

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

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

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**DECLARATION OF HEATH C. GRAY  
IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Heath C. Gray, hereby declare under penalty of perjury, that:

1. I am a Senior Managing Director at FTI Consulting (“**FTI**”),<sup>2</sup> proposed financial advisor to the above-captioned debtors and debtors-in-possession (the “**Debtors**”). The Debtors (together with their non-debtor affiliate, “**Audacy**” or the “**Company**”)<sup>3</sup> are the second largest radio group in the United States with over 225 stations in 45 markets, and a leader in providing local news, sports radio, and music broadcasting. Audacy is also the second largest radio player in the growing podcasting market, with approximately 150 million monthly downloads.

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<sup>1</sup> 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 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.

<sup>2</sup> I have more than 15 years of corporate restructuring, financial advisory and interim management experience. I have restructuring and financial advisory expertise in, among other areas, traditional and digital media, direct marketing and advertising, entertainment, and telecommunications. I have advised clients, both public and private, during periods of transformational change, rapid growth, and financial distress. My services have included serving as Interim Chief Financial Officer and as Chief Restructuring Officer, leading financial and operational due diligence, developing business plans and financial projections, managing cash flow and liquidity, and designing and implementing value creation and performance improvement initiatives, often in conjunction with financing, restructuring, and M&A transactions. In addition to the Debtors, I have advised numerous distressed companies, including in the recent chapter 11 cases of National CineMedia, LLC, MediaMath Holdings, Inc., Boxed, Inc. (as Chief Restructuring Officer), Starry Group Holdings, Inc., Quanergy Systems, Inc., Pareteum Corporation, Inc., and Sizmek, Inc. I hold a Bachelor of Arts in Public Policy Studies from Duke University.

<sup>3</sup> A corporate structure chart for the Company is attached hereto as Exhibit A-1.

2. Since April 2023, FTI has served as financial advisor to the Debtors. I, and other FTI professionals, have worked closely with the Debtors' management and other advisors to assist with their evaluation of financing alternatives and preparing for the possibility of an in-court restructuring process.<sup>4</sup> Previously, I supported the Company with integration planning relating to its 2017 merger with CBS Radio.

3. As a result of my role advising the Debtors, I am familiar with the Debtors' day-to-day operations, business and financial affairs, books and records, and the circumstances that resulted in the commencement of these chapter 11 cases. I submit this declaration (this "**Declaration**") to assist the Court and parties in interest in understanding those circumstances, and in support of (a) the Debtors' petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") filed on the date hereof (the "**Petition Date**") and (b) the various types of "first day relief" the Debtors have requested from the Court (collectively, the "**First Day Motions**").

4. The Debtors commenced these cases to implement a comprehensive restructuring of their prepetition indebtedness, including over \$1.9 billion of long-term debt, and to emerge from bankruptcy with a de-levered capital structure that will better position them for future growth and long-term success in the broadcast radio and digital audio industries. As a result of extensive negotiations over almost six months, the Debtors begin these cases with an agreement with beneficial owners of a substantial majority of the Debtors' first lien and second lien secured debt

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<sup>4</sup> These services have included: (i) evaluating the Debtors' business plan and cash flow projections and identifying strategies and initiatives to conserve cash and extend liquidity runway; (ii) assisting with preparation of the initial DIP budget; (iii) assisting with contingency planning, including preparation of financial and operating information and assistance with operational readiness; (iv) assisting with the development of programs to maintain continuity through a transaction; (v) supporting management and other advisors in managing due diligence by pre-petition lenders; and (vi) evaluating and negotiating post-petition financing and other terms of the restructuring support agreement described further below.

on a value-maximizing restructuring transaction. To memorialize that agreement, the Debtors entered into a Restructuring Support Agreement on January 4, 2024 (the “**Restructuring Support Agreement**”),<sup>5</sup> with beneficial owners of (a) approximately 82.2% of the Debtors’ first lien senior secured loans and (b) approximately 73.6% of the Debtors’ second lien secured notes.

5. The Restructuring Support Agreement provides for a prepackaged chapter 11 plan, under which approximately \$1.6 billion of Audacy’s long term debt obligations will be equitized, with lenders under its First Lien Credit Facility (as defined below) receiving up to 85% of the pre-diluted equity of reorganized Audacy, and lenders under its Second Lien Secured Notes (as defined below) receiving 15% of the reorganized equity pre-dilution and warrants exercisable if reorganized Audacy’s equity value exceeds \$771 million in the coming four years. General unsecured creditors will be unimpaired. Certain holders of Audacy’s First Lien Loans (defined below) will provide DIP and exit financing, and Audacy’s existing Prepetition Securitization Program (defined below) will be upsized to fund ongoing operations and the costs of these Chapter 11 Cases. Audacy will leave bankruptcy with approximately \$1.6 billion less debt and a capital structure that will position it for future success.

6. The broad creditor support reflected in the Restructuring Support Agreement will allow these chapter 11 cases to proceed in an efficient, cost-effective, and value-maximizing manner. To facilitate such a resolution, on January 5, the Debtors began solicitation of the chapter 11 plan contemplated by the Restructuring Support Agreement (the “**Plan**”). That Plan and the accompanying disclosure statement are being filed contemporaneously with the chapter 11 petitions, and the Debtors plan to seek conditional approval of the disclosure statement at the first day hearing, followed by final approval of disclosure statement and confirmation of the Plan within

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<sup>5</sup> A copy of the Restructuring Support Agreement is attached hereto as Exhibit B.

forty-five days. A quick and consensual chapter 11 proceeding will maximize recoveries for creditors and minimize disruption to Audacy's business.

7. Except as otherwise indicated, the statements in this Declaration are based upon my personal knowledge, my (or members of my team's) discussions with members of the Company's management team, employees, and advisors, my review of relevant documents and information concerning the Company's operations, financial affairs, and restructuring initiatives, or my opinions based upon my experience and knowledge. If called upon to testify, I could and would testify competently to the facts set forth herein on that basis.<sup>6</sup>

## **I. Introduction**

8. Audacy, Inc., formerly known as Entercom Communications Corp., was founded in 1968 at the dawn of the FM radio industry. Audacy completed a successful initial public offering on the New York Stock Exchange in 1999 and, in the years that followed, established itself as an industry leader. Acquiring CBS Radio Inc. in 2017 made Audacy the second largest radio broadcaster in the United States. Since then, Audacy has undertaken a series of transformational acquisitions and investments to capitalize on changing listener habits and position itself as a multi-platform audio content and entertainment leader.

9. While implementing this strategic growth plan, however, the Debtors experienced a sudden and severe decrease in listenership and revenues. The COVID-19 pandemic upended radio listening habits as the weekday commute (which for millions of workers included tuning in to local radio) was radically reduced almost overnight, and the Debtors' advertising customers simultaneously reduced marketing spend.

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<sup>6</sup> I am over the age of 18 and authorized to submit this Declaration on behalf of the Debtors.

10. While daily commutes are returning, large markets—where Audacy is concentrated—continue to have lower office occupancy and attendance than pre-pandemic. Even outside large markets, radio listening has so far continued to lag pre-pandemic levels, as consumers transition from terrestrial broadcasting to digital audio consumption. Audacy’s investments in digital audio make it well-positioned to capitalize on that change in the future. But realizing the profit potential on those investments has taken longer than can be sustained under the Debtors’ current capital structure, which without forbearances from Audacy’s lenders, would have required cash interest payments of approximately \$120.6 million in 2023. As the Debtors’ revenue levels have declined, the Debtors’ ability to satisfy those debt obligations has suffered.

11. The Debtors, with the assistance of Latham & Watkins LLP, FTI, and PJT Partners LP, explored a variety of potential paths to address those challenges, including cost-cutting measures and capital markets transactions. Those efforts proved insufficient, however, as rising interest rates increased debt service costs and frustrated efforts to refinance.

12. In June of 2023, the Debtors began to extensively engage with the principals and advisors of two groups of lenders: an ad hoc group of holders of the Debtors’ First Lien Credit Facility (the “**First Lien Ad Hoc Group**”) and an ad hoc group of holders of the Debtors’ Second Lien Secured Notes (the “**Second Lien Ad Hoc Group**”), each representing substantial majorities of their respective debt instruments.

13. For six months, the Debtors negotiated with the objective of reaching a restructuring proposal acceptable to both lender groups. Each group took differing views toward the breadth and value of the collateral securing both groups’ loans, which in turn led to disagreements about how the Company’s equity should be apportioned upon emergence from chapter 11. However, after months of effort, the Company was able to reach agreement with both

constituencies on the Restructuring Support Agreement, which will allocate the Debtors' reorganized equity among its senior secured lenders and leave other creditors — including general unsecured creditors — unimpaired. The Restructuring Support Agreement is the best path to maximize value for the Debtors' estates and will position Audacy for success after reorganization.

14. Under the transaction contemplated by the Restructuring Support Agreement, Audacy will reduce its total debt obligations by approximately \$1.6 billion — from \$1.9 billion to \$350 million. Members of the First Lien Ad Hoc Group have agreed to backstop a \$32 million DIP financing facility that, together with an upsize of the Debtors' existing Prepetition Securitization Program by \$25 million, is expected to provide the Debtors with sufficient liquidity during these chapter 11 cases. The Debtors anticipate that solicitation of the Plan will result in acceptance by all voting classes, as creditors holding substantially more than two-thirds in amount in each of their classes are already parties to the Restructuring Support Agreement. Confirmation of that Plan will allow Audacy to exit bankruptcy with a right-sized balance sheet, enabling its continued transformation into a leading digital media and entertainment company.

15. To familiarize the Court with the Debtors, their business, and the circumstances leading to these chapter 11 cases, I have organized the remainder of this Declaration as follows:

- **Part II** provides an overview of Audacy's business operations and corporate structure;
- **Part III** describes the Debtors' prepetition capital structure;
- **Part IV** describes the circumstances leading to the commencement of these chapter 11 cases; and
- **Part V** provides an overview of the Debtors' first day relief, as more fully set forth in Exhibit D attached hereto.

## II. Audacy's Business

16. At its core, Audacy's business is creating premium audio content — including news programming, sports radio, music stations, and podcasts — and then distributing that content to listeners by radio broadcast, podcasts, and other digital means. Audacy attracts listeners by creating content they want to hear and generates revenue by selling advertisers access to Audacy's robust and diverse listener base.

### A. Audacy's Audio Content

17. Audacy is the nation's leader in local news and sports radio. Audacy is home to seven of the eight most listened to all-news stations, recently representing 81% of listening in the "All News" radio format among the top 10 radio groups. More than 40 professional sports teams and dozens of top college athletic programs are broadcast by Audacy.

The unparalleled leader  
in Sports Audio.

Reaching 58M+ sports fans weekly

(Audacy's share of listening in the All Sports radio format in 2022 among the top 10 radio groups, as measured by Nielsen, was 48%. Our nearest competitor's share was 14%.)

Sports League	Fans
NFL	50M FANS
NBA	33M FANS
MLB	43M FANS
NHL	26M FANS
NCAA Football	31M FANS
NCAA Basketball	25M FANS
Sports Bettors	8M

18. Audacy is also a dominant player in music broadcasting, with top radio stations, popular live events, and exclusive digital music stations. Over 118 million people listen to Audacy-delivered music each month.

**Music for every fan.**

**Format Leadership**

- #1** in Country, Adult Hits, Classic Hits, Hot AC, Rhythmic AC
- #2** in Adult Contemporary and Alternative

**3 OF THE TOP 6** most listened-to music stations in America:

- K-EARTH 101** THE GREATEST HITS ON EARTH!
- NEW 102.7**
- WCBSEFM 101.1** NEW YORK'S GREATEST HITS

**Epic Events**

- WE CAN SURVIVE**
- LEADING LADIES**
- STARS AND STRINGS**
- WINTER FEST**
- ALMOST ACOUSTIC CHRISTMAS**
- BEACH FESTIVAL**
- Deck the Hall Ball**

**700+ Exclusive Music Stations** on the Audacy app

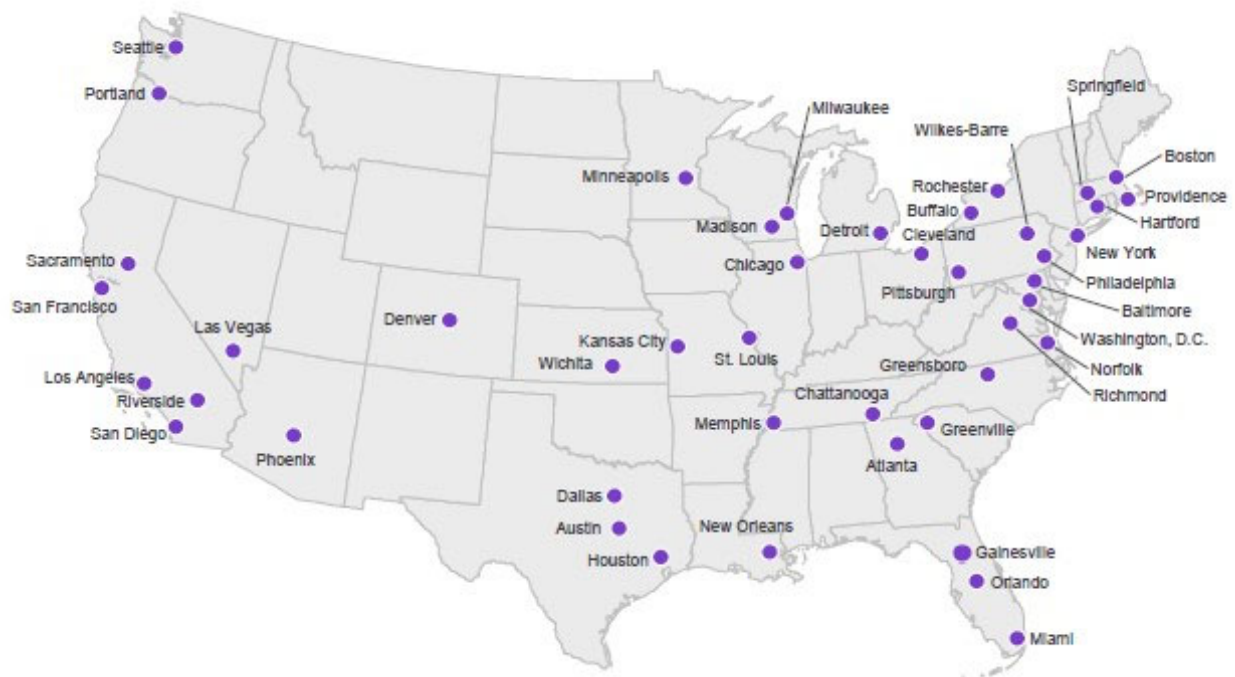
Including stations personally curated and hosted by Coldplay, P!nk, Carrie Underwood, Lizzo and Ed Sheeran

**600+** Local music & entertainment personalities

19. Audacy is also one of the country’s top podcasters, with more than 150 million monthly downloads and many of the best-known shows nationwide: “We Can Do Hard Things” with Glennon Doyle, “Fly on the Wall” with Dana Carvey and David Spade, “Rotten Mango,” CBS Sports Podcast Network, and Amy Poehler’s “Say More with Dr? Sheila.” Audacy’s podcasts and live content are available to listeners through its digital audio streaming platform.

**B. Broadcast Radio**

20. Audacy is the country’s second largest radio broadcaster, with over 225 radio stations serving over 45 markets nationwide. Its nationwide footprint of radio stations includes leading positions concentrated in the largest U.S. markets — Audacy is in 20 of the top 25 radio markets and is the #1 or #2 station cluster in nearly 70% of the measured markets in which Audacy operates. Audacy’s markets provide coverage of 83% of the 12+ population in the top 50 radio markets and coverage of 60% of the entire U.S. 12+ population.



### C. Digital Media







21. Supported by the growth of digital platforms, Americans are listening to more audio programming than ever — overall audio listening is up 15% from pre-pandemic levels, to an average of 4 hours and 17 minutes per day. Spoken-word audio — Audacy’s strength — is growing rapidly, with 26 million more listeners today than eight years ago. Podcasts, in particular, have become an increasingly popular form of audio consumption: nearly one-third of Americans listen to a podcast weekly. Listening habits for AM/FM radio have changed too, with many more listeners tuning into the same over-the-air programming via digital distribution.

22. Over the last several years, Audacy has invested heavily in digital media, leveraging its existing strengths in radio broadcasting, while developing new content-creation and distribution capabilities. Those investments include:

- The Audacy App, which provides streaming services through a digital platform powered by more than 850 radio stations and their websites, podcasts, and audio on-demand.

- Acquisitions of top podcasting studios Pineapple Street Media, LLC (“**Pineapple**”) and Cadence 13, LLC (“**Cadence 13**”), and launching its own 2400Sports podcasting studio.
- Acquiring Podcorn Media, Inc., which leverages data analytics to connect advertisers with the most relevant podcast content matches.
- AmperWave, which enables Audacy to deliver enhanced streaming features to listeners and ad tech capabilities.
- Sports data and iGaming platform QL Gaming Group (“**QLGG**”) offers sports betting data and analytics, a suite of daily fantasy sports tools, and simulation-based game forecasting.

23. In the digital audio space, Audacy’s streaming platform can leverage the Company’s considerable local and live radio content alongside a strong lineup of podcasts and other content developed specifically for its digital platforms to offer listeners a unique digital audio product. Audacy has also developed chaptering and rewind features, giving streaming listeners more control. The Audacy App combines these features into a single listener interface:

						
Rewind Live Broadcast Radio	✓					
Premium local content	✓			✓		✓
Subscription on-demand music		✓	✓	✓	✓	
Expert-curated topic based content	✓	✓				
Live games & coverage of NFL, MLB, and more	✓			✓	✓	✓
Over 3 million podcasts	✓	✓	✓	✓		✓
Ad supported exclusive digital music stations	✓	✓	✓	✓	✓	✓
Audiobooks		✓				✓

24. As digital audio listening continues to grow, Audacy is well positioned as a market leader in local radio and podcasting — both of which can be delivered to listeners digitally. Audacy’s recent investments in digital media are anticipated to provide a platform for future growth of the business.

**D. Revenue Generation**

25. Audacy primarily derives its revenue from the sale of advertising and other marketing programs to local, regional, and national advertisers. Whether distributed over-the-air, digitally, or a combination of both, advertisers choose Audacy because of its diverse set of engaged audiences, which result from the strength of Audacy’s stations and original audio content.

26. A station’s local sales staff solicit advertising either directly from local advertisers or indirectly through advertising agencies. Audacy also utilizes its national sales teams and leverages a third-party advertising representation firm to generate national advertising sales.

27. Audacy competes for advertising revenue with other radio stations, digital audio streaming platforms, satellite radio, as well as other advertising-supported media, including broadcast and cable television, streaming video platforms, out-of-home, print media, and other digital advertising mediums (*e.g.*, display, mobile, search), among others.

**E. Corporate History and Structure**

28. Audacy, Inc. (formerly Entercom Communications Corp.) was founded in 1968 at the dawn of the FM radio industry as a Pennsylvania corporation. Over the next few decades, Audacy expanded its business in new markets across the United States and established itself as an industry leader. It was listed on the New York Stock Exchange in connection with its initial public offering in 1999.<sup>7</sup> Later that year, the Company acquired more than 40 radio stations from the

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<sup>7</sup> As described further in Paragraph 43 below, Audacy was recently delisted.

Sinclair Broadcasting Group. After growing to the fourth largest industry player by revenue, in November 2017, the Company merged with CBS Radio, making it the second largest U.S. radio broadcaster with leading stations in most of the country's top 50 markets.

29. Having achieved scale, Audacy began to pursue strategic acquisitions to develop its digital and podcasting business. These strategic acquisitions made Audacy one of the country's leading podcasters in the U.S. market, with more than 150 million monthly downloads. The Company has also built and operates one of the country's largest podcast studios, a direct-to-consumer streaming platform, multiple audio networks, a major event producer, and a digital marketing solutions provider with emerging ad tech and data capabilities. As the Debtors' business has transformed from being primarily a local radio broadcaster to being a diversified audio company with a robust digital presence and national sales force, the Debtors rebranded in 2021, changing their brand name from "Entercom" to "Audacy."

30. Audacy's corporate structure chart as of the Petition Date is attached as Exhibit A-1. All Audacy entities other than Audacy Receivables, LLC ("**Audacy Receivables**") are Debtors in these chapter 11 cases. Key Audacy legal entities are described below:

<i>Audacy, Inc.</i>	Audacy's publicly traded parent company
<i>Audacy Capital Corp.</i>	Issuer of Audacy's First Lien Credit Facility and Second Lien Secured Notes
<i>Audacy Operations Corp.</i>	An operating umbrella company for Audacy's operating market/state subsidiaries, as well as the holder of certain real estate and corporate services provider
<i>Audacy License, LLC</i>	Legal holder of all FCC licenses granted to Audacy
<i>State-specific operating companies (e.g., Audacy Texas, LLC)</i>	Operators of Audacy's stations in various markets across the United States; the state-specific operating companies generally operate entirely in the state for which they are named

<i>Audacy Receivables, LLC</i>	Special-purpose vehicle that enables receivables financing, further described in Section III.C below
<i>Audacy Atlas, LLC</i>	Holder of certain non-strategic real estate and intellectual property assets planned for sale
<i>Cadence13, Podcorn and Pineapple</i>	Audacy's primary podcasting business units

31. Audacy has two unrestricted subsidiaries.<sup>8</sup> Cadence 13, LLC is home to a significant portion of Audacy's podcasting business. Audacy Atlas, LLC holds certain non-strategic real properties and other assets that Audacy is preparing to sell.<sup>9</sup> Sales through Audacy Atlas have boosted the Company's liquidity and the proceeds have facilitated Audacy's ability to maintain compliance with the financial covenants under its funded debt obligations. In addition, Audacy Receivables — which is the only entity that is not a Debtor — is a "Receivables Subsidiary" under Audacy's First Lien Credit Agreement and Second Lien Secured Notes and its assets and equity are not encumbered by Audacy's First Lien Credit Facility or Second Lien Secured Notes.

32. A simplified illustration of Audacy's corporate structure, showing which entities are obligors on Audacy's funded debt, is attached as Exhibit A-2.

### **III. The Debtors' Prepetition Capital Structure**

33. As of the Petition Date, and as described more fully in the subparts below, the Debtors were liable for approximately \$1.9 billion of long-term debt obligations, representing approximately \$853 million of first lien secured loans and \$1.0 billion of second lien secured notes. In addition, the non-Debtor special purpose vehicle subsidiary Audacy Receivables enables a

<sup>8</sup> "Unrestricted subsidiaries" are not obligors under the First Lien Credit Facility or Second Lien Secured Notes.

<sup>9</sup> Such sales are expected to take place only after confirmation of a chapter 11 plan of reorganization.

\$75 million accounts receivable facility (which the Debtors are requesting authority to upsize to \$100 million during the chapter 11 cases). The table below summarizes Audacy’s long-term debt as of the Petition Date:

<b>Long-Term Debt</b>	<b>(millions)<sup>10</sup></b>
First Lien Credit Facility	
1L revolving credit facility .....	\$ 220.1
1L term loan .....	\$ 632.4
<b>Total 1L debt.....</b>	<b>\$ 852.5</b>
2L 2027 Notes .....	\$ 460.0
2L 2029 Notes.....	\$ 540.0
<b>Total 2L debt.....</b>	<b>\$ 1000.0</b>
Accounts receivable facility .....	\$ 75.0
<b>Total long-term debt .....</b>	<b>\$ 1,927.5</b>

**A. The First Lien Credit Facility**

34. As of the Petition Date, the Debtors had a total of \$852.5 million aggregate principal amount outstanding under a credit agreement dated as of October 17, 2016 (as amended, restated, and supplemented from time to time, the “**First Lien Credit Agreement**”), which provides for a \$770 million term loan facility (the “**Term Loan**”) and a revolving credit facility (the “**Revolver**”) of up to \$227 million (collectively, the “**First Lien Credit Facility**”).

35. The Term Loan, which matures on November 17, 2024, has \$632.4 million outstanding as of the Petition Date.<sup>11</sup> The Term Loan provides for interest based upon the base

<sup>10</sup> Face principal amounts; excludes unamortized premium.

<sup>11</sup> On November 29, JPMorgan Chase Bank, N.A. resigned as agent under the First Lien Credit Agreement and Wilmington Savings Fund Society, FSB became the successor agent.

rate or SOFR plus a credit spread adjustment, plus a margin, and totals 8.14% as of the filing date. The Revolver, which matures on August 19, 2024, has \$220.1 million outstanding as of the Petition Date. The Revolver provides for interest based upon the base rate or SOFR, plus a margin. The initial margin on the Revolver is at SOFR plus 2.00% plus a credit spread adjustment<sup>12</sup> or the base rate plus 1.00%, and the margin may increase or decrease based upon the Debtors' consolidated net first lien leverage ratio. As of January 5, 2024, the applicable interest rate was a weighted average of approximately 8%.

36. All of Audacy Capital Corp.'s existing material subsidiaries jointly and severally guarantee the First Lien Credit Facility other than Audacy Receivables, Cadence13, and Audacy Atlas. The First Lien Credit Facility is secured on a first-priority basis by a lien on substantially all of Audacy Capital Corp.'s and its guarantor subsidiaries' assets, including a pledge of 100% of the voting stock and other equity interests in the guarantor subsidiaries, subject to certain exclusions.<sup>13</sup>

37. The First Lien Credit Facility requires Audacy to take actions reasonably necessary to facilitate the grant and perfection of required liens. Pursuant to that obligation, in July 2023, counsel to the collateral agent for the First Lien Credit Facility requested that Audacy place deposit account control agreements ("DACAs") on certain bank accounts for which DACAs were not already in place. Between September 18 and September 23, 2023, DACAs were executed covering these bank accounts.

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<sup>12</sup> The credit spread adjustment under the First Lien Credit Agreement differs depending on the length of the Interest Period (as defined in the First Lien Credit Agreement) at issue: (i) one-month is 0.11448%, (ii) three-months is 0.26161%, and (iii) six months is 0.42826%.

<sup>13</sup> The "Excluded Assets" include (i) FCC licenses (though not the proceeds thereof), (ii) Commercial Tort Claims (as defined in the applicable Uniform Commercial Code), (iii) real property (other than after-acquired fee-owned real property with an individual fair market value in excess of \$5.0 million), (iv) receivables sold into the Prepetition Securitization Program, and (v) the equity interests of Cadence13, Audacy Atlas, and Audacy Receivables.

**B. Second Lien Secured Notes**

38. As of the Petition Date, the Debtors have two series of second lien secured notes outstanding.<sup>14</sup> Between 2019 and 2021, Audacy issued approximately \$470 million of senior secured notes due in 2027,<sup>15</sup> which are treated as a single series with substantially the same terms (the “**2027 Notes**”). Interest on the 2027 Notes accrues at the rate of 6.50% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year. The 2027 Notes are currently redeemable at a price of 103.25% of their principal amount plus accrued interest.

39. Subsequently, in 2021, Audacy Capital Corp. issued \$540 million of senior secured notes due in 2029 (the “**2029 Notes**”). Interest on the 2029 Notes accrues at the rate of 6.75% per annum and is payable semi-annually in arrears on March 31 and September 30 of each year. The 2029 Notes are not redeemable until March 31, 2024.

40. The 2027 Notes and 2029 Notes (collectively, the “**Second Lien Secured Notes**”) are guaranteed by the same subsidiaries of Audacy Capital Corp. as guaranty the First Lien Credit Facility. The Second Lien Secured Notes and the related guarantees are secured by second-priority liens on substantially all of the assets of Audacy Capital Corp. and the guarantors, other than with respect to the Excluded Assets described in Section III.A above. The Second Lien Secured Notes

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<sup>14</sup> Simultaneously with entering into the merger with CBS Radio in November 2017, Audacy assumed \$400 million of senior notes due November 2024 (the “**Legacy Notes**”), which were originally issued by CBS Radio. The Legacy Notes were redeemed in full in April 2021.

<sup>15</sup> During the second quarter of 2019, Audacy Capital Corp. (then known as Entercom Media Corp.) issued \$325 million in aggregate principal amount of 6.500% senior secured second lien notes due 2027. During the fourth quarter of 2019, Audacy Capital Corp. issued \$100.0 million of additional 6.500% senior secured second lien notes due 2027. During the fourth quarter of 2021, Audacy Capital Corp. issued another \$45.0 million of additional 6.500% senior secured second lien notes due 2027. In the second quarter of 2022, Audacy completed open-market repurchases of \$10 million face amount of 2027 Notes.

are subject to a customary intercreditor agreement.<sup>16</sup> The Intercreditor Agreement is attached hereto as Exhibit C.

**C. Accounts Receivable Facility**

41. In 2021, certain of the Debtors entered into a \$75 million accounts receivable securitization facility (the “**Prepetition Securitization Program**”). In connection with the Prepetition Securitization Program, Audacy Receivables purchases all accounts receivable from the Debtors’ state-specific operating companies, Audacy Networks, LLC, and Cadence13. Although Audacy Receivables is a wholly owned subsidiary of Audacy New York, LLC, it is a legally separate entity and, accounts receivable transferred to Audacy Receivables are not assets of the Debtors.

42. The Prepetition Securitization Program contains representations, warranties and covenants that are customary for bankruptcy-remote securitization transactions. Yield for the Prepetition Securitization Program is payable to the investors at a variable rate based on commercial paper rates plus a margin. As of January 2, 2024, Audacy Receivables had outstanding borrowings of \$75 million under the Prepetition Securitization Program and the current yield was 7.38% per annum. Because the accounts receivable transferred to Audacy Receivables exceed \$75 million, the Debtors believe that Audacy Receivables has unencumbered equity value as of the Petition Date.

**D. Audacy Common Stock**

43. Shares of Audacy, Inc.’s Class A common stock have historically traded on the New York Stock Exchange (“**NYSE**”) under the symbol “AUD.” However, trading was

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<sup>16</sup> See Second Lien Intercreditor Agreement among Entercom Media Corp., the guarantors party hereto from time to time, JPMorgan Chase Bank, N.A., and Deutsche Bank Trust Company Americas, dated April 30, 2019 (the “**Intercreditor Agreement**”).

suspended on May 16, 2023 as part of NYSE's delisting procedures and, following a reverse stock split on June 30, 2023, trading has been conducted on the over-the-counter market under the symbol "AUDA." On October 30, 2023, NYSE confirmed that Audacy, Inc. would be delisted effective November 10, 2023. There is no established public trading market for Audacy, Inc.'s Class B common stock, which has enhanced 10-1 voting power when voted by David J. Field and Joseph M. Field, subject to limited exceptions.

44. As of the Petition Date: (a) David J. Field, Audacy Inc.'s Chairman, President and Chief Executive Officer, and one of its directors, beneficially owned 177,583 shares of Audacy, Inc.'s Class A common stock and 91,641 shares of its Class B common stock, representing approximately 17.6% of the total voting power of all of its outstanding common stock; and (b) Joseph M. Field, Audacy Inc.'s Chairman Emeritus and one of its directors, beneficially owned 488,237 shares of Audacy, Inc.'s Class A common stock and 43,198 shares of its Class B common stock. David J. Field and Joseph M. Field beneficially own all outstanding shares of Audacy, Inc.'s Class B common stock. Other members of the Field family and trusts for their benefit also own shares of Audacy, Inc.'s Class A common stock.

#### **IV. Circumstances Leading to These Chapter 11 Cases**

45. In connection with that Audacy, Inc.'s 2017 merger with CBS Radio, Audacy's total long-term debt increased by approximately \$1.4 billion. Audacy's total funded debt of approximately \$1.9 billion required cash interest payments of approximately \$103 million in 2022 and would have required \$120.6 million in 2023 but for forbearances leading up to the Petition Date. The Debtors' revenues and Adjusted EBITDA supported the debt they assumed in connection with the CBS Radio merger for years — in 2019 Audacy generated \$1.5 billion in revenues and \$341 million in Adjusted EBITDA. However, since the COVID-19 pandemic, the Debtors have struggled to satisfy obligations under their capital structure.

### A. Market Decline and Industry-Specific Challenges

46. The COVID-19 pandemic caused a precipitous decline in the morning and evening weekday commutes, which significantly reduced audience in those prime time, or drive time, segments. At the same time, advertisers—Audacy’s customers—reduced marketing spend, leading to declining revenues. While the return-to-office push should support a rebound in radio listenership, it continues to be well below pre-pandemic levels, particularly in the largest markets where Audacy’s operations are concentrated. As illustrated below, “average quarter hour persons” — the average number of people listening to a particular radio station for at least five minutes during a fifteen-minute period — dropped by 20% in 2020 and has generally remained at these lower levels ever since:

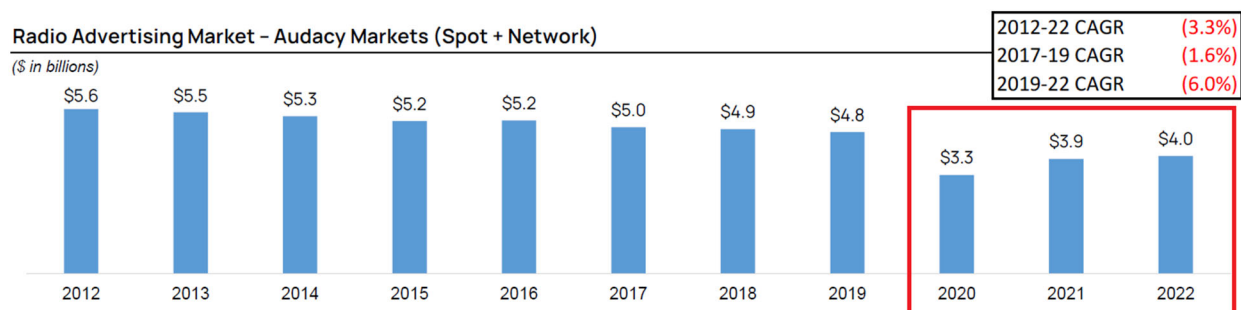
#### AQH Persons in Audacy Markets

*(AQH Persons in Millions)*

Market Rank Bands ^	# AUD				2019-22	2022 vs.	
	Mkts	2019	2020	2021	2022	CAGR	2019
Markets 1-10	10	4.7	3.6	3.7	3.5	(9.1%)	(24.8%)
Markets 11-25	10	2.1	1.6	1.6	1.6	(8.6%)	(23.7%)
Markets 26+	25	2.5	2.1	2.1	2.0	(6.4%)	(17.9%)
<b>Total</b>	<b>45</b>	<b>9.2</b>	<b>7.4</b>	<b>7.4</b>	<b>7.1</b>	<b>(8.2%)</b>	<b>(22.7%)</b>
<b>% Change YoY</b>			<b>(20.3%)</b>	<b>0.2%</b>	<b>(3.2%)</b>		

47. At the same time, billions in advertising budgets have been diverted away from traditional radio broadcasting and into digital platforms, which can offer enhanced targeting, attribution and reporting data that marketers desire. These changes have been felt throughout the broadcast radio industry, as reductions in overall advertising spend have driven down profitability.

As the chart below shows, compound annual growth rate (“**CAGR**”) for broadcast radio advertising decreased by six percent for Audacy markets from 2019 to 2022:



48. To keep pace with competition from within the broader media industry, Audacy has continued its transformation from a terrestrial radio broadcasting company into a diversified media and entertainment company. Audacy’s transformation is expected to lead to continued revenue growth but is still in early stages.

49. Audacy’s revenues have not yet recovered to pre-pandemic levels. While Audacy experienced revenue growth from January 2021 to June 2022, the trend did not continue into the third and fourth quarters of 2022. For the year ended December 31, 2022, the Debtors recognized approximately \$1.3 billion of revenues and \$137.9 million of Adjusted EBITDA. As compared to 2019, Audacy’s 2022 revenues were down nearly 16% and Adjusted EBITDA was down nearly 60%:

#### Audacy, Inc.

##### Historical Results

(\$ in millions)

	Historical				% CAGR			% change
	2019	2020	2021	2022	19-20	20-21	21-22	19-22
Revenues	\$1,489.9	\$1,060.9	\$1,219.4	\$1,253.7	(28.8)%	14.9%	2.8%	(15.9)%
Adjusted EBITDA	\$ 341.2	\$ 112.1	\$ 165.7	\$ 137.9	(67.1)%	47.9%	(16.8)%	(59.6)%

50. Despite recent headwinds, management is optimistic about the future and Audacy’s investments in digital media. However, Audacy’s transformation into a multi-platform audio

content provider has taken longer than can be sustained under the Debtors' current capital structure.

**B. Cost-Cutting Measures**

51. In response to deteriorating market conditions, the Debtors undertook various initiatives to reduce costs and increase revenue generating opportunities. For instance, Audacy has reduced and/or redeployed headcount to support growing business segments, consolidated locations and positions, and terminated or renegotiated burdensome contracts. Since the closing of the CBS Radio merger, Audacy has executed over \$310 million of expense reduction actions.

**C. Debt Refinancings**

52. Since 2019, the Debtors have used debt capital market transactions to, among other things, lower borrowing costs, extend debt maturities, increase liquidity, maintain compliance with financial covenants, and repay existing debt. In 2019, the Debtors used net proceeds from the 2027 Notes offerings, cash on hand, and \$89 million under its Revolver, to (a) repay then-existing term loan debt; (b) replace what remained with a term B-2 loan (*i.e.*, the current Term Loan); and (c) lower their borrowing costs under the Term Loan and Revolver.

53. In 2021, the Debtors repaid \$121.6 million under the Term Loan from the 2027 and 2029 Notes offering proceeds. They also repaid \$40 million under the Revolver, and fully redeemed \$400 million of senior notes that had been assumed as part of the CBS merger.

**D. Restructuring Negotiations with Stakeholders**

54. Beginning in the first half of 2022, the Debtors explored options with their advisors to refinance their existing debt through various capital markets transactions, including, but not limited to, exchange transactions and additional debt offerings. However, due to the difficult operating environment for the broadcast radio industry and market concerns with the Debtors' high debt load, the Debtors determined that it would not be feasible to pursue short-term opportunities

in the capital markets. Instead, the Debtors determined that a more comprehensive restructuring was required to bring their capital structure in line with their long-term business strategy.

55. In June of 2023, the Company began to explore comprehensive restructuring paths with its secured lenders, engaging with the principals and advisors of two groups of its lenders — the First Lien Ad Hoc Group represented by Gibson, Dunn and Crutcher LLP (as counsel) and Greenhill & Co., Inc. (as financial advisor), and the Second Lien Ad Hoc Group represented by Akin Gump Strauss Hauer & Feld LLP (as counsel) and Evercore Group, LLC (as financial advisor). Reaching agreement with secured lenders was critical, as the Company faced numerous upcoming interest payments in the fall of 2023, with nearly \$51 million coming due between September 30 and November 8. Making those payments would have lowered the Company's liquidity below the \$25 million threshold required under the Prepetition Securitization Program, creating an immediate liquidity crisis as a default could result in all collections on receivables pledged under the Prepetition Securitization Program being diverted to pay down the approximately \$75 million outstanding.

56. On July 7, 2023, the Board of Directors of Audacy, Inc. established a Special Committee of the Board, comprised of independent directors, Joel Hollander (as Chairman), David J. Berkman, and Sean R. Creamer. The Special Committee is responsible for evaluating potential restructuring transactions, directing the Company's advisors in their negotiations with stakeholders, and recommending to the full Board those transactions that it believes are in the best interests of the Company. On November 7, Audacy added a new independent director—Roger Meltzer—with substantial restructuring experience to its Board.

57. During the summer and fall of 2023, the Debtors exchanged restructuring proposals with both the First Lien Ad Hoc Group and the Second Lien Ad Hoc Group, with the goal of

reaching agreement on the terms of a restructuring that would be acceptable to both groups. While both the First Lien Ad Hoc Group and the Second Lien Ad Hoc Group made constructive proposals regarding a reorganized capital structure and appeared willing to provide financing necessary for the Debtors to successfully reorganize, the two groups held significantly different views on how reorganized Audacy's equity should be allocated among holders of claims under the First Lien Credit Agreement as compared to holders of Second Lien Secured Notes and unsecured creditors. These different perspectives largely stemmed from each side's position regarding the scope of the liens and value of the shared collateral securing both the First Lien Credit Agreement and the Second Lien Secured Notes. According to the Second Lien Ad Hoc Group, the loans under the First Lien Credit Agreement were significantly undersecured (and the Second Lien Secured Notes were entirely unsecured). The First Lien Ad Hoc Group, however, believed that certain collateral that the Second Lien Ad Hoc Group viewed as unencumbered was actually subject to liens.

58. On September 30, 2023, the Debtors elected to utilize a thirty-day grace period with respect to an approximately \$18 million interest payment due under the 2029 Notes. Following Audacy's entry into the grace period, negotiations with both the First Lien Ad Hoc Group and Second Lien Ad Hoc Group accelerated. However, differences remained regarding the proper allocation of reorganized equity and other terms related to corporate governance and DIP and exit financing. Members of the Second Lien Ad Hoc Group facilitated an amendment to the 2029 Notes supplemental indenture that allowed for an extension of the grace period to as late as November 29. On October 30, the Company elected to utilize a 30-day grace period with respect to an approximately \$15 million interest payment due under the 2027 Notes and announced plans to utilize a three-day grace period with respect to a \$17 million interest payment due on October 31 under the First Lien Credit Agreement.

59. Toward the end of October 2023, Audacy neared an agreement in principle with the First Lien Ad Hoc Group regarding a potential restructuring. In an attempt to reach consensus with the Second Lien Ad Hoc Group, the members of the First Lien Ad Hoc Group agreed to an extension of the grace period with respect to approximately \$18 million of interest payments due under the First Lien Credit Agreement to November 15, then to November 20, and then to November 30. The First Lien Ad Hoc Group and Second Lien Ad Hoc Group agreed to extensions of interest payment grace periods to December 10.<sup>17</sup> Finally, the First Lien Ad Hoc Group and Second Lien Ad Hoc Group agreed to extensions to January 7, 2024, contingent on reaching an agreement in principle on a consensual restructuring by December 15, 2023.

60. The Debtors, First Lien Ad Hoc Group and Second Lien Ad Hoc Group were able to reach such an agreement, and on December 17, members of the Ad Hoc Groups executed the Restructuring Support Agreement. On January 4, the Company executed the Restructuring Support Agreement.

61. The chapter 11 plan contemplated by the Restructuring Support Agreement is expected to reduce Audacy's total debt obligations by approximately \$1.6 billion—from over \$1.9 billion to \$350 million.

62. Members of the First Lien Ad Hoc Group have agreed to backstop a \$32 million DIP financing facility (the “**DIP Facility**”) that, together with an upside of the Prepetition Securitization Program by \$25 million, will provide the Debtors with sufficient liquidity during these chapter 11 cases. Participation in the DIP Facility is available on a *pro rata* basis to all First Lien Lenders, and the DIP Facility contains no “roll-up” of prepetition amounts under the First

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<sup>17</sup> The Prepetition Securitization Program agent also agreed to multiple amendments that avoided a cross-default based on the extended grace periods and, beginning on November 30, accommodated a lower minimum liquidity through the extended grace period.

Lien Credit Facility. The DIP Facility is described in greater detail in the DIP Motion filed contemporaneously herewith.

63. To provide Audacy with additional liquidity upon exit from chapter 11, the DIP Lenders will have the option to convert their DIP Loans into a \$25 million first-out exit facility with a four-year maturity date (the “**First Out Exit Term Loan**”). Holders of claims under the DIP Facility that elect to convert their claims will receive their *pro rata* share of 10% of the equity of reorganized Audacy. The upsized Prepetition Securitization Program will remain in place following Plan confirmation.

64. Claims under the First Lien Credit Facility will be largely equitized, other than approximately \$225 million of takeback debt. In addition to the right to participate in the DIP Facility, holders of claims under the First Lien Credit Facility will receive the *pro rata* allocation of 75% of the equity of reorganized Audacy pre-dilution. (In total, First Lien Lenders will receive up to 85% of the equity of reorganized Audacy pre-dilution if they participate in the DIP Facility and convert their DIP Claims into First Out Exit Term Loan.)

65. Claims from the Second Lien Secured Notes will be equitized too, receiving their *pro rata* allocation of 15% of the pre-dilution equity of reorganized Audacy and warrants exercisable within four years for 17.5% of the equity of reorganized Audacy on a fully diluted basis at an equity value of \$771 million. Other Audacy creditors will be unimpaired. Critically, while solicitation is ongoing, the Debtors’ proposed first day relief provides for nearly all vendors and commercial partners to continue to be paid in the ordinary course of business and seek to avoid any disruption to customers and advertisers. Programming will remain unaffected. Advertisements will continue to run. Event tickets will be honored. The Debtors do not anticipate any sales of strategic assets or work force reductions. In short, if the requested first day relief is

granted, the Debtors will be able to continue to operate their business normally. And upon Plan confirmation, unsecured creditors will have the same rights of recovery that they had prior to these chapter 11 cases.

66. Existing equity interests in Audacy, Inc. will be cancelled, and shareholders will receive no recovery on account of their common stock.

67. On January 5, to facilitate a prompt exit from bankruptcy, the Debtors began solicitation of the holders of First Lien Loans and Second Lien Notes. The Debtors have proposed a voting deadline of February 12. Because members of the First Lien Ad Hoc Group and Second Lien Ad Hoc Group beneficially own 82.2% and 73.6%, respectively, of the outstanding principal amounts of their classes, the Debtors are optimistic that creditors will vote to accept the Plan. The Debtors have requested approval of their solicitation procedures contemporaneously herewith. The Debtors are requesting a confirmation hearing within forty-five days of the Petition Date, as required under the Restructuring Support Agreement.

68. The broad consensus reflected in the Restructuring Support Agreement is the product of many months of hard work by numerous stakeholders and represents a comprehensive and fair resolution of the Debtors' prepetition financial obligations. If confirmed, the Plan will allow Audacy to exit bankruptcy with a right-sized balance sheet and adequate liquidity to support the business going forward.

**V. Relief Sought in the Debtors' First Day Motions**

69. The Debtors operate a complex nationwide business with nearly 4,900 employees and thousands of customers. To minimize any adverse effects of the commencement of these chapter 11 cases on their business, the First Day Motions seek to allow the Debtors to perform and meet those obligations necessary to fulfill their duties as debtors-in-possession and will preserve and maximize the value of the Debtors' business for the benefit of their stakeholders.

70. I have reviewed and am familiar with the contents of each First Day Motion (including the exhibits attached thereto), and believe that the relief sought in each First Day Motion: (a) is necessary to enable the Debtors to operate in chapter 11 with minimum disruption or loss of productivity or value; (b) constitutes a critical element in achieving a successful restructuring of the Debtors; (c) is in the best interests of the Debtors' estates; and (d) is, in those instances where the requested relief includes immediate payment of prepetition amounts, necessary to avoid immediate and irreparable harm. The facts stated therein and attached hereto as Exhibit D are true and correct to the best of my information, knowledge, and belief.

*[The remainder of this page is intentionally left blank.]*

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Dated: January 7, 2024

/s/ Heath C. Gray

Heath C. Gray  
Senior Managing Director  
FTI Consulting, Inc.