IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
Medley, LLC,	Case No. 21-10526 (KBO)
Debtor.	

DECLARATION OF STEPHEN R. BYERS REGARDING DEBTOR'S THIRD AMENDED COMBINED PLAN AND DISCLOSURE STATEMENT

I, Stephen R. Byers, make this declaration pursuant to 28 U.S.C. § 1746:

1. I am the chair of the Special Committee of Independent Directors (the "Special Committee") and independent chair of the board of directors of Sierra Income Corporation ("Sierra"). The Special Committee is comprised of all of the directors of Sierra who are not "interested persons" as such term is defined in Section 2(a)(10) of the Investment Company Act of 1940, of Sierra or its investment adviser, SIC Advisors, LLC ("SIC Advisors").

2. I submit this declaration (the "Declaration") with respect to the *Third Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC* [Docket No. 324], dated August 13, 2021 (as amended, supplemented, or modified from time to time, the "Medley Plan").

3. All facts set forth herein are based on my personal knowledge. I am authorized to submit this Declaration on behalf of the Special Committee. If I were called to testify, I would testify competently as to the facts set forth herein.

The Sierra Agreements

4. SIC Advisors is a non-debtor subsidiary of Medley LLC ("Medley" or the "Debtor"). SIC Advisors is an investment adviser registered under the Investment Advisers Act of 1940, as amended.

5. Sierra and SIC Advisors are party to that certain Investment Advisory Agreement dated April 5, 2012 by and between Sierra and SIC Advisors (as amended, supplemented, or otherwise modified from time to time, the "IAA"). Attached hereto as Exhibit A is a true and correct copy of the IAA as presently in effect.

6. Under the terms of the IAA, SIC Advisors provides investment advisory services to Sierra in exchange for payment of a base management fee and (if applicable) an incentive fee, as set forth in Section 3 of the IAA. Among other things, the IAA provides that SIC Advisors is responsible for the compensation of investment personnel utilized in providing investment advisory services and managerial assistance to Sierra under the IAA.

7. In addition, Sierra and Medley Capital LLC ("Medley Capital"), another non-debtor affiliate of the Debtor, are parties to that certain Administration Agreement (as amended, supplemented, or otherwise modified from time to time, the "Administration Agreement" and together with the IAA, the "Sierra Agreements"). Attached hereto as Exhibit B is a true and correct copy of the Administration Agreement as presently in effect.

8. Under the terms of the Administration Agreement, Medley Capital has agreed to arrange for certain administrative services, personnel and facilities necessary for the operation of Sierra. The services include, without limitation, provision of office facilities and equipment, together with certain clerical, bookkeeping, accounting and recordkeeping, and legal services.

9. The Sierra Agreements contain similar provisions with respect to term and termination. Each agreement provides that once effective, the agreement shall remain in place for two years, and thereafter shall continue automatically for successive one-year periods, provided that such continuance is approved at least annually by: (i) the vote of the Sierra Board of Directors or by the vote of a majority of the outstanding voting securities of Sierra and (ii) the vote of a majority of independent directors of Sierra, in accordance with the requirements of the 1940 Act.

10. Further, each of the Sierra Agreements may be terminated by Sierra without payment of any penalty upon 60 days' prior written notice to the counterparty of the applicable agreement: (A) upon the vote of a majority of the outstanding voting securities of Sierra or (B) by the vote of the independent directors. Further, each of the Sierra Agreements provides that the agreement shall automatically terminate in the event of its "assignment" (as such term is defined for purposes of construing Section 15(a)(4) of the 1940 Act). In the case of a termination by Sierra, termination is appropriate and may be exercised where, in the business judgment of the independent directors, the services being provided under the IAA are not being delivered in a satisfactory manner.

11. After the termination of the Sierra Agreements, Sierra is generally not required to pay SIC Advisors or Medley Capital for any further services provided under the Sierra Agreements, with the exception of certain amounts which relate to periods prior to termination.

12. The Sierra Agreements are scheduled to terminate, if not reapproved, on or about April 15, 2022.

SIC Advisors and Medley Capital LLC

13. During the term of the IAA, SIC Advisors has not maintained any of its own employees. Instead, SIC Advisors provides advisory services to Sierra through a contractual relationship with Medley Capital.

14. Since the inception of the IAA, Medley Capital has been the sole source of SIC Advisors' employees engaged to provide services to Sierra under the IAA.

The Chapter 11 Filing

15. Following the Debtor's chapter 11 filing, Medley Capital informed Sierra that a substantial number of employees departed from Medley Capital, including employees who had been providing investment advisory services and other administrative and operational services to Sierra under the Sierra Agreements.

16. In light of these departures, the Special Committee became concerned about the ability of SIC Advisors and Medley Capital, respectively to continue to provide adequate services to Sierra under the terms of the Sierra Agreements.

17. On May 26, 2021, Sierra entered into a formal review process to evaluate strategic alternatives to the Sierra Agreements and authorized the Special Committee to lead the review process.

18. Based on their then current financial positions, SIC Advisors and Medley Capital indicated to Sierra that they would continue to pay employees and were in the process of developing a year-end compensation plan for those employees. Medley Capital, however, was concerned that without additional funding from Sierra, its stand-alone compensation plan would not be in line with previous year-end compensation, would be under market and might not ultimately achieve the desired effect of stopping employee departures.

19. Sierra became concerned that a material number of additional departures from Medley Capital would have the potential to jeopardize both Medley Capital's ability to perform under the Administration Agreement and SIC Advisors' ability to perform under the IAA, because it would be without access to the necessary Medley Capital employees.

20. In that scenario, the independent directors of Sierra would consider other alternatives to obtain the necessary services formerly provided under the Sierra Agreements (even if on an interim basis). The independent directors of Sierra would make this decision in their sole discretion based upon their independent business judgment and experience. Sierra would also consider making claims against SIC Advisors and Medley Capital, respectively, for damages as a result of the breach and resulting termination of the Sierra Agreements.

21. Except to the extent required under the Sierra Agreements, following termination of the Sierra Agreements, Sierra would not continue to make payment to SIC Advisors or Medley Capital for future services under the Sierra Agreements.

The Commitment Letter

22. On or about August 6, 2021, Sierra entered into a commitment letter (the "Commitment Letter") with the Debtor, Medley Capital and SIC Advisors pursuant to which Sierra agreed to contribute the sum of $2.1 million, subject to certain conditions, to a non-debtor employee compensation and retention plan (the "Compensation Plan") to be established by Medley Capital. The Compensation Plan is an element of a Term Sheet dated July 21, 2021 (the "Term Sheet") filed by the Debtor at Docket No. 276.

23. The Commitment Letter provides that Sierra's contribution is to be made in three equal installments of $700,000. The first payment, payable in September 2021, has already been made. The second and third payments are due December 2021 and January 2022.

24. These contributions are to be used solely to fund payments to employees of Medley Capital under the Compensation Plan. To the extent any such employee forfeits a compensation payment to which he or she would otherwise be entitled or is obligated to return a payment received, Sierra is entitled to recoup its portion of that amount in its sole discretion.

25. The amounts paid by Sierra are not required under the Sierra Agreements. Sierra has determined to contribute to the Compensation Plan: (i) to assist SIC Advisors, Medley Capital and the Debtor in funding payments to employees for their work on behalf of SIC Advisors and Medley Capital for Sierra, (ii) in consideration for the releases and exculpation provided under the Medley Plan and (iii) to provide for an orderly transition of SIC Advisors' role as Sierra's investment adviser and Medley Capital's role as Sierra's administrator. It is a condition to Sierra's obligations to fund the Compensation Plan under the Commitment Letter that it obtain the releases and exculpatory treatment provided under the Medley Plan, as set forth in the Term Sheet.

Conclusion

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

Dated: October 1, 2021

/s/ Stephen R. Byers
Stephen R. Byers

Chair, Special Committee of Independent Directors
Sierra Income Corporation

EXHIBIT A

EX-99.(G)(1) 2 d305269dex99g1.htm INVESTMENT ADVISORY AGREEMENT

Exhibit (g)(1)

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INVESTMENT ADVISORY AGREEMENT

BETWEEN

SIERRA INCOME CORPORATION.

AND

SIC ADVISORS LLC

This Investment Advisory Agreement (the "**Agreement**") is made as of April 5, 2012, by and between SIERRA INCOME CORPORATION, a Maryland corporation (the "**Company**"), and SIC ADVISORS LLC, a Delaware limited liability company (the "**Adviser**").

WHEREAS, the Company is a newly organized non-diversified, closed-end management investment company that intends to elect to be treated as a business development company ("**BDC**") under the Investment Company Act of 1940, as amended (together with the rules promulgated thereunder, the "**1940 Act**");

WHEREAS, the Adviser is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (together with the rules promulgated thereunder, the "**Advisers Act**");

WHEREAS, the Company desires to retain the Adviser to provide investment advisory services to the Company in the manner and on the terms and conditions hereinafter set forth; and

WHEREAS, the Adviser is willing to provide investment advisory services to the Company in the manner and on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Adviser hereby agree as follows:

1. Duties of the Adviser.

(a) Retention of Adviser. The Company hereby appoints the Adviser to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the board of directors of the Company (the "**Board of Directors**"), for the period and upon the terms herein set forth in accordance with:

(i) the investment objective, policies and restrictions that are set forth in the Company's Registration Statement on Form N-2 as declared effective by the Securities and Exchange Commission (the "**SEC**"), as supplemented, amended or superseded from time to time (the "**Registration Statement**");

(ii) during the term of this Agreement, all other applicable federal and state laws, rules and regulations, and the Company's articles of incorporation, as further amended from time to time ("**Articles of Incorporation**");

(iii) such investment policies, directives, regulatory restrictions as the Company may from time to time establish or issue and communicate to the Adviser in writing; and

(iv) the Company's compliance policies and procedures as applicable to the Company's adviser and as administered by the Company's chief compliance officer.

(b) Responsibilities of Adviser. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement:

(i) determine the composition and allocation of the Company's investment portfolio, the nature and timing of any changes therein and the manner of implementing such changes;

(ii) identify, evaluate and negotiate the structure of the investments made by the Company;

(iii) perform due diligence on prospective portfolio companies;

(iv) execute, close, service and monitor the Company's investments;

(v) determine the securities and other assets that the Company shall purchase, retain, or sell;

(vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds; and

(vii) to the extent permitted under the 1940 Act and the Advisers Act, on the Company's behalf, and in coordination with any Sub-Adviser (as defined below) and administrator, provide significant managerial assistance to those portfolio companies to which the Company is required to provide such assistance under the 1940 Act, including utilizing appropriate personnel of the Adviser to, among other things, monitor the operations of the Company's portfolio companies, participate in board and management meetings, consult with and advise officers of portfolio companies and provide other organizational and financial consultation.

(c) Power and Authority. To facilitate the Adviser's performance of these undertakings, but subject to the restrictions contained herein, the Company hereby delegates to the Adviser, and the Adviser hereby accepts, the power and authority to act on behalf of the Company to effectuate investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Adviser shall use commercially reasonable efforts to arrange for such financing on the Company's behalf, subject to the oversight and approval of the Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Company through a special purpose vehicle, the Adviser shall have authority to create, or arrange for the creation of, such special purpose vehicle and to make investments through such special purpose vehicle in accordance with applicable law. The Company also grants to the Adviser power and authority to engage in all activities and transactions (and anything incidental thereto) that the Adviser deems, in its sole discretion, appropriate, necessary or advisable to carry out its duties pursuant to this Agreement.

(d) Acceptance of Appointment. The Adviser hereby accepts such appointment and agrees during the term hereof to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

(e) Sub-Advisers. The Adviser is hereby authorized to enter into one or more sub-advisory agreements (each a "**Sub-Advisory Agreement**") with other investment advisers (each a "**Sub-Adviser**") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder, subject to the oversight of the Adviser and/or the Company, with the scope of such services and oversight to be set forth in each Sub-Advisory Agreement.

(i) The Adviser and not the Company shall be responsible for any compensation payable to any Sub-Adviser; provided, however, that the Adviser shall have the right to direct the Company to pay directly any Sub-Adviser but only with respect to the amounts due and payable to such Sub-Adviser from the fees and expenses payable to the Adviser under this Agreement.

(ii) Any Sub-Advisory Agreement entered into by the Adviser shall be in accordance with the requirements of the 1940 Act and the Advisers Act, including without limitation, the requirements of the 1940 Act relating to Board of Directors and Company stockholder approval thereunder, and other applicable federal and state law.

(iii) Any Sub-Adviser shall be subject to the same fiduciary duties as are imposed on the Adviser pursuant to this Agreement, the 1940 Act and the Advisers Act, as well as other applicable federal and state law.

(f) Independent Contractor Status. The Adviser shall, for all purposes herein provided, be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(g) Record Retention. Subject to review by and the overall control of the Board of Directors, the Adviser shall maintain and keep all books, accounts and other records of the Adviser that relate to activities performed by the Adviser hereunder as required under the 1940 Act and the Advisers Act. The Adviser agrees that all records that it maintains and keeps for the Company shall at all times remain the property of the Company, shall be readily accessible during normal business hours, and shall be promptly surrendered to the Company upon the termination of this Agreement or otherwise on written request by the Company. The Adviser further agrees that the records that it maintains and keeps for the Company shall be preserved in the manner and for the periods prescribed by the 1940

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Act, unless any such records are earlier surrendered as provided above. The Adviser shall have the right to retain copies, or originals where required by Rule 204-2 promulgated under the Advisers Act, of such records to the extent required by applicable law, subject to observance of its confidentiality obligations under this Agreement. The Adviser shall maintain records of the locations where books, accounts and records are maintained among the persons and entities providing services directly or indirectly to the Adviser or the Company.

(h) State Administrator. The Adviser shall, upon by request by an official or agency administering the securities laws of a state, province, or commonwealth (a "**State Administrator**"), submit to such State Administrator the reports and statements required to be distributed to Company stockholders pursuant to this Agreement, the Registration Statement and applicable federal and state law.

(i) Fiduciary Duty: It is acknowledged that the Adviser shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in the Adviser's immediate possession or control. The Adviser shall not employ, or permit another to employ, such funds or assets in any manner except for the exclusive benefit of the Company. The Adviser shall not, by entry into an agreement with any stockholder of the Company or otherwise, contract away the fiduciary obligation owed to the Company and the Company's stockholders under common law or otherwise.

2. Expenses Payable by the Company.

(a) Adviser Personnel. All investment personnel of the Adviser, when and to the extent engaged in providing investment advisory services and managerial assistance hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, shall be provided and paid for by the Adviser and not by the Company.

(b) Costs. Subject to the limitations on expense reimbursement of the Adviser as set forth in Section 2(c), the Company, either directly or through reimbursement to the Adviser, shall bear all costs and expenses of its investment operations and its investment transactions, including, without limitation, costs and expenses relating to: expenses deemed to be "organizational and offering expenses" of the Company for purposes of Conduct Rule 2310(a)(12) of the Financial Industry Regulatory Authority (for purposes of this Agreement, such expenses, exclusive of commissions, the dealer manager fee and any discounts, are hereinafter referred to as "**Organizational and Offering Expenses**"); corporate and organizational expenses relating to offerings of shares of the Company's common stock, subject to limitations included in the Agreement; the cost of calculating the Company's net asset value, including the cost of any third-party valuation firms; the cost of effecting sales and repurchases of shares of the Company's common stock and other securities; fees payable to third parties relating to, or associated with, making investments and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments; transfer agent and custodial fees, fees and expenses associated with marketing efforts (including attendance at investment conferences and similar events); federal and state registration fees; federal, state and local taxes; independent directors' fees and expenses; brokerage commissions for the Company's investments; costs of proxy statements, stockholders' reports and notices; fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums; direct costs such as printing, mailing, long distance telephone and staff costs associated with the Company's reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws, including compliance with the Sarbanes-Oxley Act of 2002; fees and expenses associated with accounting, independent audits and outside legal costs; and all other expenses incurred by the Company's Adviser, any Sub-Adviser or the Company in connection with administering the Company's business, including expenses incurred by the Company's administrator in performing administrative services for the Company, and the reimbursement of the compensation of the Company's chief financial officer and chief compliance officer paid by the Company's administrator.

Prior to the effective date of this Agreement, the Adviser will bear Organizational and Offering Expenses on behalf of the Company. Upon the earlier of (a) the end of the offering period, or (b) such time that the Company has raised $300,000,000 in gross proceeds in connection with the sale of shares of its common stock pursuant to the Registration Statement or in one or more private offerings (such time being referred to herein as the "***O&O Expense Cut-Off Date***"), the Adviser shall no longer be obligated to bear, pay or otherwise be responsible for Organizational and Offering Expenses on behalf of the Company and the Company will be responsible for paying or otherwise incurring all such Organizational and Offering Expenses. At such time that this Agreement becomes effective pursuant to Section 11(a), the Adviser will be entitled to receive reimbursement from the Company of

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Organizational and Offering Expenses it has paid on behalf of the Company to the extent that such reimbursements do not exceed 1.25% of the aggregate gross proceeds of the offering of shares of the Company's common stock pursuant to the Registration Statement or in one or more private offerings, until the earlier of (a) the end of the offering period, or (b) such time that the Adviser has been repaid in full. The Company will not be liable for any unreimbursed Organizational and Offering Expenses to the extent that such amounts have not been reimbursed to the Adviser by the end of the offering period. Notwithstanding the foregoing, any such reimbursements will not exceed actual expenses incurred by SIC Advisors. SIC Advisors is responsible for the payment of our cumulative Organizational and Offering Expenses to the extent they exceed 5.25%, and will reimburse any Organizational and Offering Expenses, together with commissions, the dealer manager fee and any discount paid to members of the Financial Industry Regulatory Authority, that exceed 15%, of the gross proceeds from the sale of shares of the Company's common stock pursuant to the Registration Statement or one or more private offerings at the time of the completion of the offering contemplated by the Registration Statement, then the Adviser shall be required to pay or, if already paid by the Company, reimburse the Company for amounts exceeding such 5.25% and 15% limit, as appropriate.

(c) Limitations on Reimbursement of Expenses.

(i) In addition to the compensation paid to the Adviser pursuant to Section 3, the Company shall reimburse the Adviser for all expenses of the Company incurred by the Adviser as well as the actual cost of goods and services used for or by the Company and obtained from entities not affiliated with the Adviser. The Adviser may be reimbursed for the administrative services performed by it on behalf of the Company; provided, however, the reimbursement shall be an amount equal to the lower of the Adviser's actual cost or the amount the Company would be required to pay third parties for the provision of comparable administrative services in the same geographic location; and provided, further, that such costs are reasonably allocated to the Company on the basis of assets, revenues, time records or other method conforming with generally accepted accounting principles. No reimbursement shall be permitted for services for which the Adviser is entitled to compensation by way of a separate fee. Excluded from the allowable reimbursement shall be:

(A) rent or depreciation, utilities, capital equipment, and other administrative items of the Adviser; and

(B) salaries, fringe benefits, travel expenses and other administrative items incurred or allocated to any executive officer or board member of the Adviser (or any individual performing such services) or a holder of 10% or greater equity interest in the Adviser (or any person having the power to direct or cause the direction of the Adviser, whether by ownership of voting securities, by contract or otherwise).

(d) Periodic Reimbursement.

Expenses incurred by the Adviser on behalf of the Company and payable pursuant to this section shall be reimbursed no less than monthly to the Adviser. The Adviser shall prepare a statement documenting the expenses of the Company and the calculation of the reimbursement and shall deliver such statement to the Company prior to full reimbursement.

3. Compensation of the Adviser.

The Company agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ("**Base Management Fee**") and an incentive fee ("**Incentive Fee**") as hereinafter set forth. The Adviser may, in its sole discretion, elect or agree to temporarily or permanently waive, defer, reduce or modify, in whole or in part, the Base Management Fee and/or the Incentive Fee. Any of the fees payable to the Adviser under this Agreement for any partial month or calendar quarter shall be appropriately prorated. The fees payable to the Adviser as set forth in this Agreement shall be calculated using a detailed calculation policy and procedures approved by the Adviser and the Board of Directors, including a majority of the Independent Directors (as defined below), and shall be consistent with the calculation of such fees as set forth in this Section. See Appendix A for examples of how these fees are calculated.

(a) Base Management Fee. The Base Management Fee will be calculated at an annual rate of 1.75% of gross assets payable quarterly in arrears. For purposes of calculating the Base Management Fee, the term "gross assets" includes any assets acquired with the proceeds of leverage. For the first quarter of the Company's operations, the Base Management Fee will be calculated based on the initial value of the Company's gross assets. Subsequently, the Base Management Fee will be calculated based on the Company's gross assets at the end of each completed calendar quarter. Base Management Fees for any partial quarter will be appropriately prorated.

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(b) Incentive Fee.

The Incentive Fee will be divided into two parts: (1) a subordinated incentive fee on income, and (2) an incentive fee on capital gains. Each part of the Incentive Fee is outlined below.

The subordinated incentive fee on income is earned on pre-incentive fee net investment income and shall be determined and payable in arrears as of the end of each calendar quarter during which the Investment Advisory Agreement is in effect. If this Agreement is terminated, the fee will also become payable as of the effective date of such termination.

The subordinated incentive fee on income for each quarter will be calculated as follows:

- No subordinated incentive fee on income will be payable in any calendar quarter in which the pre-incentive fee net investment income does not exceed a quarterly return to stockholders of 1.75% per quarter on our net assets at the end of the immediately preceding fiscal quarter (the "quarterly preferred return.")
- For any quarter in which pre-incentive fee net investment income exceeds the quarterly preferred return, but is less than or equal to 2.1875% of our net assets at the end of the immediately preceding fiscal quarter (the "**catch up**"), the subordinated incentive fee on income shall equal 100% of pre-incentive fee net investment income.
- For any quarter in which pre-incentive fee net investment income exceeds 2.1875% of our net assets at the end of the immediately preceding fiscal quarter, the subordinated incentive fee on income shall equal 20% of pre-incentive fee net investment income.
- "Pre-incentive fee net investment income" is defined as interest income, dividend income and any other income accrued during the calendar quarter, minus operating expenses for the quarter, including the Base Management Fee, expenses payable to the Company's administrator, any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The incentive fee on capital gains will be earned on investments sold and shall be determined and payable in arrears as of the end of each calendar year during which this Agreement is in effect. If this Agreement is terminated, the fee will also become payable as of the effective date of such termination. The fee is equal to 20% of realized capital gains, less the aggregate amount of any previously paid incentive fee on capital gains. Incentive fee on capital gains is equal to realized capital gains on a cumulative basis from inception, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis. In order to provide an incentive for the Adviser to successfully execute a merger transaction involving the Company that is financially accretive and/or otherwise beneficial to its stockholders even if the Adviser will not act as an investment adviser to the surviving entity in the merger, we may seek exemptive relief from the SEC to allow us to pay the Adviser an incentive fee on capital gains in connection with the Company's merger with and into another entity. Absent the receipt of such relief, the Adviser will not be entitled to an incentive fee on capital gains or any other incentive fee in connection with any such merger transaction.

(c) Waiver or Deferral of Fees.

The Adviser shall have the right to elect to waive or defer all or a portion of the Base Management Fee and/or Incentive Fee that would otherwise be paid to it. Prior to the payment of any fee to the Adviser, the Company shall obtain written instructions from the Adviser with respect to any waiver or deferral of any portion of such fees. Any portion of a deferred fee payable to the Adviser and not paid over to the Adviser with respect to any month, calendar quarter or year shall be deferred without interest and may be paid over in any such other month prior to the occurrence of the termination of this Agreement, as the Adviser may determine upon written notice to the Company.

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4. Covenant of the Adviser.

(a) Registration of Adviser

The Adviser covenants that it is or will be registered as an investment adviser under the Advisers Act on the effective date of this Agreement as set forth in Section 11 herein, and shall maintain such registration until the expiration or termination of this Agreement. The Adviser agrees that its activities shall at all times comply in all material respects with all applicable federal and state laws governing its operations and investments. The Adviser agrees to observe and comply with applicable provisions of the code of ethics adopted by the Company pursuant to Rule 17j-1 under the 1940 Act, as such code of ethics may be amended from time to time.

(b) Reports to Stockholders.

The Adviser shall prepare or shall cause to be prepared and distributed to stockholders during each year the following reports of the Company (either included in a periodic report filed with the SEC or distributed in a separate report):

(i) Quarterly Reports. Within 60 days of the end of each quarter, a report containing the same financial information contained in the Company's Quarterly Report on Form 10-Q filed by the Company under the Securities Exchange Act of 1934, as amended.

(ii) Annual Report. Within 120 days after the end of the Company's fiscal year, an annual report containing:

(A) A balance sheet as of the end of each fiscal year and statements of income, equity, and cash flow, for the year then ended, all of which shall be prepared in accordance with generally accepted accounting principals and accompanied by an auditor's report containing an opinion of an independent certified public accountant;

(B) A report of the activities of the Company during the period covered by the report;

(C) Where forecasts have been provided to the Company's shareholders, a table comparing the forecasts previously provided with the actual results during the period covered by the report;

(D) A report setting forth distributions by the Company for the period covered thereby and separately identifying distributions from (i) cash flow from operations during the period; (ii) cash flow from operations during a prior period which have been held as reserves; and (iii) proceeds from disposition of Company assets.

(iii) Previous Reimbursement Reports. The Adviser shall prepare or shall cause to be prepared a report, prepared in accordance with the American Institute of Certified Public Accountants United States Auditing Standards relating to special reports, and distributed to stockholders not less than annually, containing an itemized list of the costs reimbursed to the Adviser for the previous fiscal year. The special report shall at a minimum provide:

(A) A review of the time records of individual employees, the costs of whose services were reimbursed; and

(B) A review of the specific nature of the work performed by each such employee.

(iv) Proposed Reimbursement Reports. The Adviser shall prepare or shall cause to be prepared a report containing an itemized estimate of all proposed expenses for which it shall receive reimbursements pursuant to Section 2(c) of this Agreement for the next fiscal year, together with a breakdown by year of such expenses reimbursed in each of the last five public programs formed by the Adviser.

(c) Reports to State Administrators.

The Adviser shall, upon written request of any State Administrator, submit any of the reports and statements to be prepared and distributed by it to such State Administrator.

(d) Reserves.

In performing its duties hereunder, the Adviser shall cause the Company to provide for adequate reserves for normal replacements and contingencies (but not for payment of fees payable to the Adviser hereunder) by causing the Company to retain a reasonable percentage of proceeds from offerings and revenues.

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(e) Recommendations Regarding Reviews.

From time to time and not less than quarterly, the Adviser must review the Company's accounts to determine whether cash distributions are appropriate. The Company may, subject to authorization by the Board of Directors, distribute pro rata to the stockholders funds received by the Company which the Adviser deems unnecessary to retain in the Company.

(f) Temporary Investments.

The Adviser shall, in its sole discretion, temporarily place proceeds from offerings by the Company into short term, highly liquid investments which, in its reasonable judgment, afford appropriate safety of principal during such time as it is determining the composition and allocation of the portfolio of the Company and the nature, timing and implementation of any changes thereto pursuant to Section 1(b); provided however, that the Adviser shall be under no fiduciary obligation to select any such short-term, highly liquid investment based solely on any yield or return of such investment. The Adviser shall cause any proceeds of the offering of Company securities not committed for investment within the later of two years from the date of effectiveness of the Registration Statement or one year from termination of the offering, unless a longer period is permitted by the applicable State Administrator, to be paid as a distribution to the stockholders of the Company as a return of capital without deduction of Front End Fees (as defined below).

5. Brokerage Commissions.

(a) The Adviser is hereby authorized, to the fullest extent now or hereafter permitted by law, to cause the Company to pay a member of a national securities exchange, broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another member of such exchange, broker or dealer would have charged for effecting that transaction, if the Adviser determines in good faith, taking into account factors, including without limitation, price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities, that such amount of commission is reasonable in relation to the value of the brokerage and/or research services provided by such member, broker or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Company's portfolio, and is consistent with the Adviser's duty to seek the best execution on behalf of the Company. Notwithstanding the foregoing, with regard to transactions with or for the benefit of the Company, the Adviser may not pay any commission or receive any rebates or give-ups, nor participate in any business arrangements which would circumvent this restriction.

(b) Limitations. Notwithstanding anything herein to the contrary:

(i) All fees and expenses paid by any party for any services rendered to organize the Company and to acquire assets for the Company ("Front End Fees") shall be reasonable and shall not exceed 18% of the gross offering proceeds, regardless of the source of payment. Any reimbursement to the Advisor or any other person for deferred Organizational and Offering Expenses, including any interest thereon, if any, will be included within this 18% limitation.

(ii) The Advisor shall commit at least eighty-two percent (82%) of the gross offering proceeds towards the investment or reinvestment of assets and reserves as set forth in Section 4(d) above on behalf of the Company. The remaining proceeds may be used to pay Front End Fees.

6. Other Activities of the Adviser.

The services of the Adviser to the Company are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment-based accounts or commingled pools of capital, however structured, having investment objectives similar to or different from those of the Company, and nothing in this Agreement shall limit or restrict the right of any officer, director, stockholder (and their stockholders or members, including the owners of their stockholders or members), officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). The Adviser assumes no responsibility under this Agreement other than to render the services set forth herein. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Adviser

and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

7. Responsibility of Dual Directors, Officers and/or Employees.

If any person who is a director, officer, stockholder or employee of the Adviser is or becomes a director, officer, stockholder and/or employee of the Company and acts as such in any business of the Company, then such director, officer, stockholder and/or employee of the Adviser shall be deemed to be acting in such capacity solely for the Company, and not as a director, officer, stockholder or employee of the Adviser or under the control or direction of the Adviser, even if paid by the Adviser.

8. Indemnification.

(a) Indemnification. Subject to Section 9, the Adviser, any Sub-Adviser, each of their directors, officers, stockholders or members (and their stockholders or members, including the owners of their stockholders or members), agents, employees, controlling persons (as determined under the 1940 Act ("**Controlling Persons**")) and any other person or entity affiliated with, or acting on behalf of, the Adviser or any Sub-Adviser (each an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") shall not be liable to the Company for any action taken or omitted to be taken by the Adviser or any Sub-Adviser in connection with the performance of any of their duties or obligations under this Agreement or otherwise as an investment adviser of the Company (except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services), and the Company shall indemnify, defend and protect the Indemnified Parties (each of whom shall be deemed a third party beneficiary hereof) and hold them harmless from and against all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) ("**Losses**") incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Indemnified Parties' duties or obligations under this Agreement, any Sub-Advisory Agreement, or otherwise as an investment adviser of the Company to the extent such Losses are not fully reimbursed by insurance and otherwise to the fullest extent such indemnification would not be inconsistent with the Articles of Incorporation, the 1940 Act, the laws of the State of Maryland law or the provisions of Section II.G of the Omnibus Guidelines published by the North American Securities Administrators Association on March 29, 1992, as it may be amended from time to time.

(b) Advancement of Funds. The Company shall be permitted to advance funds to the Indemnified Parties for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought only if all of the following conditions are met:

(i) The legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company;

(ii) the Indemnified Party provides the Company with written affirmation of the Indemnified Party's good faith belief that the Indemnified Party has met the standard of conduct necessary for indemnification by the Company;

(iii) The legal action is initiated by a third party who is not a Company stockholder, or the legal action is initiated by a Company stockholder and a court of competent jurisdiction specifically approves such advancement; and

(iv) The Indemnified Party provides the Company with a written agreement to repay the advanced funds to the Company, allocated as advanced, together with the applicable legal rate of interest thereon, in cases in which the Indemnified Party is not found to be entitled to indemnification pursuant to a final, non-appealable decision of a court of competent jurisdiction.

(c) The Adviser shall indemnify the Company, and its affiliates and Controlling Persons, for any Losses that the Company or its Affiliates and Controlling Persons may sustain as a result of the Adviser's willful misfeasance, bad faith, gross negligence, reckless disregard of its duties hereunder or violation of applicable law, including, without limitation, the federal and state securities laws.

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9. Limitation on Indemnification.

Notwithstanding Section 8(a) to the contrary, the Company shall not provide for indemnification of the Indemnified Parties for any liability or loss suffered by the Indemnified Parties, nor shall the Company provide that any of the Indemnified Parties be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

(i) the Indemnified Party has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company;

(ii) the Indemnified Party was acting on behalf of or performing services for the Company;

(iii) such liability or loss was not the result of willful misfeasance, bad faith or gross negligence by the Indemnified Party; and

(iv) such indemnification or agreement to hold harmless is recoverable only out of the Company's net assets and not from stockholders.

Furthermore, the Indemnified Party shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless one or more of the following conditions are met:

(i) there has been a successful adjudication on the merits of each count involving alleged material securities law violations;

(ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

(iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and the court of law considering the request for indemnification has been advised of the position of the SEC and the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

10. Conflicts of Interests and Prohibited Activities.

The following provisions in this Section 10 shall apply for only so long as the shares of common stock (the "shares") of the Company are not listed on a national securities exchange.

(a) No Exclusive Agreement. The Adviser is not hereby granted or entitled to an exclusive right to sell or exclusive employment to sell assets for the Company.

(b) Rebates, Kickbacks and Reciprocal Arrangements.

(i) The Adviser agrees that it shall not (A) receive or accept any rebate, give-up or similar arrangement that is prohibited under applicable federal or state securities laws, (B) participate in any reciprocal business arrangement that would circumvent provisions of applicable federal or state securities laws governing conflicts of interest or investment restrictions, or (C) enter into any agreement, arrangement or understanding that would circumvent the restrictions against dealing with affiliates or promoters under applicable federal or state securities laws.

(ii) The Adviser agrees that it shall not directly or indirectly pay or award any fees or commissions or other compensation to any person or entity engaged to sell the Company's shares or give investment advice to a potential shareholder; provided, however, that this subsection shall not prohibit the payment to a registered broker-dealer or other properly licensed agent of sales commissions for selling or distributing the Company's shares.

(c) Commingling. The Adviser covenants that it shall not permit or cause to be permitted the Company's funds to be commingled with the funds of any other entity. Nothing in this Subsection 10(c) shall prohibit the Adviser from establishing a master fiduciary account pursuant to which separate sub accounts are established for the benefit of affiliated programs, provided that the Company's funds are protected from the claims of other programs and creditors of such programs.

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11. Effectiveness, Duration and Termination of Agreement.

(a) Term and Effectiveness. This Agreement shall become effective as of the date that the Company meets the minimum offering requirement, as such term is defined in the prospectus contained in the Company's Registration Statement as declared effective by the SEC. Once effective, this Agreement shall remain in effect for two years, and thereafter shall continue automatically for successive one-year periods, provided that such continuance is specifically approved at least annually by: (i) the vote of the Board of Directors, or by the vote of a majority of the outstanding voting securities of the Company and (ii) the vote of a majority of the Company's directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act) of any such party ("**Independent Directors**"), in accordance with the requirements of the 1940 Act.

(b) Termination. This Agreement may be terminated at any time, without the payment of any penalty: (i) by the Company upon 60 days' prior written notice to the Adviser: (A) upon the vote of a majority of the outstanding voting securities of the Company (as defined in Section 2(a)(42) of the 1940 Act) or (B) by the vote of the Company's Independent Directors; or (ii) by the Adviser upon not less than 120 days' prior written notice to the Company. This Agreement shall automatically terminate in the event of its "assignment" (as such term is defined for purposes of construing Section 15(a)(4) of the 1940 Act). The provisions of Sections 8 and 9 of this Agreement shall remain in full force and effect, and the Adviser shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement.

(c) Payments to and Duties of Adviser Upon Termination.

(i) After the termination of this Agreement, the Adviser shall not be entitled to compensation for further services provided hereunder except that it shall be entitled to receive from the Company within 30 days after the effective date of such termination all unpaid reimbursements and all earned but unpaid fees payable to the Adviser prior to termination of this Agreement, including any deferred fees.

(ii) The Adviser shall promptly upon termination:

(a) deliver to the Board of Directors a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board of Directors;

(b) deliver to the Board of Directors all assets and documents of the Company then in custody of the Adviser; and

(c) cooperate with the Company to provide an orderly transition of services.

The following provision in this Section 11 shall apply for only so long as the shares of the Company are not listed on a national securities exchange.

(d) Stockholder Voting Rights. Without the approval of holders of a majority of the shares entitled to vote on the matter, the Adviser shall not: (i) amend this Agreement except for amendments that do not adversely affect the interests of the stockholders; (ii) voluntarily withdraw as the Adviser unless such withdrawal would not affect the tax status of the Company and would not materially adversely affect the stockholders; (iii) appoint a new Adviser; (iv) sell all or substantially all of the Company's assets other than in the ordinary course of the Company's business; or (v) cause the merger or other reorganization of the Company.

(e) Other Matters. Upon termination of this Agreement, the Company may terminate the Adviser's interest in the Company's revenues, expenses, income, losses, distributions and capital by payment of an amount equal to the then present fair market value of the terminated Adviser's interest, determined by agreement of the terminated Adviser, any Sub-Adviser and the Company. If the Company, any Sub-Adviser and the Adviser cannot agree upon such amount, then such amount will be determined in accordance with the then current rules of the American Arbitration Association. The expenses of such arbitration shall be borne equally by the terminated Adviser and the Company. The method of payment to the terminated Adviser shall be fair and shall protect the solvency and liquidity of the Company.

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12. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at the address listed below or at such other address for a party as shall be specified in a notice given in accordance with this Section.

13. Amendments.

This Agreement may be amended by mutual written consent of the parties, subject to the provisions of the 1940 Act.

14. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one and the same instrument binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

15. Governing Law.

Notwithstanding the place where this Agreement may be executed by any of the parties hereto and the provisions of Section 8, this Agreement shall be construed in accordance with the laws of the State of New York. For so long as the Company is regulated as a BDC under the 1940 Act, this Agreement shall also be construed in accordance with the applicable provisions of the 1940 Act and the Advisers Act. In such case, to the extent the applicable laws of the State of New York or any of the provisions herein conflict with the provisions of the 1940 Act or the Advisers Act, the latter shall control. Any reference in this Agreement to a statute or provision of the 1940 Act shall be construed to include any successor statute or provision to such statute or provision and any reference to any rule promulgated under the Advisers Act shall be construed to include any successor promulgated rule.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date above written.

SIERRA INCOME CORPORATION,
a Maryland corporation

By: /s/
Name: Seth Taube
Title: Chief Executive Officer

SIC ADVISORS LLC,
a Delaware limited liability company

By: /s/
Name:
Title:

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Appendix A

Below are examples of the two-part incentive fee:

Example — Subordinated Incentive Fee on Income, Determined on a Quarterly Basis

Assumptions

First Quarter:	Pre-incentive fee net investment income equals 0.5500%.
Second Quarter:	Pre-incentive fee net investment income equals 1.9500%.
Third Quarter:	Pre-incentive fee net investment income equals 2.800%.

The subordinated incentive fee on income in this example would be:

First Quarter:	Pre-incentive fee net investment income does not exceed the 1.75% preferred return rate, therefore there is no catch up or split incentive fee on pre-incentive fee net investment income.
Second Quarter:	Pre-incentive fee net investment income falls between the 1.75% preferred return rate and the catch up of 2.1875%, therefore the incentive fee on pre-incentive fee net investment income is 100% of the pre-incentive fee above the 1.75% preferred return of 1.95%.
Third Quarter:	Pre-incentive fee net investment income exceeds the 1.75% preferred return and the 2.1875% catch up provision. Therefore the catch up provision is fully satisfied by the 2.8% of pre-incentive fee net investment income above the 1.75% preferred return rate and there is a 20% incentive fee on pre-incentive fee net investment income above the 2.1875% "catch up."

Example — Incentive Fee on Capital Gains (Millions)

Alternative 1 — Assumptions

Year 1:	$20 million investment made in company A ("Investment A"), and $30 million investment made in company B ("Investment B")
Year 2:	Investment A sold for $50 million and fair market value, or FMV, of Investment B determined to be $32 million
Year 3:	FMV of Investment B determined to be $25 million
Year 4:	Investment B sold for $31 million

The capital gains portion of the incentive fee would be:

Year 1:	None, because no investments were sold
Year 2:	Capital gains incentive fee of $6 million ($30 million realized capital gains on sale of Investment A multiplied by 20%)
Year 3:	None, because no investments were sold
Year 4:	Capital gains incentive fee of $200,000 ($6.2 million ($31 million cumulative realized capital gains multiplied by 20%) less $6 million (capital gains fee taken in Year 2)

Alternative 2 — Assumptions

Year 1:	$20 million investment made in Company A ("Investment A"), $30 million investment made in Company B ("Investment B"), $25 million investment made in Company C ("Investment C") and the cost basis of Other Portfolio Investments is $25 million

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Year 2: Investment A sold for $50 million ($20 million cost basis to be reinvested into Other Portfolio Investments and the $30 million capital gain is available for distribution), fair market value, or FMV, of Investment B determined to be $25 million (creates $5 million in unrealized capital depreciation), the FMV of Investment C determined to be $25 million and FMV of Other Portfolio Investments determined to be $25 million

Year 3: FMV of Investment B determined to be $27 million (creates $3 million in unrealized capital depreciation), Investment C sold for $30 million ($25 million cost basis to be reinvested into Other Portfolio Investments and the $5 million capital gain is available for distribution) and FMV of Other Portfolio Investments determined to be $45 million

Year 4: FMV of Investment B determined to be $30 million and FMV of Other Portfolio Investments determined to be $45 million

Year 5: Investment B sold for $20 million ($20 million cost basis to be reinvested into Other Portfolio Investments and $10 million capital loss) and FMV of Other Portfolio Investments determined to be $45 million

Year 6: Total Portfolio is sold for $80 million ($15 million capital gain computed based on a cumulative cost basis in Other Portfolio Investments of $65 million)

The incentive fee on capital gains in this example would be:

Year 1: None, because no investments were sold

Year 2: $5 million incentive fee on capital gains (20% multiplied by $25 million ($30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B))

Year 3: $1.4 million incentive fee on capital gains ($6.4 million (20% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation))) less $5 million incentive fee on capital gains received in Year 2

Year 4: None, because capital gains incentive fees are paid on realized capital gains only

Year 5: None, because $5 million (20% multiplied by $25 million (cumulative realized capital gains of $35 million less realized capital losses of $10 million)) is less than $6.4 million cumulative incentive fee on capital gains paid in prior years

Year 6: $1.6 million incentive fee on capital gains (20% multiplied by $40 million ($25 million cumulative realized capital gains plus $15 million realized capital gains)) less $6.4 million cumulative incentive fee on capital gains received in prior years

EXHIBIT B

EX-99.K1 6 v300729_exk1.htm EXHIBIT (K)(1)

Exhibit (k)(1)

FORM OF

ADMINISTRATION AGREEMENT

This Administration Agreement (this "**Agreement**") is made as of 2012, by and between SIERRA INCOME CORPORATION, a Maryland corporation (hereinafter referred to as the "**Company**"), and MEDLEY CAPITAL LLC, a Delaware limited liability company, (hereinafter referred to as the "**Administrator**").

WITNESSETH:

WHEREAS, the Company is a newly organized, non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940 (together with the rules promulgated thereunder, the "**1940 Act**");

WHEREAS, the Company desires to retain the Administrator to provide administrative services to the Company in the manner and on the terms and conditions hereinafter set forth; and

WHEREAS, the Administrator is willing to provide administrative services to the Company in the manner and on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Administrator hereby agree as follows:

1. Duties of the Administrator

(a) Engagement of Administrator. The Company hereby engages and retains the Administrator to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such engagement and retention and agrees during such period to render, or arrange for the rendering of, such services and to assume the obligations herein set forth, subject to the reimbursement of costs and expenses provided for below. The Administrator, and any others with whom the Administrator subcontracts to provide the services set forth herein, shall for all purposes herein be deemed to be independent contractors of the Company and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Company in any way or otherwise be deemed agents of the Company.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Company. Without limiting the generality of the foregoing, the Administrator shall:

(i) provide the Company with office facilities and equipment, and provide clerical, bookkeeping, accounting and recordkeeping services, legal services, and shall provide all such other services, except investment advisory services, as the Administrator and the Company shall from time to time determine to be necessary or useful to perform its obligations under this Agreement;

(ii) on behalf of the Company, enter into agreements and/or conduct relations with custodians, depositories, transfer agents, distribution disbursing agents, the dividend reinvestment plan administrator, stockholder servicing agents, accountants, auditors, tax consultants, advisers and experts, investment advisers, compliance officers, escrow agents, attorneys, underwriters, managing dealer, brokers and dealers, investor custody and share transaction clearing platforms, marketing, sales and advertising materials contractors, public relations firms, investor communication agents, printers, insurers, banks, independent valuation firms, and such other persons in any such other capacity deemed to be necessary or desirable by the Administrator and the Company;

(iii) The Administrator is hereby authorized to enter into one or more sub-administration agreements with other service providers (each a "**Sub-Administrator**") pursuant to which the Administrator may obtain the services of the service providers in fulfilling its responsibilities hereunder. Any such sub-administration agreements shall contain a provision requiring the Sub-Administrator to comply with Sections 2 and 3 below as if it were the Administrator.

(iv) make reports to the Board of Directors of the Company (the "**Board**") of its performance of obligations hereunder;

(v) furnish advice and recommendations with respect to such other aspects of the business and affairs of the Company as the Administrator reasonably shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not pursuant to this Agreement, provide any advice or recommendation relating to the securities or other assets that the Company should purchase, retain or sell or any other investment advisory services to the Company;

(vi) assist the Company in the preparation of the financial and other records that the Company is required to maintain and the preparation, printing and dissemination of reports that the Company is required to furnish to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the "**SEC**"), and states and jurisdictions where any offering of the Company's shares is registered and there is a duty to file information with one or more states on an ongoing basis;

(vii) assist the Company in determining and publishing the Company's net asset value, oversee the preparation and filing of the Company's tax returns, and generally oversee and monitor the payment of the Company's expenses and ensure that fees and expenses are within any applicable limitations set forth in the Company's articles of incorporation, as amended from time to time (the "**Articles of Incorporation**");

(viii) oversee the performance of sub-administrative and other professional services rendered to the Company by others; and

(ix) offer managerial assistance to the Company's portfolio companies, which managerial assistance may include monitoring the operations of the portfolio companies, participating in board and management meetings, consulting with and advising officers of the portfolio companies and providing other organizational and financial guidance.

2. Records.

The Administrator shall maintain and keep all books, accounts and other records of the Company that relate to activities performed by the Administrator hereunder as required under the 1940 Act. The Administrator agrees that all records which it maintains and preserves for the Company shall at all times remain the property of the Company, shall be readily accessible during normal business hours, and shall be promptly surrendered to the Company upon the termination of the Agreement or otherwise on written request by the Company. The Administrator further agrees that the records which it maintains for the Company will be preserved in the manner and for the periods prescribed by the 1940 Act, unless any such records are earlier surrendered as provided above. The Administrator shall have the right to retain copies of such records for an indefinite period, subject to observance of its confidentiality obligations under this Agreement. The Administrator shall maintain records of the locations where any books, accounts and records of the Company are maintained by third parties providing services directly or indirectly to the Company.

3. Confidentiality.

The parties hereto agree that each shall treat confidentially all information provided by each party to the other regarding its business and operations. All confidential information provided by a party hereto, including all "nonpublic personal information," as defined under the Gramm-Leach-Bliley Act of 1999 (Public law 106-102, 113 Stat. 1138), shall be used by the other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party, except that such confidential information may be disclosed to an affiliate or agent of the disclosing party to be used for the sole purpose of providing the services set forth herein. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed to any regulatory authority, by judicial or administrative process or otherwise by applicable law or regulation.

4. Allocation of Costs and Expenses.

The Company shall bear all costs and expenses for the administration of its business and shall reimburse the Administrator for any such costs and expenses which have been paid by the Administrator on behalf of the Company on the terms and conditions set forth in Section 5. These costs and expenses shall include, but not be limited to:

(a) corporate, organizational and offering expenses relating to offerings of the Company's common stock, subject to limitations included in the investment advisory agreement entered into between the Company and SIC Advisors LLC, dated _____, 2011;

(b) the cost of calculating the Company's net asset value, including the related fees and cost of any third-party valuation services;

(c) the cost of effecting sales and repurchases of shares of the Company's common stock and other securities;

(d) fees payable to third parties relating to, or associated with, monitoring the Company's financial and legal affairs, making investments, and valuing investments, including fees and expenses associated with performing due diligence reviews of prospective investments;

(e) interest payable on debt, if any, incurred to finance the Company's investments;

(f) federal and state registration fees and any stock exchange listing fees;

(g) transfer agent and custodial fees;

(h) fees and expenses associated with marketing efforts;

(i) federal, state and local taxes;

(j) independent directors' fees and expenses, including travel expenses;

(k) costs of director and stockholder meetings, proxy statements, stockholders' reports and notices;

(l) costs of fidelity bond, directors and officers/errors and omissions liability insurance and other types of insurance;

(m) direct costs, including those relating to printing of stockholder reports and advertising or sales materials, mailing, long distance telephone and staff;

(n) fees and expenses associated with independent audits and outside legal costs, including compliance with the Sarbanes-Oxley Act of 2002, the 1940 Act and applicable federal and state securities laws;

(o) brokerage commissions for the Company's investments;

(p) all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including expenses incurred by the Administrator in performing its obligations; and

(q) the reimbursement of the compensation of the Company's chief financial officer and chief compliance officer, whose salaries are paid by the Administrator, to the extent that each such reimbursement amount is subject to the limitations included in this Agreement.

The Administrator acknowledges that it shall be responsible to ensure that (i) any reimbursement to the Company's investment advisers and/or sub-advisers, or any other person for deferred Organization and Offering Expenses (as defined in the Articles of Incorporation), including any interest thereon, if any, shall not exceed the 18% limitation on Front End Fees (as defined in the Articles of Incorporation), regardless of the source of payment, and (ii) the percentage of gross proceeds of any offering committed to investment shall be at least eighty-two percent (82%). All items of compensation to underwriters or dealers, including, but not limited to, selling commissions, expenses, rights of first refusal, consulting fees, finders' fees and all other items of compensation of any kind or description paid by the Company, directly or indirectly, shall be taken into consideration in computing the amount of allowable Front End Fees.

5. No Fee; Reimbursement of Expenses; Limitations on Reimbursement of Expenses.

(a) In full consideration for the provisions of the services provided by the Administrator under this Agreement, the parties acknowledge that there shall be no separate fee paid in connection with the services provided, notwithstanding that the Company shall reimburse the Administrator, at the end of each fiscal quarter, for all expenses of the Company incurred by the Administrator as well as the actual cost of goods and services used for the Company and obtained by the Administrator from entities not Affiliated with the Company. The Administrator may be reimbursed for the administrative services necessary for the prudent operation of the Company performed by it on behalf of the Company; provided, however, the reimbursement shall be an amount equal to the lower of the Administrator's actual cost or the amount the Company would be required to pay third parties for the provision of comparable administrative services in the same geographic location; and provided, further, that such costs are reasonably allocated to the Company on the basis of assets, revenues, time records or other method conforming with generally accepted accounting principles. The Company may also agree to reimburse the Administrator, under this Agreement whereby the Administrator shall provide certain administrative services for the Company, for the salaries, rent and travel expenses of executive officers of the Administrator also serving in the capacity of chief financial officer or chief compliance officer of the Company provided such reimbursement is approved annually by the Independent Directors. The Administrator shall prepare a statement documenting the expenses of the Company and the calculation of the reimbursement and shall deliver such statement to the Company prior to full reimbursement

(b) Previous Reimbursement Reports. The Administrator shall prepare or shall cause to be prepared a report, prepared in accordance with the American Institute of Certified Public Accountants United States Auditing Standards relating to special reports, and distributed to stockholders not less than annually, containing an itemized list of the costs reimbursed to the Administrator pursuant to Section 5(a) for the previous fiscal year. The special report shall at a minimum provide:

(i) a review of the time records of individual employees, the costs of whose services were reimbursed; and

(ii) a review of the specific nature of the work performed by each such employee.

(c) Proposed Reimbursement Reports. The Administrator shall prepare or shall cause to be prepared a report containing an itemized estimate of all proposed expenses for which it shall receive reimbursements pursuant to Section 5(a) of this Agreement for the next fiscal year, together with a breakdown by year of such expenses reimbursed in each of the last five public programs formed by the Administrator, if any.

6. Affiliate Defined.

For purposes of this Agreement, "**Affiliate**" or "**Affiliated**" or any derivation thereof means with respect to any individual, corporation, partnership, trust, joint venture, limited liability company or other entity or association ("**Person"**): (a) any Person directly or indirectly owning, controlling, or holding, with the power to vote, 10% or more of the outstanding voting securities of such other Person; (b) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with the power to vote, by such other Person; (c) any Person directly or indirectly controlling, controlled by or under common control with such other Person; (d) any executive officer, director, trustee or general partner of such other Person; or (e) any legal entity for which such Person acts as an executive officer, director, trustee or general partner.

7. Limitation of Liability of the Administrator; Indemnification.

(a) Indemnification. Subject to Section 8, the Administrator and its officers, directors, stockholders or members (and their stockholders or members, including the owners of their stockholders or members), agents, employees, controlling persons (as determined under the 1940 Act ("**Controlling Persons**")) and any other person or entity Affiliated with, or acting on behalf of, the Administrator (each an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**") shall not be liable to the Company for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an administrator of the Company, and the Company shall indemnify, defend and protect the Indemnified Parties (each of whom shall be deemed a third party beneficiary hereof) and hold them harmless from and against all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) ("**Losses**") incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the Indemnified Parties' duties or obligations as administrator for the Company to the extent such Losses are not fully reimbursed by insurance and otherwise to the fullest extent such indemnification would not be inconsistent with the Articles of Incorporation, the 1940 Act, the laws of the State of Maryland law or the provisions of Section II.G of the Omnibus Guidelines published by the North American Securities Administrators Association on March 29, 1992, as it may be amended from time to time.

(b) Advancement of Funds. The Company shall be permitted to advance funds to the Indemnified Parties for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought only if all of the following conditions are met:

(i) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company;

(ii) the Indemnified Party provides the Company with written affirmation of the Indemnified Party's good faith belief that the Indemnified Party has met the standard of conduct necessary for indemnification by the Company;

(iii) the legal action is initiated by a third party who is not a Company stockholder, or the legal action is initiated by a Company stockholder and a court of competent jurisdiction specifically approves such advancement; and

(iv) the Indemnified Party provides the Company with a written agreement to repay the advanced funds to the Company, allocated as advanced, together with the applicable legal rate of interest thereon, in cases in which the Indemnified Party is not found to be entitled to indemnification pursuant to a final, non-appealable decision of a court of competent jurisdiction.

(c) The Administrator shall indemnify the Company, and its Affiliates and Controlling Persons, for any Losses that the Company or its Affiliates and Controlling Persons may sustain as a result of the Administrator's willful misfeasance, bad faith, gross negligence, reckless disregard of its duties hereunder or violation of applicable law, including, without limitation, the federal and state securities laws.

8. Limitation on Indemnification.

Notwithstanding Section 7(a) to the contrary, the Company shall not provide for indemnification of the Indemnified Parties for any liability or loss suffered by the Indemnified Parties, nor shall the Company provide that any of the Indemnified Parties be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met:

(i) the Indemnified Party has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company;

(ii) the Indemnified Party was acting on behalf of or performing services for the Company;

(iii) such liability or loss was not the result of willful misfeasance, bad faith or gross negligence by the Indemnified Party; and

(iv) such indemnification or agreement to hold harmless is recoverable only out of the Company's net assets and not from stockholders.

Furthermore, the Indemnified Party shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws unless one or more of the following conditions are met:

(i) there has been a successful adjudication on the merits of each count involving alleged material securities law violations;

(ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

(iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made, and the court of law considering the request for indemnification has been advised of the position of the SEC and the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

9. Activities of the Administrator.

The services provided by the Administrator to the Company are not exclusive, and the Administrator may engage in any other business or render similar or different services to others, including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, whether having investment objectives similar to or different from those of the Company, so long as its services to the Company hereunder are not impaired thereby and nothing in this Agreement shall limit or restrict the right of any officer, director, stockholder (and their stockholders or members, including the owners of their stockholders or members), officer or employee of the Administrator to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). The Administrator assumes no responsibility under this Agreement other than to render the services set forth herein.

10. Duration and Termination of this Agreement

(a) Term and Effectiveness. This Agreement shall become effective as of the date that the Company meets the minimum offering requirement, as such term is defined in the prospectus contained in the Company's registration statement on Form N-2 as declared effective by the SEC. Once effective, this Agreement shall remain in effect for two years, and thereafter shall continue automatically for successive one-year periods, provided that such continuance is specifically approved at least annually by: (i) the vote of the Board, or by the vote of a majority of the outstanding voting securities of the Company and (ii) the vote of a majority of the Company's directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the 1940 Act, or any successor provision thereto) (the "**Independent Directors**") of any such party, in accordance with the requirements of the 1940 Act.

(b) Termination. This Agreement may be terminated at any time, without the payment of any penalty: (i) by the Company upon 60 days' written notice to the Administrator: (A) upon the vote of a majority of the outstanding voting securities of the Company (as "majority" is defined in Section 2(42) of the 1940 Act) or (B) by the vote of the Independent Directors; or (ii) by the Administrator upon not less than 120 days' written notice to the Company. This Agreement and the rights and duties of a party hereunder may not be assigned, including by operation of law, by a party without the prior consent of the other party and this Agreement automatically shall terminate in such event. The provisions of Section 7 of this Agreement shall remain in full force and effect, and the Administrator shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement.

After the termination of this Agreement, the Administrator shall not be entitled to compensation for further services provided hereunder except that it shall be entitled to receive from the Company within 30 days after the effective date of such termination all unpaid reimbursements due and payable to the Administrator prior to termination of this Agreement.

11. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at the address listed below or at such other address for a party as shall be specified in a notice given in accordance with this Section 11.

12. Amendments of this Agreement.

This Agreement may be amended by mutual written consent of the parties, subject to the provisions of the 1940 Act. This Agreement automatically shall terminate upon the dissolution of the Company.

13. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one and the same instrument binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.'

14. Governing Law.

This Agreement shall be construed in accordance with laws of the State of Maryland and the applicable provisions of the 1940 Act, if any. To the extent that the applicable laws of the State of Maryland or any of the provisions herein conflict with the applicable provisions of the 1940 Act, if any, the latter shall control.

15. Entire Agreement.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

SIERRA INCOME CORPORATION

By: /s/
Name: Seth Taube
Title: Chief Executive Officer

MEDLEY CAPITAL LLC

By: /s/
Name:
Title: