

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:

SFX ENTERTAINMENT, INC., *et al.*,¹

Debtor.

Chapter 11

Case No. 16-10238 (MFW)

Jointly Administered

DECLARATION OF ADAM KEIL IN SUPPORT OF THE MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER: (I) AUTHORIZING THE SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE FAME HOUSE BUSINESS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; (II) APPROVING FINAL ASSET PURCHASE AGREEMENT; (III) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OR REJECTION OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (IV) GRANTING RELATED RELIEF

I, **ADAM KEIL**, hereby declare, under penalty of perjury, as follows:

1. I am a managing director of Moelis & Company, LLC (“**Moelis**”), where I have been employed for approximately 8 years. Prior to joining Moelis, I was a vice president in the Recapitalization and Restructuring Group at Jefferies & Company, Inc. I attended the Wharton School at the University of Pennsylvania, where I received a

¹ The Debtors in these Chapter 11 Cases, along with the last four (4) digits of each Debtor’s federal tax identification number, if applicable, are: 430R Acquisition LLC (7350); Beatport, LLC (1024); Core Productions LLC (3613); EZ Festivals, LLC (2693); Flavorus, Inc. (7119); ID&T/SFX Mysteryland LLC (6459); ID&T/SFX North America LLC (5154); ID&T/SFX Q-Dance LLC (6298); ID&T/SFX Sensation LLC (6460); ID&T/SFX TomorrowWorld LLC (7238); LETMA Acquisition LLC (0452); Made Event, LLC (1127); Michigan JJ Holdings LLC (n/a); SFX Acquisition, LLC (1063); SFX Brazil LLC (0047); SFX Canada Inc. (7070); SFX Development LLC (2102); SFX EDM Holdings Corporation (2460); SFX Entertainment, Inc. (0047); SFX Entertainment International, Inc. (2987); SFX Entertainment International II, Inc. (1998); SFX Intermediate Holdco II LLC (5954); SFX Managing Member Inc. (2428); SFX Marketing LLC (7734); SFX Platform & Sponsorship LLC (9234); SFX Technology Services, Inc. (0402); SFX/AB Live Event Canada, Inc. (6422); SFX/AB Live Event Intermediate Holdco LLC (8004); SFX/AB Live Event LLC (9703); SFX-94 LLC (5884); SFX-Disco Intermediate Holdco LLC (5441); SFX-Disco Operating LLC (5441); SFXE IP LLC (0047); SFX-EMC, Inc. (7765); SFX-Hudson LLC (0047); SFX-IDT N.A. Holding II LLC (4860); SFX-LIC Operating LLC (0950); SFX-IDT N.A. Holding LLC (2428); SFX-Nightlife Operating LLC (4673); SFX-Perryscope LLC (4724); SFX-React Operating LLC (0584); Spring Awakening, LLC (6390); SFXE Netherlands Holdings Coöperatief U.A. (6812); SFXE Netherlands Holdings B.V. (6898). The Debtors’ business address is 902 Broadway, 15th Floor, New York, NY 10010.

Bachelor of Science in Economics with concentrations in finance and entrepreneurial management.

2. I submit this declaration (the “**Declaration**”) in support of the *Motion of the Debtors for Entry of an Order: (I) Authorizing the Sale of all or Substantially all of the Assets of the Fame House Business Free and Clear of All Liens, Claims, Encumbrances and Interests; (II) Approving Final Asset Purchase Agreement; (III) Authorizing the Assumption and Assignment or Rejection of Certain Executory Contracts and Unexpired Leases; and (IV) Granting Related Relief* [Docket No. 245] (the “**Sale Motion**”) ² filed by the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”). Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents maintained under my general supervision and control in the ordinary course of business, my review of the Debtors’ books, records and business or my opinion based upon my experience, knowledge and information concerning the operations and financial affairs of the Debtors. If I were called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration.

3. Fame House, LLC (“**Fame House**”) was founded in 2011 as a digital marketing agency that serves the entertainment industry, producing online marketing campaigns for high-profile artists in the music industry. Fame House provides digital marketing, social media management, merchandising and other design and development services for its clients. In October of 2013, Debtor SFX Marketing LLC acquired Fame House.

² Capitalized terms not defined herein have the meaning ascribed to them in the Sale Motion.

4. On March 9, 2015, prior to the Debtors seeking relief under Chapter 11 of the United States Bankruptcy Code, a special committee appointed by the Debtors' board of directors retained Moelis to advise them in connection with a proposed acquisition transaction with affiliates of the Debtors and to solicit indications of interest from potential acquirers. This engagement concluded in mid-November 2015.

5. Based, in part, on this prior relationship, on November 18, 2015, the Debtors retained Moelis as their investment banker to advise them in connection with a potential restructuring and/or recapitalization of the Debtors. On February 29, 2016, the Debtors file the *Application of the Debtors for Entry of an Order Authorizing the Employment and Retention of Moelis & Company LLC as Investment Banker for the Debtors and Debtors-in-Possession, Nunc Pro Tunc to the Petition Date and Waiving Certain Requirements of Local Rule 2016-2* [Docket No. 133]. On March 21, 2016, the Court approved Moelis's retention, effective as of February 1, 2016 [Docket No. 265].

6. After evaluating its assets, the Debtors no longer viewed the Fame House business as core to the SFX platform nor sustainable long-term under SFX's ownership. In connection with obtaining debtor-in-possession financing, the Debtors agreed to run a process to seek buyers for certain assets, including, but not limited to, all or substantially all of the assets of Fame House (the "**Fame House Assets**").

7. In furtherance of the sale process, on March 18, 2016, the Court entered the *Order (A) Approving Bid Procedures Relating to the Sale of All or Substantially All of the Assets of Fame House Business, (B) Approving Notice Procedures, and (C) Granting Related Relief* [Docket No. 250] (the "**Bid Procedures Order**"). The Bid Procedures Order fixed March 28, 2016 at 12:00 p.m. (Eastern Time) as the deadline for

the submission of bids for the Fame House Assets and March 31, 2016 at 11:00 a.m. (Eastern Time) for an auction to the extent the Debtors received two or more Qualified Bids.

8. I was one of the principal representatives of Moelis responsible for planning and executing a process to market the Fame House Assets to potential purchasers with the goal of proceeding with an auction and sale process before the Court.

9. The efforts of Moelis and the Debtors to identify Qualified Bidders were as follows:

- (1) Pre-petition Marketing of Fame House Assets. In connection with Moelis's March 9, 2015 retention as financial advisor to a special committee of the board of directors of SFX Entertainment, Inc. ("SFX"), Moelis solicited proposals for either SFX, as a whole, or assets that were no longer considered central to the core business. Moelis had conversations with prospective purchasers as part of this process. Moelis did not solicit proposals for Fame House specifically, however a proposal was submitted for Fame House during this time that was not consummated prior to SFX filing its bankruptcy petitions. Conversations held during this time helped shape the process for the Fame House sale, including identifying prospective purchasers and creating the structure of the sale.
- (2) Due Diligence of Fame House's Operations. Moelis initially spent time with the Debtors and their management to analyze Fame House's business and operations. Moelis analyzed Fame House's business plans, financial statements, operating reports (including detail on revenue components, expense categories and profitability), customer relationships and contracts, liquidity and working capital reports and forecasts, descriptions and other information concerning pre- and post-petition liabilities as well as other information concerning the Fame House's operations.
- (3) Potential Buyer List. Shortly after its retention and in conjunction with the Debtors' management, Moelis developed a list of those strategic and financial sponsor entities most likely to be interested in purchasing the Fame House Assets. Moelis researched public and privately-held companies in the same and similar industries as Fame House and reviewed proprietary and licensed databases of financial sponsors with a potential interest in investing in companies in similar industries and/or situations as Fame House. Moelis reviewed the data with the Debtors and focused the

list to target those companies with the financial wherewithal and/or most compelling strategic rationales to pursue a transaction with the Debtors.

- (4) Due Diligence Material. Concurrently with contacting potential buyers, Moelis worked with the Debtors to prepare a confidential information memorandum and an on-line data room containing certain financial and operating data on the Fame House business. Moelis coordinated with the Debtors to maintain and update that information so that potential buyers would have access to relevant financial and operational information while evaluating the opportunity.
- (5) Contacted Potential Buyers. On behalf of the Debtors, Moelis identified and contacted prospective purchasers and provided those prospective purchasers that executed non-disclosure agreements with the confidential information memorandum and access to the on-line data room.
- (6) Potential Buyer Diligence. Moelis followed up with all interested buyers, provided due diligence information as requested, answered questions about the Fame House Assets and the Sale process and encouraged all parties to move quickly and efficiently to the extent they wished to proceed. In all cases, Moelis representatives encouraged qualified buyers to interact with the Debtors' management to obtain a better understanding of Fame House's business, assets and going forward opportunity. Moelis and the Debtors spent time with potential buyers discussing Fame House's operations, historical performance and prospects, as well as responding to specific follow up questions and due diligence requests from potential buyers. Moelis and the Debtors had discussions and conference calls with a number of buyers.
- (7) Selection of Sole Qualified Bid. The Debtors received two bids. The Debtors, upon review of each offer, received advice from Moelis, counsel and their other professionals and, in consultation with the DIP Lenders, the Consenting Noteholders and the Committee, selected UMG Commercial Services, Inc.'s ("UMG") bid as the sole Qualified Bid. As there was only one Qualified Bid, no auction was held in connection with the Fame House Assets. The Debtors determined to negotiate a definitive Final Purchase Agreement with UMG. The Debtors and UMG reached agreement on a Final Purchase Agreement on May 23, 2016, and the parties signed the Final Purchase Agreement.

10. Moelis regularly updated the DIP Lenders', Consenting Noteholders' and the Committee's respective counsel and financial advisors as to the progress of the marketing efforts. Additionally, Moelis provided the DIP Lenders', Consenting

Noteholders' and the Committee's respective counsel and financial advisors with detailed presentations as to the timing of the sale process and identity, interest level and proposals made by prospective purchasers and, ultimately, the sole Qualified Bid made by UMG.

11. At times, Moelis served as an intermediary between the Debtors and UMG, negotiating certain of the terms of the Final Purchase Agreement with UMG. All negotiations, whether with Moelis or the Debtors, were conducted at arms-length and proceeded over a period of several weeks. UMG is not an insider or affiliate of any of the Debtors. In my opinion, UMG proceeded with negotiations concerning the Final Purchase Agreement in good faith and UMG did not engage in any form of collusion or fraud with respect to the sale process or the purchase price of the Fame House Assets. The terms of the Final Purchase Agreement embody the highest or otherwise best offer the Debtors have received to date for the Fame House Assets.

12. Under the Final Purchase Agreement, UMG has agreed to assume certain liabilities of Fame House as part of the consideration paid to the Debtors thereunder. Those assumed liabilities consist of, among other things, Cure Amounts owing under any Assumed Contract up to an aggregate of \$400,000, all of Fame House's liabilities under any Assumed Contracts arising after the Closing Date, and other liabilities specified in the Final Purchase Agreement.

13. UMG has held discussions with certain members of Fame House's senior management that contemplate their continued employment after the Closing of the transaction contemplated by the Final Purchase Agreement. Except as stated herein, UMG does not have any understanding, arrangement or agreement with any of the Debtors' current or former officers or directors that I am aware of.

14. It is my belief that Moelis conducted a thorough marketing process designed to ensure engagement with potential buyers with the greatest ability to maximize the value of the Fame House Assets. Moelis contacted all potential parties that expressed an interest in pursuing a transaction with the Debtors or that Moelis believed would be reasonably interested in pursuing a transaction with the Debtors. Moelis promptly responded to any inbound inquiry and provided access, as contemplated in the bid procedures, to any potential buyer who contacted Moelis. At this time, however, no other persons or entities have made a higher or otherwise better offer to the Debtors for the purchase of the Fame House Assets. It is my understanding that UMG did not have any discussions and did not enter into any agreement, understanding or arrangement with any person or entity that has prohibited such party from conducting due diligence on the Fame House Assets or bidding on the Fame House Assets.

15. Under these circumstances, I believe that the grant of the relief requested in the Sale motion and the entry of the proposed order is in the best interests of the Debtors' estates and creditors and its implementation will, among other things, maximize the value of the estates for the Debtors and their creditors.

[Signature on next page]

I declare under penalty of perjury of the laws of the United States that these facts are true to the best of my knowledge and belief.

DATED this 25 day of May, 2016.

/s/ Adam Keil

Adam Keil
Managing Director
Moelis & Company, LLC