

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

In re:

Medley LLC,<sup>1</sup>

Debtor.

Chapter 11

Case No. 21-10526 (KBO)

Re: Docket Nos. 234, 243 & 284

Hearing Date: August 12, 2021 at 4:00 p.m. (ET)

**STATEMENT OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS OF MEDLEY LLC IN SUPPORT OF (I) EXTENSION OF DEBTOR'S  
EXCLUSIVE PERIOD TO FILE A PLAN AND DISCLOSURE STATEMENT  
AND SOLICIT ACCEPTANCES THEREOF PURSUANT TO 11 U.S.C. § 1121(d), AND (II)  
FIRST AMENDED COMBINED DISCLOSURE STATEMENT AND CHAPTER 11 PLAN**

The Official Committee of Unsecured Creditors (the "Committee") of Medley LLC, the above-captioned debtor and debtor-in-possession (the "Debtor"), through its undersigned counsel, hereby submits this statement (this "Statement") in support of (i) *Debtor's Motion for an Order Extending the Periods During Which Debtor May File a Plan and Disclosure Statement and Solicit Acceptances Thereof Pursuant To 11 U.S.C. § 1121(d)*<sup>2</sup> (the "Motion to Extend") and (ii) the *First Amended Combined Disclosure Statement and Chapter 11 Plan of Medley LLC*<sup>3</sup> (the "Amended Combined DS and Plan"), and respectfully states as follows:

**BACKGROUND**

1. On March 7, 2021 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with this Court. Since the Petition Date, the Debtor has remained in possession of its assets, and has continued to operate and manage its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

<sup>1</sup> 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.

<sup>2</sup> Docket No. 243.

<sup>3</sup> Docket No. 284. Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Amended Combined DS and Plan.



2. On April 22, 2021, the Office of the United States Trustee for the District of Delaware appointed a four-member Committee consisting of: (i) U.S. Bank, National Association, as Indenture Trustee; (ii) Mr. Glenn Gardipee; (iii) Mr. James MacAyeal, and; (iv) Mr. Carl Wegerer.<sup>4</sup>

3. On July 1, 2021, the Committee filed the *Motion of the Official Committee of Unsecured Creditors to Terminate the Debtor's Exclusive Periods to Propose and Solicit Acceptance of a Plan of Reorganization*<sup>5</sup> (the "Motion to Terminate"). On July 6, 2021, the Debtor filed the Motion to Extend. Also on that date, the Debtor filed the *Combined Disclosure Statement and Chapter 11 Plan of Reorganization and Wind-Down of Medley LLC*<sup>6</sup> (the "Original Combined DS and Plan").

### **STATEMENT**

4. As set forth in the Amended Combined DS and Plan, this Chapter 11 Case has taken several unusual turns. Since the Petition Date, the Debtor's initial primary counsel has withdrawn,<sup>7</sup> the Debtor's senior management resigned and was replaced by the Independent Manager,<sup>8</sup> and the board of directors of Sierra Income Corporation ("Sierra"), the Debtor's largest client, announced that they had entered into a formal review process to evaluate strategic alternatives for the Investment Advisory Agreement between Sierra and SIC Advisors LLC, a non-debtor subsidiary of the Debtor. The Debtor has no employees. All business operations on behalf of the Debtor are undertaken by an affiliate, Medley Capital LLC ("Medley Capital"), which is

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<sup>4</sup> Docket No. 110.

<sup>5</sup> Docket No. 234.

<sup>6</sup> Docket No. 244.

<sup>7</sup> *See Notice of Withdrawal of Debtor's Application for Entry of an Order Authorizing the Employment and Retention of Lowenstein Sandler LLP as Counsel to the Debtor Effective as of the Petition Date* [Docket No. 181].

<sup>8</sup> *See Order Authorizing the Retention and Compensation of Corporation Service Company in Connection With Appointment of Independent Manager of the Debtor, Nunc Pro Tunc to June 1, 2021* [Docket No. 237].

represented by separate counsel.

5. In short, given the change in management and the Sierra announcement, along with failed settlement discussions engaged in by the Committee with the former principal officers of the Debtor, Seth Taube and Brook Taube (the “Taubes”), the Committee had legitimate doubts about the person or persons with whom it could appropriately negotiate to reach a deal on a chapter 11 plan. The Committee’s concerns were exacerbated by the filing of the motion to approve certain changes to the Cash Management Order,<sup>9</sup> which the Committee believed would be detrimental to the Debtor’s estate. The Committee responded by filing the Motion to Terminate, as the Committee at that time determined, based on the circumstances known to it, that the filing of a plan that provided for the immediate liquidation of the Debtor, and the creation of a liquidating trust to pursue potential litigation claims, would maximize recoveries for general unsecured creditors.

6. The filing of the Motion to Terminate led to better interaction between the Committee, the Debtor and Medley Capital. Shortly thereafter, on July 13, 2021, the Debtor (through the Independent Manager), the Committee and Medley Capital’s executive management team, together with their respective professionals, met at the offices of Medley Capital’s counsel to discuss a potential consensual resolution of this Chapter 11 Case. The parties thereafter engaged in extensive good faith negotiations for several days with respect to the terms of a potential consensual plan. On July 22, 2021, the Debtor, the Committee and Medley Capital reached an agreement on a global settlement documented in the Plan Term Sheet.<sup>10</sup> The terms of the Plan Term Sheet are embodied in the Amended Combined DS and Plan.

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<sup>9</sup> See Debtor’s Motion for Approval and Entry of Amended and Restated Final Order (I) Authorizing, But Not Directing, the Debtor to Continue and Maintain its Existing Cash Management System, Bank Account and Business Forms, (II) Authorizing the Continuation of Ordinary-Course Intercompany Transactions, and (III) Granting Related Relief [Docket No. 217].

<sup>10</sup> Docket No. 276.

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

8. Second, all Causes of Action of the Debtor will automatically vest in the Liquidating Trust and will be pursued subsequent to the Effective Date. The Liquidating Trust will also receive all claims and rights of the Debtor under any D&O Liability Insurance Policies. While there are no assurances that the Causes of Action will generate any additional recoveries for unsecured creditors, preserving such Causes of Action for proper investigation and, if appropriate, prosecution, has been a top priority of the Committee since its formation.

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

10. As a proponent of the Amended Combined DS and Plan, the Committee now supports the Motion to Extend. On August 4, 2021, in accordance with the Plan Term Sheet,

the Committee filed a notice of withdrawal of the Motion to Terminate.<sup>11</sup>

**WHEREFORE**, the Committee respectfully requests (i) approval of the Motion to Extend; (ii) interim approval of the disclosure portion of the Amended Combined DS and Plan; and (iii) such other relief as this Court deems just and proper.

Dated: August 5, 2021  
Wilmington, Delaware

Respectfully submitted,

/s/ D. Ryan Slauch

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*Counsel for the Official Committee of Unsecured  
Creditors*

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<sup>11</sup> See Notice of Withdrawal of Docket No. 234 [Docket No. 293].

**CERTIFICATE OF SERVICE**

I, D. Ryan Slaugh, do hereby certify that on August 5, 2021, a copy of the foregoing **Statement of the Official Committee of Unsecured Creditors of Medley LLC in Support of (I) Extension of Debtor's Exclusive Period to File Plan and Disclosure Statement and Solicit Acceptances Thereof Pursuant to 11 U.S.C. § 1121(d), and (II) First Amended Combined Disclosure Statement and Chapter 11 Plan** was served on the parties listed on the attached service list in manners indicated.

*/s/ D. Ryan Slaugh* \_\_\_\_\_  
D. Ryan Slaugh (No. 6325)

**SERVICE LIST**

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