

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

In re:

SFX ENTERTAINMENT, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 16-10238 ()

(Joint Administration Requested)

MOTION OF THE DEBTORS FOR ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO (A) MAINTAIN EXISTING INSURANCE POLICIES, PAY ALL POLICY PREMIUMS AND CONSULTANT FEES ARISING THEREUNDER AND RENEW OR ENTER INTO NEW POLICIES, AND (B) CONTINUE INSURANCE PREMIUM FINANCING PROGRAMS, PAY INSURANCE PREMIUM FINANCING OBLIGATIONS ARISING IN CONNECTION THEREWITH AND RENEW OR ENTER INTO NEW PREMIUM FINANCING ARRANGEMENTS

The above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) hereby move the Court (the “**Motion**”), pursuant to sections 105, 363, 1107 and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”) and Rules 6003 and 6004(h) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), for entry of an order authorizing, but not directing, the Debtors to: (a) maintain existing insurance policies, pay all policy premiums and consultant fees arising thereunder, whether prepetition or

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.



postpetition and renew or enter into new policies as needed and (b) continue insurance premium financing under the Debtors' premium financing agreements, pay insurance premium financing obligations arising thereunder or in connection therewith and renew or enter into new premium financing agreements as needed when the existing arrangements expire, without further order of the Court. In support of this Motion, the Debtors respectfully represent as follows.

Status of the Case

1. On the date hereof (the "**Petition Date**"), the Debtors commenced these cases (the "**Chapter 11 Cases**") by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

2. The Debtors have continued in possession of their properties and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner and a creditors' committee has not yet been appointed in these Chapter 11 Cases.

Jurisdiction, Venue and Statutory Predicates

4. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

5. The statutory predicates for the relief sought herein are sections 105, 363, 1107 and 1108 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004(h).

Background

6. The Debtors along with their non-Debtor affiliates (collectively, "**SFX**") are a leading producer of live events and digital entertainment content focused exclusively on

electronic music culture. The Debtors commenced material operations in 2012 with the intent of acquiring and operating companies within the electronic dance music (“EDM”) industry, specifically those engaged in the promotion and production of live music events, festivals and digital offerings attractive to EDM fans in the United States and abroad. Over the next three years, the Debtors acquired a number of leading EDM brands, such as TomorrowWorld, Beatport, Mysteryland, Sensation and Electric Zoo, and expanded operations worldwide.

7. Today, the Debtors are actively engaged in the production and promotion of EDM festivals and events both domestically and abroad. In addition, Debtors manage large, event-driven nightclubs that serve as venues for performances by key electronic music talent. The Debtors also offer an online platform for EDM DJs, artists and fans to purchase, share and stream music components and to connect with each other.

8. The Debtors and their 120 non-Debtor subsidiaries operate a business that spans the globe, with operations in over 34 countries. The Debtors constitute substantially all of the domestic companies comprising SFX’s business as well as select foreign subsidiaries. The Debtors have more than 325 employees and, together with the non-Debtor entities, have more than 625 employees.

9. The Debtors’ capital structure is highly levered. In 2015, the Debtors began to face significant liquidity issues. While the Debtors attempted to enhance liquidity through a September 2015 financing and potential sales of non-strategic assets, the Debtors concluded that they needed to restructure their liabilities through a bankruptcy process.

10. Prior to the filing of these Chapter 11 Cases, the Debtors entered into a restructuring support agreement with holders of over 70% of their outstanding secured debt. The restructuring support agreement provides for a comprehensive restructuring of the Debtors’

balance sheet. As part of that transaction, certain of the holders of the secured debt also agreed to provide the Debtors with \$115 million of debtor-in-possession financing to allow for the Debtors to prosecute these Chapter 11 Cases. The Debtors intend to use these Chapter 11 Cases to effect their balance sheet restructuring and implement operational improvements.

11. A detailed factual background of the Debtors' business and operations, as well as the events precipitating the commencement of these Chapter 11 Cases, is more fully set forth in the *Declaration of Michael Katzenstein in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief* (the "**First Day Declaration**"), filed contemporaneously herewith and incorporated herein by reference.

Insurance Policies

12. In the ordinary course of the Debtors' business, the Debtors maintain numerous insurance policies with various insurance companies (collectively, the "**Insurance Companies**") providing coverage for, *inter alia*, commercial general liability, umbrella liability, TULIP, automobiles, property, foreign liability and workers' compensation (collectively, the "**Policies**"). A list of the Policies, Insurance Companies and their addresses, the term of the Policies, the annual premiums, the insurance consultant and the premium financing companies is attached hereto as **Exhibit A**. Although the Debtors believe that no prepetition amounts are due and owing to the Insurance Companies, the Debtors request authorization to pay any such amounts that may become due and to proceed in the ordinary course of business to maintain the Policies, including to renew the Policies and pay premiums associated with such renewals.

13. The Policies are essential to continue to operate the Debtors' business. Any other alternative would likely require considerable additional cash expenditures and would be detrimental to the Debtors' efforts to preserve and maximize the value of their estates. Moreover, the Operating and Reporting Guidelines Issued for Debtor in Possession and Trustees

by the Office of the United States Trustee for the District of Delaware (the “**U.S. Trustee Operating Guidelines**”) require the Debtors to maintain insurance coverage through the pendency of their Chapter 11 Cases. Accordingly, it is in the best interest of the Debtors’ estates to permit the Debtors to honor their obligations under their current Policies (including the payment of related consultant fees).

Premium Financing Agreements

14. The Debtors have determined in their business judgment that it is economically advantageous to finance the payment of premiums for certain of their Policies. Accordingly, in the ordinary course of the Debtors’ business, the Debtors finance the premiums on certain of the Policies pursuant to two (2) premium financing agreements (each a “**PFA**”) with Aon Premium Finance, LLC (“**Aon**”) and FIRST Insurance Funding Corp. (“**FIRST**”).

15. A total of \$1,317,963 of the Debtors’ insurance premiums is financed by the Aon PFA. The Aon PFA requires cumulative monthly installment payments of \$121,765 due on the thirtieth (30th) day of each month beginning on July 30, 2015 and continuing for a period of 11 months, ending on May 30, 2016. The annual interest rate under the Aon PFA is 3.240%. The terms of the Aon PFA provide that the Debtors pay Aon monthly installments in exchange for Aon’s agreement to pay the annual insurance premiums, after adjustment for any down payment paid by the Debtors, in advance, to certain of the various Insurance Companies.

16. A total of \$772,584 of the Debtors’ insurance premiums is financed by the FIRST PFA. The FIRST PFA requires cumulative monthly installment payments of \$111,787 due on the thirtieth (30th) day of each month beginning on November 30, 2015 and continuing for a period of seven (7) months, ending on May 30, 2016. The annual interest rate under the FIRST PFA is 3.240%. The terms of the FIRST PFA provide that the Debtors pay FIRST monthly

installments in exchange for FIRST's agreement to pay the annual insurance premiums, after adjustment for any down payment paid by the Debtors, in advance, to certain of the various Insurance Companies.

17. Pursuant to the PFAs, the Debtors' obligations to Aon and FIRST are collateralized by a security interest in all insurance policies financed through the respective PFAs. Additionally, pursuant to the PFAs, upon an event of default, the Debtors appoint the respective PFA insurer as the Debtors' Attorney-in-Fact and grant such PFA insurer the authority to cancel the insurance policies covered by such PFA.

18. The Debtors propose to pay any prepetition premiums related to the Policies to the extent that the Debtors might discover and determine, in their discretion, that such payment is necessary to avoid cancellation, default, alteration, assignment, attachment, lapse or any form of impairment to the coverage, benefits or proceeds provided under the Policies.² The Debtors seek this authority out of an abundance of caution, in recognition of the critical necessity of keeping their insurance policies in effect, and out of concern that if the necessity for such a payment arises in the future, the passage of time while the Debtors seek and obtain the Court's authority for such a payment may have irreversible adverse consequences for the Debtors' coverage under the Policies.

19. If the Debtors are unable to make payments under the PFAs, Aon and/or FIRST may be permitted to terminate certain of the Policies to recoup losses. Furthermore, if the Debtors cease making payments on the Policies, the Insurance Companies may not allow the Debtors to renew these Policies at the current rates in the future. The Debtors would then be required to obtain replacement insurance on an expedited basis and at great cost to their estates.

² Nothing herein shall be deemed an admission of payment(s) due or past due or an admission that any contracts with respect to insurance providers are or are not executory contracts.

Even if Aon, FIRST or the Insurance Companies were not permitted to terminate the Policies, any interruption of payments would have a severe adverse effect on the Debtors' ability to extend the current Policies or acquire new insurance coverage in the future.

Relief Requested

20. By this Motion, the Debtors seek to (a) maintain the existing Policies, pay all policy premiums and consultant fees arising thereunder, whether prepetition or postpetition, and renew or enter into new policies as needed and (b) continue insurance premium financing under the Debtors' premium financing agreements, pay insurance premium financing obligations arising thereunder or in connection therewith and renew or enter into new premium financing agreements as needed when the existing arrangements expire, without further order of the Court.

Basis for Relief Requested³

21. The Policies, the PFAs and the payments made and liens granted thereunder are transactions in the ordinary course of business. Out of an abundance of caution, however, and in the Debtors' reasonable business judgment, the Debtors seek approval of the Policies and the PFAs and continuation of the payments thereunder. The Debtors also seek the additional relief set forth in this Motion.

**A. Payment of Premium Financing Obligations Is Necessary
In Order to Comply with United States Trustee Requirements.**

22. The ordinary course maintenance of the Debtors' insurance financing programs, including payment of all monthly obligations under the PFAs, and the renewal of or entry into new financing arrangements, as may be required, as the annual terms of existing arrangements

³ Nothing herein shall be deemed an admission or waiver of the Debtors' rights to challenge the Aon PFA, the FIRST PFA or any other insurance premium financing agreement, including but not limited to perfection, and rights and remedies arising from or related to the Aon PFA, the FIRST PFA or any other insurance premium financing agreement.

expire, including the granting of liens or security interests thereunder, without further order of the Court, is necessary and essential to the Debtors' operation of their business during these Chapter 11 Cases, especially where, as here, the Debtors' failure to pay their monthly premium obligations could have negative consequences for their estates and creditors.

23. Under the terms of the PFAs, Aon and FIRST may cancel the insurance policies for nonpayment and may accelerate and declare due and payable the entire unpaid premiums upon the Debtors' failure to pay the monthly premium obligations. Because the Debtors are required to maintain insurance coverage during these Chapter 11 Cases, the cancellation of these policies would have material consequences to their business and the bankruptcy process. *See* U.S. Trustee Operating Guidelines at 3 (requiring maintenance of appropriate insurance coverage). Even if Aon and/or FIRST did not immediately cancel the insurance coverage upon the Debtors' default, the Debtors' failure to pay monthly premium obligations may result in a depletion of any unearned premium, thereby reducing Aon's and/or FIRST's respective equity cushion. *See, e.g., In re Universal Motor Express, Inc.*, 72 B.R. 208, 210 (Bankr. W.D.N.C. 1987); *Schwinn Plan Comm. v. Transamerica Ins. Fin. Corp.*, 200 B.R. 980, 989 (Bankr. N.D. Ill. 1996).

B. Payment of Premium Financing Obligations Is Warranted Under Bankruptcy Code Sections 361, 362 and 363.

24. Security interests created by premium finance arrangements generally are recognized as secured claims in bankruptcy to the extent of the amount of unearned premiums financed pursuant to such agreements. *See TIFCO, Inc. v. U.S. Repeating Arms Co.*, 67 B.R. 990, 994-95 (Bankr. D. Conn. 1986); *Drabkin v. A.I. Credit Corp. (In re Auto-Train Corp.)*, 9 B.R. 159, 164-66 (Bankr. D.D.C. 1981). As potentially secured creditors, Aon and FIRST may be entitled to seek relief from the automatic stay, either to cancel certain of the Policies or to

seek adequate protection of their respective investments. *See Universal Motor Express*, 72 B.R. at 211 (recognizing that a default under the financing arrangement and the resulting decline in value of the unearned premiums justified relief from the automatic stay).

25. To the extent they are secured creditors, insurance premium financiers may be entitled to adequate protection of the value of their security, pursuant to section 361 of the Bankruptcy Code, to protect them against the diminution in the value of their collateral. Adequate protection may take many forms, including relief from the automatic stay and authority to apply unearned premiums to the outstanding debt. Where the unearned premiums have diminished to less than the amount of the outstanding debt, cash payments may suffice as adequate protection of the insurance premium financier's interest. *See TIFCO*, 67 B.R. at 999. Moreover, pursuant to the PFAs, both Aon and FIRST maintain security interests in all sums payable to the Debtors on account of the respective insurance policies covered by each PFA, including, among other things, return premiums and certain loss payments, and therefore, Aon and/or FIRST may be entitled to adequate protection of its and/or their respective interests in the unearned premiums under section 363(e) of the Bankruptcy Code. The Debtors' failure to provide such adequate protection - for example by failing to pay the ongoing installments due under the PFAs - may enable Aon and/or FIRST to obtain relief from the automatic stay and terminate the underlying policies.

26. Even if the Debtors were successful in preventing Aon and/or FIRST from lifting the automatic stay to pursue remedies, such litigation likely would be contested and thus costly to the estates. More importantly, if unsuccessful in the automatic stay litigation, the Debtors may be unable to find a carrier willing to provide them similar insurance coverage or a company willing to finance the premiums without charging significantly higher premiums and fees.

C. The Debtors Should be Authorized to Pay the Insurance Premiums and Consultant Fees Under Bankruptcy Code Sections 1107(a) and 1108.

27. The Debtors, operating their business as debtors-in-possession under sections 1107(a) and 1108 of the Bankruptcy Code, are fiduciaries “holding the bankruptcy estate[s] and operating the business for the benefit of [their] creditors and (if the value justifies) equity owners.” *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the duties of a chapter 11 debtor-in-possession is the duty “to protect and preserve the estate, including an operating business’s going-concern value.” *Id.*

28. Courts have noted that there are instances in which a debtor-in-possession can fulfill its fiduciary duty only “by the preplan satisfaction of a prepetition claim.” *Id.* The *CoServ* court specifically noted that preplan satisfaction of prepetition claims would be a valid exercise of a debtor’s fiduciary duty when the payment “is the only means to effect a substantial enhancement of the estate,” *id.*, and also when the payment was to “sole suppliers of a given product.” *Id.* at 498. The court provided a three-pronged test for determining whether a preplan payment on account of a prepetition claim was a valid exercise of a debtor’s fiduciary duty:

First, it must be critical that the debtor deal with the claimant. Second, unless it deals with the claimant, the debtor risks the probability of harm, or, alternatively, loss of economic advantage to the estate or the debtor’s going concern value, which is disproportionate to the amount of the claimant’s prepetition claim. Third, there is no practical or legal alternative by which the debtor can deal with the claimant other than by payment of the claim.

Id.

29. Payment of the insurance premiums and consultant fees meets each element of the *CoServ* court’s standard. The Debtors do not have any dedicated, in-house insurance professionals and rely on the services of the insurance consultant to assist the Debtors with obtaining and maintaining the Policies. As described above, in the event the Debtors were unable to pay the consultant fees, it is likely that the Debtors would lose the services of a knowledgeable agent and be forced to find another entity willing to serve as their agent. As the

Debtors' insurance consultant, Stockbridge Risk Management, Inc. (the "**Consultant**"), has unique knowledge of the Debtors' business and insurance needs that would be difficult to replace in the event that the Consultant no longer agreed to serve as the Debtors' insurance consultant.

30. As noted above, insurance coverage is required by the U.S. Trustee Operating Guidelines. Moreover, as fiduciaries for the bankruptcy estates, the Debtors would be violating their duties if they permitted any of the Policies to lapse. Accordingly, the Debtors seek authority to pay all premiums that may become due as well as the Consultant's fees, if such payment is necessary in the Debtors' judgment in order to avoid cancellation or interruption of insurance coverage.

D. The Doctrine of Necessity and Section 105 of the Bankruptcy Code Support Payment of Insurance Premiums, Consultant Fees and Premium Financing Obligations.

31. The Debtors' proposed payment of prepetition policy premiums, consultant fees and premium financing obligations should also be authorized pursuant to section 105 of the Bankruptcy Code and under the "doctrine of necessity." Section 105(a) of the Bankruptcy Code provides in pertinent part that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

32. The doctrine of necessity is a well-settled doctrine that permits a bankruptcy court to authorize payment of certain prepetition claims prior to the completion of the chapter 11 process where the payment of such claims is necessary to preserve and maximize value. *See In re Just for Feet, Inc.*, 242 B.R. 821, 826 (D. Del. 1999) (stating that where the debtor "cannot survive" absent payment of certain prepetition claims, the doctrine of necessity should be invoked to permit payment); *see also In re NVR L.P.*, 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) ("[T]he court can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor."); *In re Eagle-Picher Indus., Inc.*, 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) ("[T]o justify payment of a pre-petition unsecured creditor, a debtor

must show that the payment is necessary to avert a serious threat to the Chapter 11 process.”) (internal quotation marks and citations omitted).

33. As demonstrated herein, the Debtors’ ability to continue their existing insurance financing programs and to meet their required insurance premium financing obligations under the PFAs is essential to the maintenance of their business. Accordingly, the Debtors’ payment of Aon’s, FIRST’s, the Consultant’s and any insurance carrier’s claims, including any prepetition claims, also is warranted under the “doctrine of necessity” and section 105(a) of the Bankruptcy Code.

34. This Court has granted the same or similar relief in other large chapter 11 cases. *See, e.g., In re Frederick’s of Hollywood, Inc.*, Case No. 15-10836 (KG) (Bankr. D. Del. Apr. 18, 2015); *In re Quicksilver Resources, Inc.*, Case No. 15-10585 (LSS) (Bankr. D. Del. Apr. 14, 2015); *In re Event Rentals, Inc.*, Case No. 14-10282 (PJW) (Bankr. D. Del. Feb. 18, 2014); *In re Coda Holdings, Inc.*, Case No. 13-11153 (CSS) (Bankr. D. Del. May 3, 2013); *In re Buffets Restaurants Holdings, Inc.*, Case No. 12-10237 (MFW) (Bankr. D. Del. Jan. 19, 2012); *In re Indianapolis Downs, LLC*, Case No. 11-11046 (BLS) (Bankr. D. Del. Apr. 8, 2011).

35. Accordingly, the Debtors seek authorization to continue their insurance financing program, including payment of all monthly obligations, whether prepetition or postpetition, and to renew or enter into new policies and financing arrangements, as may be required, as the annual terms of existing policies and arrangements expire, including granting liens or security interests required thereunder, without further order of the Court, in the ordinary course of business. The Debtors seek authority to pay the remaining premiums, consultant fees and installments under the PFAs with Aon and FIRST as they come due.⁴

⁴ To the extent that the insurance policies or related agreements may be deemed executory contracts within the meaning of section 365 of the Bankruptcy Code, the Debtors do not at this time seek authority to assume such contracts and the Debtors reserve the right to seek a determination at a later date as to whether any such contracts are executory.

Bankruptcy Rule 6003 Is Satisfied and Request for Waiver of Stay

36. The Debtors further submit that because the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein and in the First Day Declaration, Bankruptcy Rule 6003 has been satisfied and the relief requested herein should be granted.

37. Specifically, Bankruptcy Rule 6003 provides:

Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, issue an order granting the following: . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition, but not a motion under Rule 4001

Fed. R. Bankr. P. 6003.

38. The Third Circuit Court of Appeals has interpreted the “immediate and irreparable harm” language in the context of preliminary injunctions. In that context, irreparable harm has been interpreted as a continuing harm that cannot be adequately redressed by final relief on the merits and for which money damages cannot provide adequate compensation. *See, e.g., Norfolk S. Ry. Co. v. City of Pittsburgh*, 235 F. App’x 907, 910 (3d Cir. 2007) (citing *Glasco v. Hills*, 558 F.2d 179, 181 (3d Cir. 1977)). Further, the harm must be shown to be actual and imminent, not speculative or unsubstantiated. *See, e.g., Acierno v. New Castle Cty.*, 40 F.3d 645, 653-55 (3d Cir. 1994). As discussed previously, the ability to continue to pay all premium financing obligations and policy premiums and consultant fees arising under the Policies is necessary in order to avoid immediate and irreparable harm to the Debtors’ estates, as failure to do so would jeopardize the Debtors’ ability to maintain the insurance coverage necessary to continue the Debtors’ business operations.

39. While the Debtors believe that only a minimal amount, if any, of the premium financing obligations, premiums or consultant fees the Debtors seek to pay pursuant to this Motion are prepetition claims, nonetheless immediate and irreparable harm would result absent the relief sought herein. Specifically, insurance premiums and insurance premium financing payments may be outstanding or soon to come due. The Debtors believe that if their insurance premiums and insurance premium financing obligations are not paid when due, the Debtors' insurance carriers, Aon and FIRST may seek to terminate the Debtors' insurance policies. The effect of potential cancellation of the insurance policies - or even litigation regarding the same - would adversely impact the Debtors' estates, particularly at these early stages of these Chapter 11 Cases. Moreover, cancellation of the Policies would cause the Debtors to violate both the U.S. Trustee Operating Guidelines and various state laws.

40. The Debtors further seek a waiver of any stay of the effectiveness of an order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Fed. R. Bankr. P. 6004(h). As set forth above, the relief requested herein is essential to prevent irreparable damage to the Debtors' operations, going concern value and their efforts to pursue a resolution to these Chapter 11 Cases.

41. Accordingly, the relief requested herein is appropriate under the circumstances and under Bankruptcy Rules 6003 and 6004(h).

Consent to Jurisdiction

42. Pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "**Local**

Rules”), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court would lack Article III jurisdiction to enter such final order or judgment absent consent of the parties.

Notice⁵

43. Notice of this Motion has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee for the District of Delaware; (b) the DIP Lenders; (c) the Ad Hoc Group; (d) Catalyst, as the Administrative Agent and Lender to the Debtors’ prepetition Credit Agreement and Foreign Loan; (e) U.S. Bank National Association, as Indenture Trustee to the Indenture governing the 2019 Notes; (f) creditors holding the forty (40) largest unsecured claims as set forth in the consolidated list filed with the Debtors’ petitions; (g) those parties requesting notice pursuant to Bankruptcy Rule 2002; (h) the Office of the United States Attorney General for the District of Delaware; (i) the Internal Revenue Service; (j) the Securities and Exchange Commission; and (k) each of the parties set forth in **Exhibit A**, attached hereto. As the Motion is seeking “first day” relief, within two business days of the hearing on the Motion, the Debtors will serve copies of the Motion and any order entered respecting the Motion in accordance with the Local Rules. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

44. No prior Motion for the relief requested herein has been made to this or any other court.

[Signature Page Follows]

⁵ Capitalized terms used in the Notice section but not otherwise defined in this Motion shall have the meanings ascribed to them in the First Day Declaration.

Conclusion

WHEREFORE, the Debtors respectfully request that this Court enter an order granting the relief requested herein and granting such other and further relief as is just and proper.

Dated: February 1, 2016

GREENBERG TRAURIG, LLP

/s/ Dennis A. Meloro

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*Proposed Counsel for the Debtors and
Debtors-in-Possession*

Exhibit A**List of Insurance Policies¹**

| Type of Policy | Insurance Company | Term (months) | Addresses | Amount of Annual Premium | Expiration Date |
|--|---|----------------------|---|---------------------------------|------------------------|
| General Liability | Atlantic Specialty Insurance Co. | 12 | One Beacon Lane Canton, MA 02021 | \$650,000 | 06/30/16 |
| Business Automobile Coverage | Atlantic Specialty Insurance Co. | 12 | One Beacon Lane Canton, MA 02021 | \$13,365 | 06/30/16 |
| Workers' Compensation | New York Marine & General | 12 | 412 Mt. Kemble Avenue, Suite 300C, Morristown, NJ 07960 | \$100,369 | 06/30/16 |
| Property | Lexington Insurance Company | 12 | 99 High Street, 23 rd Floor, Boston, MA 02110 | \$467,500 | 06/30/16 |
| Property - Marine Cargo | National Union Fire Insurance Co. of Pittsburgh | 12 | 175 Water St., 18 th Floor, New York, NY 10038 | \$10,250 | 06/30/16 |
| Property – Excess | Lloyd's of London | 12 | One Lime Street, London EC3M 7HA | \$148,500 | 06/30/16 |
| Foreign Casualty | Ace American Insurance Company | 12 | P.O. Box 1000, Philadelphia, PA 19106 | \$199,830 | 06/30/16 |
| Umbrella Liability | Illinois Union Insurance Company | 12 | P.O. Box 1000, Philadelphia, PA 19106 | \$282,625 | 06/30/16 |
| Umbrella Liability | Navigators Insurance Company | 12 | One Penn Plaza, New York, NY 10119 | \$214,000 | 06/30/16 |
| Umbrella Liability | XL Insurance America, Inc. | 12 | 190 South LaSalle St., Suite 3900, Chicago, IL 60603 | \$612,775 | 06/30/16 |
| Crime | National Union Fire Insurance Co. of Pittsburgh | 12 | 175 Water St., 18 th Floor, New York, NY 10038 | \$19,165 | 04/08/16 |
| Directors and Officers Liability – Primary | Illinois National Insurance Company | 12 | 525 West Monroe Street, Suite 400, Chicago, IL 60661 AIG Financial Lines Claims | \$500,001 | 10/08/16 |

¹ All amounts are in United States Dollars.

| | | | | | |
|---|---|----|--|-------------|----------|
| | | | PO Box 25947 Shawnee Mission, KS 66225 | | |
| Directors and Officers Liability – Excess | Allied World Assurance Company (U.S.), Inc. | 12 | 199 Water St., New York, NY 10038 225 Franklin Street Boston, MA 02110 | \$30,000 | 10/08/16 |
| Directors and Officers Liability – Side A | Hiscox Syndicates | 12 | 104 South Michigan Avenue, Suite 600, Chicago, IL 60601 101 California Street Suite 1950 San Francisco, CA 94111 | \$160,000 | 10/08/16 |
| Kidnap & Ransom | Federal Insurance Company (Chubb) | 36 | 15 Mountain View Road, Warren, NJ 07059 | \$11,250 | 09/18/16 |
| Event Cancellation | Lloyd's of London | 12 | One Lime Street, London EC3M 7HA | \$1,314,052 | 04/01/16 |
| Event Cancellation | Lloyd's of London | 12 | One Lime Street, London EC3M 7HA | \$660,000 | 04/01/16 |
| Technology Errors & Omissions | Indian Harbor Insurance Company | 12 | Seaview House, 70 Seaview Avenue, Stamford, CT 06902 | \$236,500 | 06/11/16 |
| Non-Owned Aircraft Liability | Allianz | 12 | One Chase Manhattan Plaza, 37 th Floor, New York, NY 10005 | \$8,500 | 09/15/16 |
| TULIP Vendor Insurance | New York Marine & General | 12 | 59 Maiden Lane, 27 th Floor, New York, NY 10038 | \$3,000 | 6/30/16 |
| TULIP Co-promoter | New York Marine & General | 12 | 59 Maiden Lane, 27 th Floor, New York, NY 10038 | \$1,000 | 6/30/16 |

Consultant and Premium Financing Companies

| Type | Name | Address and Telephone |
|---------------------------|-----------------------------------|---|
| Insurance Consultant | Stockbridge Risk Management, Inc. | 40 Cutter Mill Road, Great Neck, NY 11021 (516) 499-5678 |
| Premium Financing Company | Aon Premium Finance, LLC | 200 E. Randolph Street, Chicago, IL 60601 (312) 381-4628 |
| Premium Financing Company | FIRST Insurance Funding Corp. | 450 Skokie Boulevard, Suite 1000 Northbrook, IL 60062 (800) 837-2511 |

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

In re:

SFX ENTERTAINMENT, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 16-10238 ()

(Joint Administration Requested)

Ref. Docket No. _____

**ORDER AUTHORIZING, BUT NOT DIRECTING, DEBTORS
TO (A) MAINTAIN EXISTING INSURANCE POLICIES, PAY ALL POLICY
PREMIUMS AND CONSULTANT FEES ARISING THEREUNDER AND RENEW OR
ENTER INTO NEW POLICIES, AND (B) CONTINUE INSURANCE PREMIUM
FINANCING PROGRAMS, PAY INSURANCE PREMIUM FINANCING
OBLIGATIONS ARISING IN CONNECTION THEREWITH AND RENEW OR ENTER
INTO NEW PREMIUM FINANCING ARRANGEMENTS**

Upon the motion (the “**Motion**”)² filed by the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) seeking entry of an order authorizing, but not directing, the Debtors to (a) maintain existing insurance policies, pay all policy premiums and consultant’s fees arising thereunder, whether prepetition or postpetition, and renew or enter into new policies as needed and (b) continue insurance premium financing under the Debtors’

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.

² Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Motion.

premium financing agreements, pay insurance premium financing obligations arising thereunder or in connection therewith and renew or enter into new premium financing agreements as needed when the existing arrangements expire, without further order of the Court; and upon the *Declaration of Michael Katzenstein in Support of the Debtors' Chapter 11 Petitions and Requests for First Day Relief* (the "**First Day Declaration**"); and upon the statements of counsel in support of the relief requested in the Motion at the hearing before the Court; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these Chapter 11 Cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties-in-interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. For the reasons set forth on the record, the Motion is GRANTED as set forth herein.
2. The Debtors are authorized, but not directed, to honor the terms of their existing Policies, including making all postpetition payments (including postpetition fees and premiums) with respect to the Policies, including consultant fees, on an uninterrupted basis and may renew or enter into new Policies as needed without further order of the Court.
3. The Debtors are authorized, but not directed, to honor the terms of the PFAs, to make the necessary postpetition payments to Aon and FIRST and to enter into new PFAs as

needed, including making payments due and granting liens or security interests required thereunder, without further order of this Court.

4. The Debtors are authorized, but not directed, to pay any prepetition claims owed under the Policies or PFAs, to the extent any such claims are owing as of the Petition Date.

5. To the extent that the Policies or related agreements may be deemed executory contracts within the meaning of section 365 of the Bankruptcy Code, the Debtors do not at this time seek authority to assume such contracts, no relief is granted in respect thereof, and no determination is made as to whether any such contracts are executory.

6. Notwithstanding anything to the contrary contained herein, any payment made or to be made, and authorization contained in this Order shall be subject to the requirements imposed on the Debtors under any approved debtor-in-possession financing facility, any order regarding the Debtors' postpetition financing or use of cash collateral, and any budget in connection therewith.

7. Bankruptcy Rule 6003(b) has been satisfied because the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors.

8. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

9. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

10. This Court shall retain jurisdiction with respect to all matters arising from or relating to the interpretation or implementation of this Order.

Dated: _____, 2016

HONORABLE [_____]
UNITED STATES BANKRUPTCY JUDGE