IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SFX ENTERTAINMENT, INC., *et al.*,[1]	Case No. 16-10238 (MFW)
Debtors.	(Jointly Administered)

DECLARATION OF ADAM KEIL IN SUPPORT OF CONFIRMATION OF THE DEBTORS' FIFTH AMENDED JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

I, Adam Keil, hereby declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury:

1. I am a Managing Director of Moelis & Company LLC ("**Moelis**"), an investment banking firm that maintains its principal office at 399 Park Avenue, 5th Floor, New York, New York, 10022.

2. I have over sixteen years of experience as an investment banker specializing in recapitalization and restructuring transactions. Throughout my career, I have advised debtors, creditors, equity holders and other constituents on a wide variety of restructuring transactions across a broad range of industries, including (but not limited to) technology, media, telecommunications, real estate, retail and general industrials. I joined Moelis in 2008, after

[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 524 Broadway, 11th Floor, New York, NY 10012.

spending nearly eight years in the Recapitalization and Restructuring Group at Jefferies & Company. I earned a Bachelor of Science degree in Economics, with concentrations in Finance and Entrepreneurial Management, from The Wharton School at the University of Pennsylvania.

3. I submit this Declaration in support of the *Fifth Amended Joint Plan of Reorganization of SFX Entertainment, Inc.* *et al. Under Chapter 11 of the Bankruptcy Code (as Modified)* (as the same may be further amended, supplemented or modified from time to time, the "**Plan**")[2] filed by the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**") and in response to certain objections thereto.

4. Unless otherwise stated, the facts and opinions set forth in this Declaration are based upon my personal knowledge, my discussions with other members of the Moelis team, discussions with Debtors' senior management, including the Chief Restructuring Officer of the Debtors and the interim Chief Executive Officer of SFXE, Michael Katzenstein (the "**CRO/CEO**"), the associate chief restructuring officer and other personnel from FTI Consulting Inc. that report to them, my review of relevant documents or my opinion based upon my experience and knowledge of financial restructuring, investment banking and valuation. If I were called to testify, I could and would testify competently to the facts and opinions set forth herein. I am authorized to execute this Declaration on behalf of Moelis.

I. Appointment of Moelis as the Debtors' Investment Banker

5. On February 29, 2016, the Debtors applied to the Bankruptcy Court for an order authorizing the employment and retention of Moelis as the Debtors' investment banker in these Chapter 11 Cases, *nunc pro tunc* to February 1, 2016 [Docket No. 133] (the "**Moelis Retention Application**"). In support of the Moelis Retention Application, I submitted a declaration,

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[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

attached as **Exhibit B** to the Moelis Retention Application, detailing Moelis' prepetition relationship with the Debtors, other relevant connections and Moelis' disinterestedness.[3]

6. On March 21, 2016, this Court entered an Order approving the Moelis Retention Application, which included a finding that Moelis does not hold or represent an interest adverse to the Debtors' estates and Moelis is a disinterested person as defined under the Bankruptcy Code [Docket No. 265].

7. Since filing the Moelis Retention Application, I am not aware of any facts that would have required Moelis to submit any additional disclosures concerning Moelis' connections or disinterestedness.[4]

8. In connection with these Chapter 11 Cases and at the direction of the CRO/CEO and the Special Committee of the Debtors' board of directors, I and others at Moelis have, among other things: (a) advised the Debtors on strategies for restructuring the Debtors' businesses and maximizing recovery to the Debtors' creditors; (b) provided advice and assistance to the Debtors in developing and negotiating the Plan; (c) advised and assisted the Debtors in evaluating the benefits of certain non-core asset sale transactions and running a sale process with

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[3] On March 9, 2015, approximately one year before the filing of these Chapter 11 Cases, Moelis was retained by a special committee of the Debtors' board of directors (the "**Prepetition Acquisition Committee**"), as an investment banker to advise the committee in connection with a proposed acquisition by Mr. Robert F.X. Sillerman, the then-CEO of SFXE, of all outstanding common stock of SFXE, and to run a so-called "go shop process" by soliciting bids from potential alternative acquirers. Over the course of approximately six months and in connection with the "go shop process" Moelis contacted over seventy parties with regard to purchasing stock of SFXE and/or any of its lines of businesses. None of the indications of interest received in the process matched or exceeded the consideration being offered by Mr. Sillerman. The Prepetition Acquisition Committee determined to accept Mr. Sillerman's bid to purchase all outstanding SFXE common stock at $5.25 per share. That bid eventually failed to close. Thereafter, Moelis continued to assist the Prepetition Acquisition Committee in pursuing a sale of SFXE and/or a sale of certain of its non-core subsidiaries. However, neither a sale of SFXE nor any of its subsidiaries was consummated prior to the Petition Date. Accordingly, Moelis' engagement by the Prepetition Acquisition Committee concluded in mid-November 2015.

[4] In connection with the Burlak Objection (as defined below), Burlak provided documents to the Debtors detailing his professional background and disclosed that he worked as a private equity analyst for Glenmede Trust Company. My family and I have held multiple accounts at Glenmede Trust Company for a number of years, and I do not believe that Burlak's prior employment there has any impact on Moelis' disinterestedness.

respect to certain non-core assets;[5] (d) assisted the CRO/CEO and the Debtors' professionals in negotiations with the Debtors' creditors over the terms of the Plan; (e) prepared a valuation of the Debtors (the "**Valuation**") that is attached as **Exhibit D** to the *Disclosure Statement with Respect to the Fifth Amended Joint Plan of Reorganization of SFX Entertainment, Inc.* et al. *Under Chapter 11 of the Bankruptcy Code* [Docket No. 1079] (the "**Disclosure Statement**"); (f) assisted management in preparing the Liquidation Analysis that is attached as **Exhibit C** to the Disclosure Statement; and (g) provided the Debtors with other financial restructuring advice and investment banking services.

II. Valuation

9. At the Debtors' request, under the direction of the CRO/CEO, and in connection with the negotiation and formulation of the Plan and Disclosure Statement, I, and others at Moelis at my direction, prepared the Valuation, which is an estimate of the range of the post-confirmation going concern enterprise value of the Debtors ("**Total Enterprise Value**"). In accordance with firm policy, the Moelis team presented the Valuation to an internal peer review committee before presenting the Valuation to the Debtors. As a result of the valuation methodologies described below, the estimated Total Enterprise Value of the Reorganized Debtors is in a range between $115 million and $160 million, with a midpoint of $137.5 million.

10. In reaching our conclusions as to the Total Enterprise Value range for the Debtors, Moelis performed due diligence, including, but not limited to: (i) review of certain

[5] During these Chapter 11 Cases, Moelis conducted three separate sale processes of the Debtors' non-core assets: (i) Fame House (a division of SFX-Marketing, LLC); (ii) Flavorus, Inc.; and (iii) Beatport, LLC. I was one of the principal representatives of Moelis responsible for planning and executing a process to market the assets to potential purchasers. After marketing each of these assets, the Debtors were able to sell two of the three assets: the Fame House assets and the Flavorus assets. The sale prices received for these assets were substantially lower than the indications of interest received for these assets in the go-shop process and substantially lower than the value of such assets being carried on the Debtors' books. The Debtors did not receive any acceptable bids for Beatport and the Debtors determined to cancel the Beatport sale and restructure Beatport's operations.

publicly available business and financial information relating to the Debtors that Moelis deemed relevant; (ii) review of certain internal information relating to the business, earnings, cash flow, capital expenditures, assets, liabilities and prospects of the Debtors and, after exit the Reorganized Debtors, including the Projections (as defined in the Disclosure Statement and attached as **Exhibit B** to the Disclosure Statement); (iii) discussions with members of senior management and representatives of the Debtors, including the CRO/CEO and other personnel at FTI, concerning the matters described in clauses (i) and (ii) of this paragraph, as well as their views concerning the Debtors' business and prospects before giving effect to the Plan, and the Reorganized Debtors' business prospects after giving effect to the Plan; (iv) review of publicly available financial and stock market data for certain other companies in lines of business that Moelis deemed relevant; and (v) review of publicly available financial data of certain transactions that Moelis deemed relevant. Moelis further conducted such other financial studies and analyses and took into account such other information as Moelis deemed appropriate consistent with our experience and expertise in providing financial advisory, investment banking and valuation services.

11. The Projections, which were prepared by the Debtors' management under the supervision of the CRO/CEO and other FTI personnel under his directions and upon which Moelis relied in preparing the Valuation, forecast the projected revenue, expenses, and EBITDA of the Reorganized Debtors for the period from September 30, 2016 through December 31, 2021 (the "**Projection Period**").

12. Moelis' analysis is based on a number of assumptions, including, that: (i) the Debtors will be reorganized in accordance with the Plan which will be effective on or about October 28, 2016 (the "**Assumed Effective Date**"); (ii) the Reorganized Debtors will achieve the

results in the amounts and timing set forth in the Projections; (iii) the Reorganized Debtors' capitalization and available cash will be as set forth in the Plan and this Disclosure Statement; and (iv) the Reorganized Debtors will be able to access financing on the terms and at the times, necessary to achieve the results in the amounts and timing set forth in the Projections.

13. I do not believe that there has been any material change in the Debtors' circumstances or a change to the Plan since the delivery of the Valuation that materially impacts the Valuation.

A. Valuation Methodologies and Rationale

14. For the Valuation, the material financial analyses utilized by Moelis consisted of: (a) discounted cash flow analysis (the "**Discounted Cash Flow Analysis**") and (b) selected publicly traded companies analysis (the "**Selected Public Companies Analysis**").

15. In estimating a valuation range for the Reorganized Debtors, Moelis gave more weight to the Discounted Cash Flow Analysis than to the Selected Public Companies Analysis because the Selected Public Companies Analysis had the following drawbacks: (i) there is a limited set of comparable companies, none of which are identical or directly comparable to the business of the Reorganized Debtors; (ii) the Debtors have no material real estate ownership, while many of the selected publicly traded companies own and/or operate various venues; (iii) the Debtors are more concentrated in live music events than many of the selected publicly traded companies; and (iv) on an enterprise value basis, the Reorganized Debtors are substantially smaller than the selected publicly traded companies.

16. Moelis also evaluated certain precedent transactions in arriving at the Total Enterprise Value range. However, Moelis applied no weight to this methodology because (a) the Reorganized Debtors project negative LTM Adjusted EBITDA as of the Assumed Effective Date

and (b) there are a limited set of precedent transactions for which sufficient pre-transaction financial information on the target company and/or the terms of the transaction is available to develop a valuation benchmark.

i. Discounted Cash Flow Analysis:

17. The Discounted Cash Flow Analysis is a forward-looking valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. With the assistance of FTI and under the direction of the CRO/CEO, the Debtors' management team prepared Projections of future cash flows ("**FCF**") for the Reorganized Debtors. Our Discounted Cash Flow Analysis used the Projections' estimated debt-free, after-tax free cash flows through December 31, 2021. These cash flows were then discounted at a range of estimated weighted average cost of capital (the "**Discount Rate**") for the Reorganized Debtors. The enterprise value was determined by calculating the present value of the Reorganized Debtors' unlevered after-tax free cash flows based on the Projections plus an estimate for the value of the Reorganized Debtors beyond the Projection Period known as the "terminal value."

18. In determining the estimated terminal value of the Reorganized Debtors, Moelis utilized the perpetuity growth rate method which estimates a range of values between which the Reorganized Debtors will be valued at the end of the Projection Period based on a constant growth profile of its unlevered free cash flow into perpetuity following the Projection Period. In reaching the Valuation conclusion, Moelis utilized a perpetuity growth rate of 2-4%.

19. To determine the Discount Rate, Moelis used the estimated cost of equity and the estimated after-tax cost of debt for the Reorganized Debtors, assuming a targeted long-term debt-to-total capitalization ratio. Moelis applied a Discount Rate range between 12.5-14.0%.

ii. Selected Public Companies Analysis:

20. The Selected Public Companies Analysis is based on the enterprise values of selected publicly traded live entertainment companies that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors. Similar characteristics could include, among other things: comparable lines of business, revenue drivers, business risks, growth prospects and geographic presence. Under this methodology, certain financial multiples that measure financial performance and value are calculated for each selected company and then applied to the Reorganized Debtors' financials to imply an enterprise value for the Reorganized Debtors. Moelis used, among other measures, enterprise value (defined as market value of equity plus book value of debt, book value of preferred stock and minority interests less cash, subject to adjustment where appropriate) for each selected company as a multiple of such company's publicly available forward consensus projected EBITDA for 2017.

21. Although the selected companies were used for comparison purposes, no selected company is either identical or directly comparable to the business of the Reorganized Debtors. Accordingly, our comparison of selected companies to the business of the Reorganized Debtors and analysis of the results of such comparisons were not purely mathematical but instead necessarily involved considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and Reorganized Debtors. The selection of appropriate companies for analysis is a matter of judgment and subject to limitations due to sample size and the public availability of meaningful market-based information.

III. Liquidation Analysis

22. At the Debtors' request, I, along with members of my team, have rendered advice to the management of the Debtors that was used in preparation of a hypothetical analysis (the "**Liquidation Analysis**") of the impact on estimated recoveries that Holders of Claims against and Interests in the Debtors would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, as of September 30, 2016.

23. The Liquidation Analysis examines the effects that a conversion of the Debtors' Chapter 11 Cases to cases under chapter 7 could have on the proceeds that could otherwise be available for Distribution to Holders of Claims against and Interests in the Debtors. The Liquidation Analysis is attached as **Exhibit C** to the Disclosure Statement, and is subject to all of the assumptions and limitations set forth therein.

24. The Liquidation Analysis assumes a liquidation of all of the Debtors' assets, whose book value (except for cash and cash equivalents) is based on the unaudited balance sheet, dated as of February 29, 2016. The Liquidation Analysis also assumes that most of the Debtors' assets are liquidated, rather than sold as going concern businesses, at a price based on a percentage of book value, which the Debtors' management has estimated. However, certain of the Debtors' European business segments owned by non-Debtor subsidiaries of the Debtors, which are not dependent on the Debtors for financial support, are assumed to be sold as going concern businesses.

25. The Debtors' management has also assumed, for the purposes of this Liquidation Analysis, that the Debtors would sell their equity interest in non-Debtor subsidiaries which hold the following businesses: ID&T NL, i Motion, ID&T Brazil, Paylogic, CVBV, and

Monumental. The Debtors estimate that the value derived from selling these businesses on a forced or "distressed" sale basis would be between approximately $40 million to $62 million.

26. As provided in the Liquidation Analysis, the total net proceeds before taking into consideration liquidation costs and chapter 7 administrative expense claims would be between approximately $61 million to $88 million. After taking these liquidation costs into consideration, the estimate net proceeds available for distribution to creditors will be between approximately $55 million to $80 million. These values reflect an estimated approximately $6 million to $7 million of liquidation fees and costs likely to be incurred by the Debtors in a chapter 7 bankruptcy, including wind-down costs, compensation of the trustee, and professional fees of counsel and other professionals retained by the trustee.

27. It is my belief that the amounts set forth in the Liquidation Analysis are reasonable estimates of the potential Liquidation Proceeds that would be realized from a chapter 7 liquidation of the Debtors. Based on the results of the Liquidation Analysis, the Debtors estimate that prepetition Creditors will recover more value from Confirmation of the proposed Plan than through an orderly chapter 7 liquidation.

28. No proceeds resulting from a chapter 7 liquidation would be available for Distribution (a) to Holders of Claims against or Interests in the Foreign Debtors junior to Original Foreign Loan Claims (i.e., Class 3 Claims) and/or (b) to Holders of Claims against or Interests in the 2019 Debtors junior to the Prepetition Second Priority Note Claims (i.e., Class 4 Claims).[6] This is in direct contrast to the Plan, which provides for partial recoveries to Holders of Prepetition Second Priority Notes, General Unsecured Claims, and Convenience Claims.

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6 The Classes of Claims against and Interests in the Non-Obligor Debtors are all Unimpaired under the proposed Plan.

29. Accordingly, I believe that Confirmation of the Plan will provide the Debtors' Creditors with a recovery that is not less than they would receive pursuant to a hypothetical liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

IV. Response to Shareholder Objections

30. I reviewed the *Objection of Shareholder Valery Burlak to the Proposed Fifth Amended Joint Plan of Reorganization of SFX Entertainment, Inc., et al., with Leave to Appear in Court and Pro Se Motion for an Order Pursuant to Rule 1104 of the Federal Rules of Bankruptcy Procedure Directing the Appointment of a Trustee* [Docket No. 1194] (the "**Burlak Objection**") and the *Objection of Shareholder Denis Brisson to the Proposed Fifth Amended Joint Plan of Reorganization of SFX Entertainment, Inc. et al.* [Docket No. 1171].

31. I do not believe that the valuation that Burlak puts forward in his objection is supportable nor do the issues raised by Brisson and Burlak cause me to believe any changes to the Valuation are necessary or appropriate.

A. Burlak's Valuation of the Debtors Is Not Reasonable

32. Moelis has reviewed the original "valuation" in Attachment 2 and Attachment 3 to the Burlak Objection, as well as the backup provided in response to the Debtors' interrogatories.

33. Based on the review of Burlak's valuation materials, I believe that Burlak's valuation methodology is fundamentally flawed. Among other things:

- Burlak ignores the Projections in determining EBITDA. Instead, in certain cases Burlak appears to have applied an arbitrary percentage to "operating income" to solve for EBITDA.[7] In other cases, he appears to net EBITDA from the operating income. These assumptions, which drastically increase cash flow and therefore total enterprise

[7] As discussed in the *Declaration of Michael Katzenstein in Support of Confirmation of the Debtors' Fifth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code*, the line item "Operating Income" in the Projections refers to festival/platform level operating income rather than to a GAAP concept of consolidated operating income.

value, are seemingly unsupported and not, to my knowledge, consistent with management's expectations for the cash flow generating capability of the Debtors.

- Burlak incorrectly uses EBITDA rather than FCF in his valuation. This is an erroneous application of the discount cash flow model and inflates the values of the projected cash flows, as well as the company's terminal value as EBITDA is greater than FCF.[8]

- Burlak appears to apply an unsupported Discount Rate range. Burlak provides no support as to why the Discount Rate should be reduced by one-third to 10% in his Attachment 3.

- Burlak appears to apply unsupported and indefensibly high growth rates for the terminal value. Generally, in estimating a company's long term growth rate one would consider long-term GDP growth expectations and make adjustments to accommodate any company specific factors. In my experience, perpetuity growth rates typically fall within a range of 1%-3%. Moelis utilized a perpetuity growth rate of 2-4% which I believe recognizes the potential for greater than average long-term growth prospects for the Reorganized Debtors. Burlak has chosen a perpetuity growth rate which is higher than the high end of our range and unrealistically skews his valuation higher.

- Burlak failed to discount the terminal value to the valuation date in Attachment 2 and Attachment 3; although he does appear to have discounted the terminal value in his backup files. Omitting this step resulted in Burlak's calculations of the terminal value being overvalued by hundreds of millions of dollars.

B. Brisson's and Burlak's Challenges to the Valuation Are Not Supported

34. I believe that Brisson's objections to the Valuation are not supported. Brisson incorrectly argues that certain items were excluded from the Valuation. Brisson is incorrect. Specifically:

- Seasonal Nature of Debtors' Business. The Valuation takes into account the seasonal nature of the Debtors' festivals. As discussed above, the Discount Cash Flow Analysis focuses on the projected Reorganized Debtors' cash flow. This analysis is tied to the performance and resulting cash flow from the Debtors' festivals, irrespective of the season in which a festival is staged.

- Beatport Business. The Valuation also takes into account Beatport. The Projections, which Moelis relied on when preparing the Valuation, has a line item

[8] EBITDA is a company's earnings before interest, taxes, depreciation and amortization, whereas a company's FCF is generally computed by subtracting any capital expenditures, taxes and changes in net working capital from the original EBITDA number.

for "Platform," which includes the Beatport business. Moreover, it is my understanding after speaking with the Debtors' management that the Projections took into account the shutdown of Beatport's streaming services and Beatport's new business model. Thus, I believe the Valuation reasonably took into consideration Beatport's current and projected financial situation.

- Goodwill, Branding Value, and Intellectual Property Rights. The Goodwill, Branding Value, and Intellectual Property Rights are properly taken into consideration in the Valuation because the company is using its assets as part of the operations of the business to generate cash flow as set forth in the Projections.

35. Moreover, the disclaimer in the Valuation that it is neither a prediction nor a guarantee of the actual market value does not undermine the Total Enterprise Value range that Moelis calculated. That disclaimer, which is common in valuations prepared for disclosure statements and plans in chapter 11 bankruptcies, is an acknowledgment that the valuation methodologies have limitations, including a reliance on projections which, by their nature, are estimates and subject to uncertainty. Therefore, that disclaimer does not negate or undermine the Valuation.

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36. Finally, Moelis' range for the Debtors' growth is reasonable. As discussed in detail above, Moelis reviewed SFXE's historical performance and comparable publicly-traded companies in calculating a range for the Reorganized Debtors' growth rate. We also applied a growth rate that I believe recognizes the potential for greater than average long-term growth prospects for the Reorganized Debtors. In sum, Moelis' determination of the growth rate was based on a number of factors, comparable company analysis where appropriate, industry standards, and Moelis' deep experience in valuation.

I declare, under penalty of perjury pursuant to 28 U.S.C. § 1746 that the foregoing is true and correct to the best of my knowledge. Executed on this 7th day of November, 2016, in New York, New York.

/s/ Adam Keil
Adam Keil
Managing Director