

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
AUDACY, INC., <i>et al.</i> ,	§	
	§	Case No. 24-90004 (CML)
	§	
Debtors. ¹	§	(Joint Administration Requested)
	§	
	§	

**DECLARATION OF WILLIAM EVARTS (PJT PARTNERS LP)
IN SUPPORT OF (A) THE DEBTORS’ DIP FINANCING MOTION AND
(B) THE DEBTORS’ SECURITIZATION PROGRAM MOTION**

I, William Evarts, hereby declare under penalty of perjury as follows:

1. I am a Managing Director at PJT Partners LP (“**PJT**”), an investment banking firm with principal offices located at 280 Park Avenue, New York, New York 10017. PJT is the proposed investment banker to the debtors and debtors in possession (collectively, the “**Debtors**”) in the above-captioned chapter 11 cases (the “**Chapter 11 Cases**”).

2. I submit this Declaration in support of (a) the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (III) Authorizing the Use of Cash Collateral, (IV) Modifying the Automatic Stay, and (V) Scheduling a Final Hearing*, filed contemporaneously herewith (the “**DIP Motion**”) and (b) the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Certain Debtors to Continue Selling Receivables and Related Rights Pursuant to the Securitization*

¹ A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://dm.epiq11.com/Audacy> (the “**Case Website**”). The location of the Debtors’ corporate headquarters and service address for purposes of these Chapter 11 Cases is: 2400 Market Street, 4th Fl, Philadelphia, PA 19103.

Program, (II) Modifying the Automatic Stay, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief, filed contemporaneously herewith (the “**Securitization Program Motion**”).²

3. Unless otherwise indicated, all statements set forth in this Declaration are based upon (a) my personal knowledge or opinion based on my experience and expertise, (b) information I received from the Debtors, other members of the PJT team, or the Debtors’ other advisors, (c) my review of relevant documents, and/or (d) my opinion based on my experience as a restructuring professional. I am not being specifically compensated for this testimony other than through the proposed compensation that PJT receives in its capacity as an advisor to the Debtors.³ I am over the age of 18 years and am authorized to submit this Declaration on behalf of the Debtors. If I were called to testify, I would testify competently to the statements set forth below.

I. BACKGROUND AND QUALIFICATIONS

4. PJT is a leading global financial advisory services firm with more than 1,000 employees in 11 offices in the United States, Europe, and Asia. The firm offers integrated advisory services for mergers and acquisitions, restructuring and special situations, and fund placement. PJT is an industry leader in advising companies and creditors in all aspects of complex restructurings and bankruptcies. The firm has extensive experience providing financial advisory and investment banking services to financially distressed companies, including representing both debtors and lenders in the procurement and provision of postpetition financing. PJT is a registered broker-dealer with the U.S. Securities and Exchange Commission, a member of the Securities Investor Protection Corporation, and is regulated by the Financial Industry Regulatory Authority.

² Capitalized terms used but not defined herein have the meanings ascribed to them in the DIP Motion or the Securitization Program Motion, as applicable.

³ Pursuant to PJT’s engagement letter with the Debtors, subject to Court approval thereof, PJT will be entitled to receive certain fees in connection with the financing facilities described herein.

5. I received an A.B. from Harvard College, a J.D. from the University of Pennsylvania Law School, and an MBA from the Wharton School at the University of Pennsylvania. I have more than 15 years of restructuring and finance experience. Since joining The Blackstone Group's ("**Blackstone**") restructuring group in 2015 (which group was spun-off into PJT in 2015), I have provided restructuring advice to companies, creditors, shareholders, and other interested parties on restructuring transactions both in chapter 11 and on an out-of-court basis. Prior to working at Blackstone, I began my career at Morgan Stanley.

6. In addition to acting as the investment banker to the Debtors prior to and during these Chapter 11 Cases, some of my other most notable publicly disclosed restructuring assignments include API Heat Transfer, Cazoo Group, Chaparral Energy, Denon + Marantz, Digicel, Encore Group, the Federal Oversight and Management Board of Puerto Rico with respect to the Commonwealth Title III cases, Gibson Brands, GWG Holdings, Hovnanian Enterprises, J. Crew Group, Molycorp, Noranda Aluminum, PetSmart, Premiere Global Services, Revlon, Sanjel Corporation, Seadrill Partners, Seritage Growth Properties, Serta Simmons Bedding, TPx Communications, and TridentUSA Health.

II. PJT'S RETENTION

7. In August 2022, PJT was initially retained by the Company in connection with an evaluation of the Company's strategic alternatives, including, but not limited to, exchange transactions and additional debt offerings. Thereafter, in June 2023, PJT was asked to assist the Debtors to more broadly evaluate their capital structure and strategic alternatives, including a potential restructuring of their funded debt obligations. Since its initial retention, PJT has worked closely with the Debtors and their other advisors to analyze the Company's business affairs, assets, financial position, contractual arrangements, and potential strategic transactions.

8. In my representation of the Debtors, I have, among other things, provided advice on strategic transaction alternatives, restructuring options, and financings. I have participated in negotiations among the Debtors, their creditors, and other parties in interest. Members of my team and I have also assisted the Debtors in reviewing the terms, conditions, and potential impact of proposed transactions, including financing proposals. Additionally, I have participated in numerous meetings with the Debtors' board of directors and special committee in order to, among other things, address the Debtors' need for, and access to, (a) the proposed postpetition receivables securitization program (the "**Postpetition Securitization Program**") and (b) the proposed debtor-in-possession superpriority financing facility (the "**DIP Facility**" and, together with the Postpetition Securitization Program, the "**Financings**"). Through this and other work, my team and I have become familiar with the Debtors' capital structure, liquidity needs, and business operations, as well as the strategic transaction and refinancing options available to the Debtors.

III. THE DEBTORS' PREPETITION CAPITAL STRUCTURE

9. As described in the First Day Declaration,⁴ I understand that, as of the Petition Date, the Debtors had approximately \$1.9 billion in total long-term principal debt obligations, which consist of (a) approximately \$852.5 million of outstanding first lien term and revolving loans under the First Lien Credit Facility, (b) approximately \$1 billion in Second Lien Secured Notes, and (c) a \$75 million receivables securitization program (the "**Prepetition Securitization Program**").

10. I further understand that (a) the obligations under the First Lien Credit Facility are secured by a first-priority lien on substantially all of Debtor Audacy Capital Corp.'s and its guarantor subsidiaries' assets, subject to certain exclusions, and (b) the obligations under the

⁴ Declaration of Heath C. Gray In Support of the Chapter 11 Petitions and First Day Motions (the "**First Day Declaration**").

Second Lien Secured Notes are secured on a second-lien priority basis by liens on substantially all of Debtor Audacy Capital Corp.'s and its guarantor subsidiaries' assets, subject to certain exclusions.

IV. THE DEBTORS' EFFORTS TO OBTAIN POSTPETITION FINANCING

11. I understand that information regarding the Debtors' cash needs, including the insufficiency of Cash Collateral to fund the Chapter 11 Cases and the need for the proposed Financings, is addressed in the Gray Declaration filed contemporaneously herewith.⁵ As noted in the Gray Declaration, the Debtors require immediate access to liquidity, as well as uninterrupted access to the receivables securitization program, to fund their ongoing operations, working capital needs, and the projected costs of the Chapter 11 Cases. The Debtors, with the assistance of FTI Consulting, Inc., undertook an analysis of how much postpetition financing would be required to operate the Debtors' business and fund the Chapter 11 Cases. PJT relied on these projections in its conversations with potential financing providers.

12. In June 2023, the Debtors and their advisors entered into discussions with their prepetition lenders to explore a comprehensive restructuring of their prepetition indebtedness. Over the next several months, the Debtors engaged in extensive discussions with (a) an ad hoc group of First Lien Lenders (the "**First Lien Ad Hoc Group**") and (b) an ad hoc group of Second Lien Noteholders (the "**Second Lien Ad Hoc Group**") regarding potential transactions. As more fully described in the First Day Declaration, these discussions ultimately culminated in the RSA entered into with the First Lien Ad Hoc Group and the Second Lien Ad Hoc Group. The RSA

⁵ Declaration of Heath C. Gray (FTI Consulting, Inc.) In Support of (A) the Debtors' DIP Financing Motion and (B) The Debtors' Securitization Program Motion (the "**Gray Declaration**").

contemplates a comprehensive restructuring of the Debtors' approximately \$1.9 billion of long-term principal debt obligations.

13. In parallel with the RSA discussions, the Debtors, in consultation with their advisors, focused on addressing their liquidity needs through two means: (a) the continuation and expansion of the Prepetition Securitization Program during the Chapter 11 Cases and (b) postpetition financing provided by the Debtors' prepetition lenders. As a result of these efforts, the Debtors were able to negotiate the proposed Financings consisting of the Postpetition Securitization Program and the DIP Facility.

14. **Postpetition Securitization Program.** The Debtors negotiated certain amendments to the Prepetition Securitization Program among the Debtors, their non-Debtor subsidiary, Audacy Receivables, LLC ("**Audacy Receivables**"), DZ Bank AG Deutsche Zentral-Genossenschaftsbank (the "**Securitization Program Agent**"), and the investors party thereto, to provide the Debtors with access to the Postpetition Securitization Program. The amendments are critical to addressing the Debtors' liquidity needs for two main reasons. First, the amendments provide the Debtors with the ability to access \$100 million in financing, including \$25 million in additional incremental financing compared to what was previously available under the Prepetition Securitization Program. Notably, the Debtors were able to negotiate the incremental financing under the Postpetition Securitization Program at a lower cost of capital than was available through any alternative. Second, the amendments ensure that the chapter 11 filing does not constitute an event of default under the Prepetition Securitization Program, which I understand would authorize the Securitization Program Agent to enforce its security interest in the Receivables (as defined in the Securitization Program Motion) sold by the applicable Debtors to Audacy Receivables and to direct all collections on such Receivables to satisfy the outstanding and subsequently accrued

obligations under the Prepetition Securitization Program.⁶ In this scenario, my understanding is that the Debtors would not be able to access the daily cash collections on Receivables that are typically a critical component of their liquidity until the Prepetition Securitization Program is repaid in full.

15. In the amendments to the Postpetition Securitization Program, the Debtors and Audacy Receivables agreed to, among other things, (a) an increase in the “Investor Margin” from 2.00% to 3.00% per annum, and from 3.50% per annum to 4.50% per annum during the continuance of an “Event of Default,” (b) an increase to the rate applicable to the “Make-Whole Fee” payable annually and calculated pursuant to the Securitization Transaction Documents, and (c) an increase to the “Termination Fee” payable upon an early termination of the Securitization Program, in each case, as compared with the Prepetition Securitization Program. The fee structure also includes certain fees payable upfront in connection with the amendments and restatements of the Securitization Transaction Documents, and a “Non-Use Fee” calculated with respect to portions of the Investors’ commitment that remain undrawn, which is consistent with the Prepetition Transaction Documents.

16. **DIP Facility.** The Debtors negotiated the terms of the proposed DIP Facility with certain members of the First Lien Ad Hoc Group, which provides \$32 million in additional “new money” financing to support the Debtors’ operations, including the payment of administrative and other expenses necessary for the Debtors to emerge from the Chapter 11 Cases. Participation in the DIP Facility will be available to all holders of First Lien Claims on a *pro rata* basis and will be backstopped by certain members of the First Lien Ad Hoc Group as set forth in the RSA.

⁶ The mechanics of the Prepetition Securitization Program are further described in the Securitization Program Motion.

17. The DIP Facility provides for payment of interest at a rate of (i) in the case of Term SOFR Loans, Adjusted Term SOFR plus the Applicable Rate of 6.0% per annum and (ii) in the case of Base Rate Loans, the Base Rate plus the Applicable Rate of 5.0% per annum. In addition, the DIP Facility provides for payment of (a) a non-refundable commitment fee equal to 2.0% of the aggregate principal amount of the Term Loan Commitments (the “**Commitment Fee**”) and (b) a non-refundable backstop fee equal to 3.0% of the Term Loan Commitments allocated to the Backstop Parties (the “**Backstop Fee**”), in each case, payable on the Closing Date in the form of an original issue discount (*i.e.*, such fees will be deducted from the DIP Facility upon funding on the Closing Date). The DIP Facility also provides for a redemption premium of 15.0% to the extent any portion of the DIP is repaid prior to maturity pursuant to a third-party sale or DIP refinancing (the “**Prepayment Premium**”).

18. **Prepetition Marketing Process.** To facilitate the Debtors’ efforts to obtain the best financing terms currently available to them, in consultation with the Debtors and their other advisors, PJT developed a targeted list of third parties outside of the Debtors’ existing capital structure that may have been potentially interested in providing actionable postpetition financing to the Debtors. PJT’s strategy to obtain the best financing terms available from the market was reflective of the practical realities of the Debtors’ existing capital structure and the facts and circumstances of these Chapter 11 Cases, including the challenges associated with attempting to “prime” the Debtors’ existing debt and the benefits of achieving consensus among key constituencies on the terms of a holistic restructuring transaction. PJT thus considered all potential financing options—unsecured, junior, and senior financing. Specifically, I, and others on my team under my supervision, solicited interest from six financial institutions to determine the extent to which third parties would be willing to provide postpetition financing to the Debtors.

19. I believe that there are no alternative sources of financing currently available to the Debtors, much less any other actionable sources on better terms than those being provided by the Postpetition Securitization Program and the DIP Facility on a combined basis. No party that PJT communicated with as part of the marketing process and no other party that PJT is aware of is currently interested in providing and willing to provide postpetition financing to the Debtors, whether on an unsecured, junior, or senior basis. Notably, no party was interested in providing financing on a priming basis given the risk and uncertainty attendant to a priming fight with the Debtors' prepetition secured lenders. Although the Debtors' lenders under the RSA are consenting to the priming liens granted under the DIP Facility, I understand based on my discussions with the lenders' advisors that they are not willing to commit to being primed by DIP liens under any alternative DIP financing.

20. **Necessity of the Financings.** I understand that the proposed Financings are necessary for the Debtors to meet critical going concern funding requirements, including, but not limited to, funding the Debtors' payroll. I also understand that the Financings serve an important component of the Debtors' overall restructuring efforts because they provide the Debtors with a clear and certain source of funding during the pendency of the Chapter 11 Cases and promote confidence among the Debtors' key stakeholders in the Debtors' ability to successfully reorganize. Accordingly, it is my view that the proposed Financings are both the best currently available financing options to address the Debtors' liquidity needs and are, taken as a whole, reasonable under the facts and circumstances of the Chapter 11 Cases.

V. **THE ECONOMIC TERMS OF THE FINANCINGS ARE, TAKEN AS A WHOLE, REASONABLE AND APPROPRIATE UNDER THE CIRCUMSTANCES**

21. I believe that the principal economic terms proposed under the Postpetition Securitization Program and the DIP Facility, such as the contemplated fees and interest rates, are

customary and usual for financings of these types. The blended cost of capital of the Financings, viewed on a combined basis, is, in the aggregate, generally consistent with the cost of debtor-in-possession financings in comparable circumstances. Moreover, the interest rates and fees were the subject of arm's-length and good-faith negotiations, are integral components of the overall terms of the Postpetition Securitization Program and the proposed DIP Facility, and were required by the Investors and DIP Lenders as consideration for the extension of postpetition financing.

22. I understand that the Servicer, the Performance Guarantor, the Originators, Audacy Receivables, the Agent and the Investors (each as defined in the Securitization Program Motion) have acted in good faith in negotiating the Securitization Transaction Documents (as defined in the Securitization Program Motion). Indeed, during the course of these negotiations, the Debtors were able to improve the terms of the proposed Financings. Specifically, the Debtors were able to negotiate for an increase in the less costly financing available under the Postpetition Securitization Program from \$75 million to \$100 million (a net increase of \$25 million). Furthermore, the Debtors were able to improve the terms of the proposed DIP Facility, including reductions in interest rate and fees, the removal of a proposed roll-up of a portion of the prepetition indebtedness under the DIP Facility, and the removal of a proposed payment of postpetition interest as adequate protection to the prepetition secured lenders, which would have reduced the Debtors' liquidity (or, alternatively, required a larger DIP Facility).

23. As stated above, the Postpetition Securitization Program provides the Debtors with access to \$100 million in financing with a lower cost of capital compared to alternative forms of financings. In addition, the proposed DIP Facility contains several terms and conditions favorable to the Debtors, including that it:

- a) is being funded by a group of the Debtors' prepetition secured lenders who have a vested interest in the success of the Chapter 11 Cases;

- b) is anticipated to provide sufficient liquidity for the Debtors to fund their operations and avoid business disruptions during the pendency of the Chapter 11 Cases;
- c) avoids the prospect of a costly and value-destructive priming fight with the Debtors' senior lenders and/or a substantially more costly adequate protection package;
- d) provides for a mechanism for the DIP Lenders to convert their claims under the DIP Facility into First-Out Exit Term Loans, and thus avoids the additional risks and costs of a marketing process to obtain exit financing and potential delays associated therewith; and
- e) provides the Debtors with a clear path to emergence by providing the liquidity needed (together with the Postpetition Securitization Program) to implement the de-leveraging transactions contemplated under the RSA.

24. For these reasons, I believe that the benefits to the Debtors and their estates provided by the proposed Financings significantly outweigh the fees incurred by the Debtors and are, taken as a whole, reasonable and appropriate under the circumstances of the Chapter 11 Cases.

VI. CONCLUSION

25. Based on the foregoing, it is my belief that the proposed Financings together offer the best presently available financing option for the Debtors under the facts and circumstances of the Chapter 11 Cases, and that the economic terms and conditions of the Postpetition Securitization program and the proposed DIP Facility are, taken as a whole, reasonable and appropriate under the facts and circumstances of the Chapter 11 Cases.

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

Dated: January 7, 2024
New York, New York

Respectfully submitted,

By: /s/William Evarts
William Evarts
Managing Director
PJT Partners LP