annual compensation in year-end payments, consistent with past practice at Medley Capital and throughout the industry. These efforts culminated in the Non-Debtor Compensation Plan. Absent this plan Medley Capital would be forced to inform its remaining employees that not only would they not have employment after the expiration of the remaining contracts, but that they would not receive a material portion of their expected annual income for 2021; news that would have surely led to the departure of the remaining employees and Medley Capital being unable to service its remaining contracts. The Non-Debtor Compensation Plan is in line with industry expectations for compensation and is necessary to ensure that Medley Capital is able to continue performing services to produce an equity return to the Debtor.

41. The alternative to paying the employees would have been to let the employees quit and hire a financial services firm that could perform the services under the contracts, to the extent the clients did not otherwise terminate their contracts. Such services by a financial advisor firm would have been materially more expensive than the Non-Debtor Compensation Plan and would

not guarantee that clients would not terminate their contracts. Further, the non-Debtor subsidiaries have limited partnership and general partnership interests in certain funds they manage. Without Medley Capital employees to sell such interests, the Debtor would have had to hire an investment specialist to assist in the monetarization of those assets. I believe that would have cost the estate necessary funds.

CONSIDERATION OF RESTRUCTURING ALTERNATIVES

42. After I was appointed as the independent manager, in consultation with the Debtor and its advisors, we began exploring all potential restructuring alternatives to bring the Debtor's chapter 11 case to conclusion. One option was conversion of the case to a liquidation under chapter 7. Ultimately, the Debtor determined, and as set forth in greater detail above, that conversion of the case would create material risk that employees would leave Medley Capital or clients would terminate their investment management agreements.[5] Both of those potential issues would be value destructive and the Debtor determined in the exercise of its business judgement that conversion of the case was not in the best interest of the Debtor's estate or its creditors.

43. The Debtor also considered the possibility of having its non-Debtor subsidiaries sell the investment management agreements to generate additional proceeds. The Debtor concluded that this consideration was not possible because a sale of the investment management agreements would give clients a termination right, thereby materially reducing or eliminating any potential value that could have been received through a sale. Additionally, the Debtor considered reorganization around its investment advisory business. Unfortunately, in order to operate profitably and maintain a viable employee base to provide the investment advisory and

[5] It is my understanding that appointment of a chapter 7 trustee could be deemed a change of control under the Investment Advisors Act of 1940 and that would give clients the right to immediate termination of their investment management agreements but would also create other potential issues for clients that could give rise to claims for damages against the non-Debtor subsidiaries and the Debtor.

administrative services, SIC Advisors would need to retain its investment management agreement with Sierra. I understand that Sierra did invite SIC Advisors and Medley Capital to participate in its bidding process but the Debtor and Medley Capital determined that they did not have the capital necessary to successfully compete for a new contract with Sierra.

44. After contemplation of these alternatives and negotiations with the Committee and Medley Capital, the Debtor determined, in the sound exercise of its business judgement, that the profitably winding down the Remaining Company Contracts as set forth in the Plan was the best alterative available to maximize value for the Debtor, its estate and creditors.

CONCLUSION

45. Based on the foregoing, I believe that the Plan satisfies the requirements of the Bankruptcy Code and should be confirmed.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed on: October 1, 2021
Madison, Ohio

/s/ *Michelle A. Dreyer*
Michelle A. Dreyer, Manager