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14 **UNITED STATES BANKRUPTCY COURT**  
15 **CENTRAL DISTRICT OF CALIFORNIA**  
16 **LOS ANGELES DIVISION**

17 In re

18 THE KUSHNER-LOCKE COMPANY, a  
19 California corporation; KL PRODUCTIONS,  
20 INC., a California corporation; POST AND  
21 PRODUCTION SERVICES, INC., a California  
22 corporation; TWILIGHT ENTERTAINMENT,  
23 INC., a California corporation; KLF GUILD  
24 CO., a California corporation; KLTV GUILD  
25 CO., a California corporation; KUSHNER-  
26 LOCKE INTERNATIONAL, INC., a California  
27 corporation; KL INTERACTIVE MEDIA, INC.,  
28 a California corporation; and DAYTON WAY  
PICTURES III, INC., a California corporation,

Debtors.

Chapter 11

Case No. 2:01-44828-SB

(Administratively Consolidated with Case Nos.  
2:01-44829-SB through 2:01-44831-SB; 2:01-  
44833-SB through 2:01-44836-SB; and 2:01-  
44841-SB)

**DEBTORS' JOINT CHAPTER 11 PLAN OF  
REORGANIZATION, DATED JULY 10,  
2009**

**Hearing**

Date: **[TO BE SET BY COURT]**  
Time: **[TO BE SET BY COURT]**  
Place: 255 East Temple Street  
Los Angeles, CA 90012

**TABLE OF CONTENTS**

	<b><u>Page(s)</u></b>
I. INTRODUCTION .....	1
II. DEFINITIONS, INTERPRETATIONS AND RULES .....	1
A. Definitions. ....	1
B. Interpretation, Rules Of Construction, Computation Of Time. ....	15
III. DESIGNATION AND TREATMENT OF CLASSES OF CLAIMS AND INTERESTS .....	16
A. Unclassified Claims. ....	16
1. Administrative Claims And Administrative Tax Claims. ....	16
a. General. ....	16
b. Bar Dates. ....	17
(i) General Provisions. ....	17
(ii) Professional Persons. ....	18
(iii) Administrative Tax Claims. ....	18
2. Priority Tax Claims. ....	19
3. Prior Bar Dates. ....	19
B. Classified Claims And Interests. ....	20
1. Class 1 -- Secured Lenders' Claims. ....	20
2. Class 1A—Secured Claims of the Guilds ....	20
3. Class 2 -- Other Secured Claims. ....	20
4. Class 3 -- Other Priority Claims. ....	21
5. Class 4 -- Convenience Class of General Unsecured Claims. ....	21
6. Class 5 -- General Unsecured Claims. ....	21
7. Class 6 -- Subordinated Debt Claims. ....	22

1	8.	Class 7 – Kushner Locke Interests Holders. . . . .	22
2	IV.	TREATMENT OF NON-CONSENTING CLASSES.....	22
3	V.	TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED	
4		LEASES.....	23
5	A.	Treatment of Union Entity Claims and Interests Related to Covered	
6		Pictures . . . . .	23
7	B.	Executory Contracts and Unexpired Leases . . . . .	24
8	C.	Rejected Contracts and Leases. . . . .	25
9	1.	Rejection of Contracts on List of Rejected Contracts . . . . .	25
10	2.	Objections To Rejection. . . . .	25
11	3.	Rejection Damages Bar Date. . . . .	25
12	D.	Assumed Contracts and Leases. . . . .	26
13	1.	Assumption of Contracts on List of Assumed Executory	
14		Contracts . . . . .	26
15	2.	Objections To Assumption Or Assumption And Assignment. . . . .	26
16	3.	Payments Related to Assumption of Executory Contracts. . . . .	27
17	E.	Miscellaneous. . . . .	28
18	F.	Post-Petition Contracts and Leases. . . . .	29
19	VI.	MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN.....	29
20	A.	Source of Payments. . . . .	29
21	B.	Substantive Consolidation. . . . .	29
22	C.	The Reorganized Debtor's Structure And Operation. . . . .	30
23	1.	Creation of the Reorganized Debtor. . . . .	30
24	2.	Assignment of Kushner Locke Assets to the Reorganized	
25		Debtor. . . . .	30
26	3.	Liquidation of Remaining Debtors. . . . .	31
27	4.	Distribution of First Advantage Stock and the Reorganized	
28			

1	Debtor's Membership Interests. ....	31
2	5. Management of the Reorganized Debtor. ....	33
3	6. Conduct of Business after the Effective Date. ....	33
4	D. Revesting Of Assets. ....	34
5	E. Disbursing Agent. ....	34
6	F. Discharge Of Debtors And Injunction. ....	34
7	G. Preservation And Prosecution Of Reserved Recovery Rights. ....	36
8	H. Limitation Of Liability. ....	37
9	I. Approvals. ....	37
10	J. Appointment of Officer And Director Of The Debtors. ....	37
11	K. Required Transactions. ....	38
12	L. Powers Of The Reorganized Debtor. ....	40
13	M. Authority To Compromise Claims And Defenses; Offset. ....	40
14	N. Notice Of Effective Date. ....	41
15	O. Compliance With Tax Requirements. ....	41
16	P. 1146(c) Exemption. ....	41
17	Q. Retention Of Jurisdiction. ....	41
18	R. Successors And Assigns. ....	43
19	S. Modification And Withdrawal. ....	43
20	T. Post-Effective Date Employment Of Professionals. ....	44
21	VII. PROVISIONS REGARDING OBJECTIONS TO, AND ALLOWANCE OF	
22	CLAIMS, AND DISTRIBUTIONS ON ACCOUNT OF ALLOWED	
23	CLAIMS .....	44
24	A. Objections To Claims. ....	44
25	B. Provisions Regarding Allowance And Objection Deadlines. ....	44
26	1. Administrative Claims. ....	45
27		
28		

1	2.	Final Fee Applications. ....	45
2	3.	Administrative Tax Claims. ....	45
3	4.	Priority Claims, Priority Tax Claims And Class 4 And 5	
4		Claims. ....	46
5	C.	Distributions. ....	46
6	1.	Initial Distribution Date. ....	46
7	2.	Allowance of Claims. ....	46
8	3.	Subsequent Distribution Dates. ....	47
9	4.	Final Distribution. ....	47
10	D.	Old Instruments and Securities. ....	47
11	1.	Surrender and Cancellation of Instruments and Securities. ....	47
12	2.	Rights of Persons Holding Old Instruments and Securities. ....	47
13	3.	Cancellation of Liens. ....	48
14	E.	Interest. ....	49
15	F.	De Minimis Distributions And Fractional Shares. ....	49
16	1.	Cash Distributions. ....	49
17	2.	Manner Of Payment Under This Plan. ....	49
18	3.	Delivery Of Distributions. ....	49
19	4.	Undeliverable Distributions. ....	50
20	5.	Disposition of Unclaimed Property. ....	50
21			
22	VIII.	CONDITIONS PRECEDENT TO CONFIRMATION AND THE	
23		EFFECTIVE DATE.....	51
24	A.	Condition Precedent To Plan Confirmation. ....	51
25	B.	Condition Precedent To Plan Effectiveness. ....	51
26	IX.	MISCELLANEOUS .....	52
27	A.	Provisions Severable. ....	52
28			

1	B.	Headings Do Not Control. . . . .	52
2	C.	Taking Action – General Authority. . . . .	52
3	D.	Dissolution Of Committee. . . . .	52
4	E.	Payment Of United States Trustee Quarterly Fees. . . . .	52
5	F.	No Admission. . . . .	52
6	G.	Exemption from Securities Registration. . . . .	53
7	H.	Post-Confirmation Status Report. . . . .	53
8	I.	Post-Confirmation Conversion/Dismissal. . . . .	53
9	J.	Final Decree. . . . .	53
10	K.	Post-Confirmation Notices. . . . .	54
11	L.	Governing Documents. . . . .	54
12			
13	X.	CONFIRMATION REQUEST . . . . .	54
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			

I.

**INTRODUCTION**

This Plan of Reorganization Dated July 10, 2009, is proposed jointly by THE KUSHNER-LOCKE COMPANY, a California corporation; KL PRODUCTIONS, INC., a California corporation; POST AND PRODUCTION SERVICES, INC., a California corporation; TWILIGHT ENTERTAINMENT, INC., a California corporation; KLF GUILD CO., a California corporation; KLTV GUILD CO., a California corporation; KUSHNER-LOCKE INTERNATIONAL, INC., a California corporation; KL INTERACTIVE MEDIA, INC., a California corporation; and DAYTON WAY PICTURES III, INC., a California corporation, the debtors and debtors-in-possession in the above-captioned cases under chapter 11 of the Bankruptcy Code and JPMorgan Chase Bank, National Association, as Agent<sup>1</sup> for the Lenders (collectively, the "**Plan Proponents**"), for the resolution of the Debtors' outstanding creditor claims and interests. Reference is made to the Debtors' Disclosure Statement for a discussion, among other things, of the Debtors' history, business, and results of operations and assets, and for a summary and analysis of this Plan. All creditors who are entitled to vote are encouraged to consult the Disclosure Statement before voting to accept or reject this Plan. No solicitation materials, other than the Disclosure Statement and related materials transmitted therewith and approved by the Bankruptcy Court have been authorized by the Court for use in soliciting acceptances or rejections of this Plan.

II.

**DEFINITIONS, INTERPRETATIONS AND RULES**

A. **Definitions.**

In addition to such other terms as are defined in other Articles of this Plan, the following Defined Terms (which appear in this Plan as capitalized terms) have the following meanings as used herein:

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<sup>1</sup> Capitalized terms used herein have the meanings ascribed to them in Article II.A, or in other Articles of this Plan.

1                   **"Administrative Bar Date"** means the last date or dates fixed by this Plan or the  
2 Bankruptcy Court for filing proofs or requests for payment of certain Administrative Claims  
3 pursuant to Article III.A.1.b of this Plan, Rule 3003(c)(3) of the Bankruptcy Rules, or any order of  
4 the Bankruptcy Court.

5                   **"Administrative Claim"** means an unsecured Claim for any cost or expense of  
6 administration of the Cases allowable under section 330, 331, 503(b), or 507(a)(1) of the Code,  
7 including, without limitation, any actual and necessary post-petition expenses of preserving the  
8 Estates of the Debtors, any actual and necessary post-petition expenses of operating the business of  
9 the Debtors in Possession, all compensation or reimbursement of expenses to Professionals and the  
10 Disbursing Agent, to the extent allowed by the Bankruptcy Court under section 330, 331, or 503 of  
11 the Code, and any fees or charges assessed against the Estates of the Debtors under section 1930 of  
12 title 28 of the United States Code.

13                   **"Administrative Tax Claim"** means an unsecured Claim held by a governmental  
14 unit for taxes (and for interest and penalties related to such taxes), for any tax year or period, all or  
15 any portion of which occurs or falls within the period from and including the day after the Petition  
16 Date through and including the Effective Date, which is subject to Code sections 503(b)(1)(B) and  
17 (C).

18                   **"Administrative Transactions"** means contracts, leases and other agreements and  
19 stipulations entered into by the Debtors in Possession on or after the Petition Date pursuant to Code  
20 section 363(c)(1), or pursuant to Final Order.

21                   **"Agent"** means JPMorgan Chase Bank as Agent under the Credit Agreement.

22                   **"All Notices List"** means the list of Persons who have, following the Effective Date,  
23 Filed a request to be included on the All Notices List. For a period of 30 days following the service  
24 of the Notice of Effective Date under Article VI.N, the All Notices List also shall include those  
25 Persons who, prior to the Effective Date, had filed and served on Reorganization Counsel a request  
26 for notice; thereafter, those Persons who have not, after the Effective Date, Filed a request that they  
27 be continued on the All Notices List shall be deleted from the All Notices List.  
28



1                   **"Allowed Claim"** means a Claim to the extent that:

- 2                   (a) Such Claim is an Administrative Claim and: (i) a request for payment or Final  
3                   Fee Application for such Claim is timely Filed under Article III.A.1.b(i) or  
4                   Article III.A.1.b(ii) whichever is applicable, or is deemed timely Filed by  
5                   Final Order; and (ii) the Claim is allowed as set forth in Article III.A.1; or  
6                   (b) Such Claim is an Administrative Tax Claim and: (i) a motion is timely Filed  
7                   under Article III.A.1.b(iii), or is deemed timely Filed by Final Order; and  
8                   (ii) the Claim is allowed as set forth in Article III.A.1.a; or  
9                   (c) Such Claim is a Priority Tax Claim, or a Claim that if allowed would be a  
10                  Class 1 through Class 5 Claim, and a proof of such Claim is timely Filed or is  
11                  deemed timely Filed by Final Order, or under Code section 1111(a); and  
12                  (i) neither the Reorganized Debtor nor any other party in interest with  
13                  standing Files and serves on the Holder of such Claim an objection to  
14                  the Claim by the applicable objection deadline set forth in  
15                  Article VII.B.1 through Article VII.B.4 and the Claim is not otherwise  
16                  a Disputed Claim; or  
17                  (ii) the Claim is allowed (and only to the extent allowed) by Final Order or  
18                  agreement between the Holder of the Claim and: (A) the Debtors, if  
19                  such agreement is entered into before the Effective Date and is  
20                  approved by Final Order; or (B) the Reorganized Debtor, if such  
21                  agreement is entered into after the Effective Date, and is authorized by  
22                  Final Order or as set forth in Article VI.M; or  
23                  (iii) if the "variance" of the amount of such Claim as Scheduled by the  
24                  Debtors and the amount of such Claim as indicated on a corresponding  
25                  proof of Claim is zero or is a negative number, and the Claim is not  
26                  listed in the Schedules as a Disputed Claim, a contingent Claim, or an  
27                  unliquidated Claim, then the Claim will be allowed in the lesser of the  
28

1 amount set forth in a timely Filed proof of Claim, or as Scheduled if  
2 no proof of Claim has been Filed; or  
3 (d) such Claim is otherwise deemed to be an Allowed Claim in accordance with  
4 this Plan.

5 **"Allowed Claim"** means an Allowed Claim of a particular type or Class.

6 **"Allowed General Unsecured Claim"** means all or that portion of a General  
7 Unsecured Claim which is an Allowed Claim.

8 **"Allowed Priority Claim"** means all or that portion of a Priority Claim which is an  
9 Allowed Claim.

10 **"Allowed Secured Claim"** means all or that portion of a Secured Claim which is an  
11 Allowed Claim.

12 **"Allowed Tax Claim"** means all or that portion of a Tax Claim which is an Allowed  
13 Claim.

14 **"Amended and Restated Credit Agreement"** shall mean the Amended and  
15 Restated Credit, Security Guaranty and Pledge Agreement among the Reorganized Debtor, the  
16 Agent and the Lenders, which document shall be Filed at least ten days prior to the hearing to  
17 approve the Disclosure Statement in form and substance approved by the Committee.

18 **"Amended and Restated Debt"** shall have the meaning given to such term in  
19 Article VI.C.4 of this Plan.

20 **"Bankruptcy Code" or "Code"** means title 11 of the United States Code, as the  
21 same was in effect on the Petition Date, as amended by each amendment applicable to the Cases.

22 **"Bankruptcy Court"** means the United States Bankruptcy Court for the Central  
23 District of California, Los Angeles Division, or in the event such court ceases to exercise jurisdiction  
24 over the Cases, such court or adjunct thereof that exercises jurisdiction over the Cases in lieu of the  
25 United States Bankruptcy Court for the Central District of California, Los Angeles Division.

26 **"Bankruptcy Rules"** means the Federal Rules of Bankruptcy Procedure and the  
27 Local Rules applicable to cases pending before the Bankruptcy Court, as the same may, from time to  
28 time, be in effect and applicable to proceedings in the Cases.

1           **"Business Day"** means any day that is not a Saturday, Sunday, or "legal holiday" as  
2 defined in Bankruptcy Rule 9006(a), such as any day on which commercial banks in New York,  
3 New York or Los Angeles, California are authorized by law to close.

4           **"Cases"** means the cases under chapter 11 of the Bankruptcy Code commenced by  
5 the Debtors on the Petition Date.

6           **"Cash"** means lawful currency of the United States and equivalents thereof,  
7 including, but not limited to bank deposits, wire transfers, checks, and other similar items.

8           **"Claim"** has the meaning in Code section 101(5) and, except as otherwise provided  
9 in the context, means a Claim against the Debtors or the Estates.

10           **"Claims Bar Date"** means the deadlines for filing a proof of Claim as set forth in the  
11 "Order Establishing Procedures And Deadlines For Filing Proofs Of Claims By All Creditors,  
12 Establishing Enforcement Mechanisms For Failure To Comply Therewith", entered by the  
13 Bankruptcy Court on March 22, 2002.

14           **"Class"** means one of the classes of Claims or Interests established under Article III  
15 of this Plan pursuant to Bankruptcy Code section 1122.

16           **"Class A Units"** means those Units that will be distributed to Holders of Class 1  
17 Claims in accordance with Article III.B.1 of this Plan and the terms and conditions of the  
18 Reorganized Debtor's Operating Agreement.

19           **"Class B Units"** means those Units that will be distributed to Holders of Allowed  
20 Class 5 Claims in accordance with Article III.B.6 of this Plan and the terms and conditions of the  
21 Reorganized Debtor's Operating Agreement.

22           **"Committee"** means the Official Committee of Unsecured Creditors that the U.S.  
23 Trustee appointed in the Cases, pursuant to Code Section 1102, on December 11, 2001 (as  
24 constituted on the Effective Date).

25           **"Confirmation"** means the date of entry of the Confirmation Order.

26           **"Confirmation Date"** means the date on which Confirmation occurs.  
27  
28

1                   **"Confirmation Hearing"** means the hearing held pursuant to Bankruptcy Rule  
2 3020(b)(2) at which the Bankruptcy Court considers confirmation of this Plan, as may be adjourned  
3 from time to time.

4                   **"Confirmation Order"** means the order of the Bankruptcy Court confirming this  
5 Plan under Bankruptcy Code section 1129.

6                   **"Covered Pictures"** means all theatrical and television motion pictures, produced or  
7 distributed by a Debtor, that were produced subject to collective bargaining agreements with or on  
8 behalf of one or more Union Entities.

9                   **"Credit Agreement"** means that certain Credit, Security, Guaranty and Pledge  
10 Agreement, dated as of June 11, 1996, as amended, among Kushner Locke, the Guarantors, the  
11 Agent, and the Lenders.

12                   **"Credit Agreement Debt"** means all amounts owing under the Credit Agreement  
13 including, but not limited to, principal, interest and fees.

14                   **"Creditor"** has the meaning in Bankruptcy Code section 101(10).

15                   **"Cure"** means the distribution (a) within thirty (30) days after the Effective Date, or  
16 (b) such other time as may be agreed upon by the parties, or (c) such other time as may be ordered  
17 by the Bankruptcy Court, of Cash or such other property as may be agreed upon by the parties or  
18 ordered by the Bankruptcy Court with respect to the assumption of an executory contract or  
19 unexpired lease in accordance with the provisions of Article V of this Plan.

20                   **"Debtors"** means the following entities in existence on the Petition Date:

21           The Kushner-Locke Company, a California 22           corporation; 23           Case No. LA01-44828SB	Twilight Entertainment, Inc., a California corporation; Case No. LA01-44829SB
24           KL Productions, Inc., a California corporation 25           Case No. LA01-44831SB	KLF Guild Co., a California corporation; Case No. LA01-44830SB
26           Post and Production Services, Inc., a 27           California corporation; 28           Case No. LA01-44835SB	KLTV Guild Co., a California corporation; Case No. LA01-44836SB
Kushner-Locke International, Inc., a California corporation; Case No. LA01-44834SB	KL Interactive Media, Inc., a California corporation; Case No. LA01-44841SB
Dayton Way Pictures III, Inc., a California	

corporation;  
Case No. LA01-44833SB

**"Debtors in Possession"** means the Debtors, when acting in the capacity of representatives of the Estates in such Debtors' Cases.

**"Defined Term"** means any capitalized term that is defined in this Article II.A.

**"Disbursing Agent"** means the Reorganized Debtor, which will, in its capacity as Disbursing Agent, disburse the property to be distributed under this Plan.

**"Disclosure Statement"** means the "Disclosure Statement to Accompany Joint Chapter 11 Plan of Reorganization for Debtors Dated July 10, 2009," (and all annexes and exhibits attached thereto or referenced therein) that relates to this Plan and is approved pursuant to Section 1125 of the Bankruptcy Code in an order entered by the Bankruptcy Court, as such Disclosure Statement may be amended, modified, superseded, or supplemented.

**"Disputed Claim"** means a Claim as to which an objection has been or may be timely Filed by the Debtors or any other party in interest and which objection, if timely Filed, has not been withdrawn on or before any date fixed for filing such objections by this Plan or order of the Bankruptcy Court and has not been overruled or denied by a Final Order. Prior to the time that an objection has been or may be timely Filed, for the purposes of this Plan, a Claim shall be considered a Disputed Claim to the extent that (i) the Claim is not listed on the Schedules, (ii) the amount of the Claim, priority or classification exceeds or differs from the amount, priority or classification of the Claim Scheduled by the Debtors; or (iii) the Claim is Scheduled as disputed, contingent or unliquidated.

**"Effective Date"** means either (a) the Business Day on which this Plan becomes effective pursuant to Article VIII.B this Plan; provided, however, that if any stay or injunction against enforcement or execution of the Confirmation Order is issued prior to the date that would otherwise be the Effective Date, the Effective Date shall be the first Business Day after all such stays or injunctions are no longer in effect; or (b) such other date as shall be agreed to among the Debtors and the Agent.

1           **"Entered"** or **"Entry"** means the recording on the Bankruptcy Court docket for the  
2 Cases by the Clerk of the Bankruptcy Court.

3           **"Estates"** means the Estates created in the Cases for the Debtors by Bankruptcy  
4 Code Section 541.

5           **"Filed"**, **"Files"**, or **"Filing"** means properly filed with the Bankruptcy Court in the  
6 Cases, as reflected on the official docket of the Bankruptcy Court.

7           **"Final Fee Application"** has the meaning set forth in Article III.A.1.b(ii).

8           **"Final Order"** means an order or judgment of the Bankruptcy Court that has been  
9 Entered and as to which the time to appeal, or other means of review, has expired and as to which no  
10 appeal has been timely taken or sought, or as to which any appeal that has been or may be taken has  
11 been resolved by the highest court to which the order or judgment was timely appealed or from  
12 which review of the order or judgment was sought.

13           **"FIRST ADVANTAGE Stock"** means all stock, of any kind, held by any of the  
14 Debtors or the Reorganized Debtor, in First Advantage Corporation, a Delaware corporation,  
15 together with any and all proceeds thereof, including any net proceeds from the sale of any share,  
16 and any stock or Cash dividend paid thereon. First Advantage Corporation was formed as a result of  
17 the merger between US SEARCH.com and The First American Corporation's screening technology  
18 division on June 5, 2003. As of the Petition Date, prior to the merger between US SEARCH.com  
19 and The First American Corporation, Kushner Locke owned approximately 6,108,080 shares of the  
20 outstanding common stock of US SEARCH.com, and, to the extent not disposed of prior to the date  
21 of this Plan, is a holder of 244,323 shares of Class A Common Stock of First Advantage  
22 Corporation.

23           **"General Unsecured Claim"** means a Claim which is unsecured and not entitled to  
24 priority under Bankruptcy Code Section 507(a), excluding the Subordinated Debt Claims,  
25 Intercompany Claims, and any deficiency Claims of the Lenders.

26           **"Guarantors"** means the Debtors, other than Kushner Locke, as guarantors under  
27 the Credit Agreement.  
28

1           **"Guild Liens"** means any and all security interests in a Covered Picture that were  
2 granted in favor of a Union Entity that were duly perfected as to a Debtor as of the Petition Date.

3           **"Holder"** means a person or entity which holds a Claim or Interest.

4           **"Initial Distribution Date"** means the first Business Day on which a distribution is  
5 made under this Plan to Holders of Allowed Claims.

6           **"Intercompany Claim"** means any Claim held by any Debtor against any or all of  
7 the other Debtors.

8           **"Interest"** means (a) any ownership rights in, or equity security of, any of the  
9 Debtors as defined in Bankruptcy Code section 101(16), and (b) any right, warrant or option,  
10 however arising, to acquire the interests or any other equity interest, or any rights therein, of any of  
11 the Debtors.

12           **"JPMorgan Chase"** means JPMorgan Chase Bank, National Association formerly  
13 known as The Chase Manhattan Bank, formerly known as Chemical Bank.

14           **"Kushner Locke"** means The Kushner Locke Company, a California corporation.

15           **"Lenders"** means JPMorgan Chase, NIB Capital Bank N.V. (formerly known as De  
16 Nationale Investeringsbank N.V.) ("NIB"), Comerica Bank – California ("Comerica") and Far East  
17 National Bank ("Far East"), or their successors as lenders under the Credit Agreement.

18           **"List of Assumed Contracts"** means the list appearing as Exhibit "B" annexed  
19 hereto, which sets forth each executory contract or unexpired lease of the Debtors that shall be  
20 deemed assumed under this Plan in accordance with Article V.D of this Plan.

21           **"List of Rejected Contracts"** means the list appearing as Exhibit "A" annexed  
22 hereto, which includes each executory contract and unexpired lease of the Debtors that shall be  
23 deemed rejected under this Plan in accordance with Article V.C of this Plan.

24           **"Non-Debtor Affiliates"** means any entity (whether domestic or foreign) other than  
25 a Debtor in which a Debtor owns an Interest, including, without limitation, Freeway LLC, The  
26 Cracker Company, LLC, Grendel LLC, Denial Venture, KL7 Venture, and Swing Venture.

27           **"Notice of Effective Date"** means the notice to be mailed by the Reorganized Debtor  
28 to the Persons on the All Notices List and all known Holders of Claims and Interests notifying them

1 of: (a) the entry of the Confirmation Order; (b) the occurrence of the Effective Date; (c) the  
2 treatment of executory contracts and unexpired leases as provided under this Plan, and the bar dates  
3 for Claims relating to executory contracts and unexpired leases; (d) the Administrative Claims Bar  
4 Date; (e) the bar date for Administrative Tax Claims under Article III.A.1.b(iii); (f) the deadline for  
5 Final Fee Applications under Article III.A.1.b(ii); (g) the name and address of the Reorganized  
6 Debtor; (h) the procedures for continuing inclusion on the All Notices List; and (i) and any other  
7 material events, deadlines, or procedures relating to the implementation of this Plan.

8 **"Old KLC Common Stock"** means common stock, \$0.01 par value, of Kushner  
9 Locke, issued and outstanding immediately before the Effective Date.

10 **"Operating Reserve"** means a reserve for costs and expenses of the Reorganized  
11 Debtor in the amount to be determined from time to time by the management of the Reorganized  
12 Debtor and approved by holders of at least 70% of the Class A Units.

13 **"Other Priority Claim"** means a Claim entitled to priority under Code sections  
14 507(a)(3),(4),(5), and/or (6).

15 **"Other Secured Claims"** means all Secured Claims against the Debtors, including  
16 Secured Tax Claims, but does not include the Secured Lenders' Claims or claims secured by Guild  
17 Liens. Each of the Other Secured Claims that is an Allowed Other Secured Claim shall be  
18 considered in its own Class and be subject to treatment as set forth in Article III.B.2 of this Plan.

19 **"Person"** means an individual, partnership or corporation and such other entities as  
20 defined and described in Bankruptcy Code Section 101(41).

21 **"Petition Date"** means November 21, 2001, the date the Debtors commenced the  
22 Cases.

23 **"Plan"** means this "Joint Chapter 11 Plan of Reorganization for Debtors Dated July  
24 10, 2009" (including all annexes and exhibits hereto), as modified or amended from time to time.

25 **"Plan Documents"** means those documents necessary to effectuate the Confirmed  
26 Plan, including, but not limited to, the Reorganized Debtor's Operating Agreement discussed in  
27 Article VI.C of this Plan, the Amended and Restated Credit Agreement discussed in Article VI.C.4  
28 of this Plan and any related documents.



1           **"Plan Proponents"** shall have the meaning given such term in the Introduction to  
2 this Plan.

3           **"Post-Effective Date Claims"** means: (a) the actual and necessary costs and  
4 expenses, including wages, salaries, fees, and payroll-related taxes and the residuals owed on  
5 account of Covered Pictures for which there is a Union Entity Assumption Agreement, incurred by  
6 the Reorganized Debtor on or after the Effective Date to administer the Estates; (b) any sales taxes,  
7 personal property taxes, real property taxes, or other taxes for which the Estates are responsible  
8 under this Plan and which accrued on or after the Effective Date; and (c) all fees under 28 U.S.C.  
9 § 1930(a)(6) which accrue during and after the calendar quarter in which the Effective Date occurs  
10 that are payable pursuant to Article IX.E.

11           **"Priority Claim"** means a Claim other than an Administrative Claim or a Tax Claim  
12 which, if allowed, would be entitled to priority under Section 507(a) of the Bankruptcy Code.

13           **"Priority Tax Claim"** means a Claim entitled to priority under Code  
14 section 507(a)(8).

15           **"Professionals"** means those persons or entities (a) employed in the Cases under  
16 Sections 327 or 1103 of the Bankruptcy Code, and (b) entitled, under Sections 330, 503(b), 506(b),  
17 or 507(a)(1) of the Bankruptcy Code, to seek compensation for legal, accounting or other  
18 professional services and the costs and expenses related to such services from the Debtors or the  
19 Estates.

20           **"Pro Rata"** means proportionately so that the ratio of the amount of consideration  
21 distributed on account of a particular Allowed Claim to the amount of the Allowed Claim is the  
22 same as the ratio of the amount of consideration distributed on account of all Allowed Claims of the  
23 Class in which the particular Allowed Claim is included to the aggregate amount of all Allowed  
24 Claims of that Class.

25           **"Reinstated"** means that, at the option of the Debtors, (i) the legal, equitable, and  
26 contractual rights to which a Holder of a Claim or Interest is entitled shall be left unaltered, so that  
27 such Claim or Interest shall be left unimpaired in accordance with section 1124 of the Code, or  
28 (ii) notwithstanding any contractual provision or applicable law that entitles the Holder of such

1 Claim or Interest to demand or receive accelerated payment of such Claim or Interest after the  
2 occurrence of a default: (a) any such default that occurred before or after the Petition Date, other  
3 than a default of a kind specified in section 365(b)(2) of the Code, shall be cured and, in connection  
4 with such cure, past due interest shall be paid at the non-default contract rate; (b) the maturity of  
5 such Claim or Interest such be reinstated as such maturity existed before such default; (c) the Holder  
6 of such Claim or Interest shall be compensated for any damages incurred as a result of any  
7 reasonable reliance by such Holder on such contractual provision or such applicable law; and (d) the  
8 legal, equitable, or contractual rights to which such Claim or Interest entitles the Holder of such  
9 Claim or Interest shall not otherwise be altered.

10 **"Reorganization Counsel"** means Stutman, Treister & Glatt Professional  
11 Corporation or its successors.

12 **"Reorganized Debtor"** means Kushner Locke LLC, a newly formed California  
13 limited liability company: (a) to which Kushner Locke shall assign its assets and certain of its  
14 liabilities and (b) into which the remaining Debtors shall either merge or to which the remaining  
15 Debtors shall assign all of their assets pursuant to Article VI of this Plan, on and after the Effective  
16 Date.

17 **"Reorganized Debtor's Operating Agreement"** shall have the meaning given to  
18 such term in Article VI.C of this Plan, which document shall be Filed at least ten days prior to the  
19 Hearing to approve the Disclosure Statement.

20 **"Reserved Recovery Rights"** means any and all manner of causes of action, claims,  
21 obligations, suits, debts, judgments, demands, rights of offset or recoupment, damages (actual,  
22 compensatory or punitive), or affirmative defenses, whatsoever, whether in law or in equity, held by  
23 the Estates, including but not limited to claims arising under or pursuant to Sections 502(d), 506, 541  
24 through 551, inclusive, and Sections 553 and 558, of the Bankruptcy Code, and all defenses to  
25 Claims.

26 **"Retained Non-Debtor Affiliates"** shall mean The Cracker Company, LLC, Denial  
27 Venture, KL7 Venture, Swing Venture, BLT Venture, Sensation Venture, TN Productions, Inc.,  
28 Grey Productions, Inc., and A.P.P. Films, Ltd.

1           **"Scheduled"** means set forth on the Schedules.

2           **"Schedules"** means the "Schedules of Assets and Liabilities" and the "Statement of  
3 Financial Affairs" Filed by the Debtors, as the same have been or may be amended from time to  
4 time.

5           **"Secured Claim"** means any Claim, including interest, fees, costs, and charges to the  
6 extent allowable pursuant to Code section 506(b) and this Plan, that is secured by a valid and  
7 unavoidable lien on property in which the Estates have an interest, or that is subject to recoupment or  
8 setoff under Code section 553, to the extent of the value of the claimholder's interest in the Estates'  
9 interest in such property, or to the extent of the amount subject to recoupment or setoff, as  
10 applicable, as determined under Code sections 506, 553, and/or 1129(b)(2)(A)(i)(II), as applicable.

11           **"Secured Lenders' Claims"** means the Claims of the Lenders, pursuant to the Credit  
12 Agreement, which Claims shall be deemed Allowed Claims in the aggregate amount of  
13 \$76,121,267.24 (exclusive of post-petition interest, fees, attorneys' fees, costs, expenses and other  
14 amounts). The Secured Lenders' Claims are duly perfected by a first priority lien on all of the  
15 Debtors' prepetition and postpetition assets, with the exception of the property upon which the  
16 Guilds possess senior-in-time liens. At the date hereof, the Secured Lenders' Claims are held by the  
17 Lenders in the following percentages:

<b><u>Lender</u></b>	<b><u>%</u></b>
JPMorgan Chase	51.47
NIB	22.06
Comerica	19.12
Far East	7.35
<b>TOTAL</b>	<b>100%</b>

23           **"Secured Tax Claim"** means any Claim of a governmental unit for taxes which, by  
24 operation of applicable non-bankruptcy law, is a Secured Claim.

25           **"Subordinated Debt Claim"** means a Claim against the Debtors arising under or in  
26 connection with (i) the Indenture, dated as of December 1, 1990, between Kushner Locke and  
27 National City Bank of Minneapolis, as Trustee, as such Indenture may have been amended or  
28

1 modified, and the \$6,000,000 of 13-3/4% Convertible Subordinated Debentures Due 2000, Series B  
2 issued by Kushner Locke thereunder (the "13-3/4% Notes"), or (ii) the Fiscal Agency Agreement,  
3 dated as of March 10, 1994 among Kushner Locke and Bankamerica National Trust Company, as  
4 Fiscal Agent, and Bank of America National Trust & Savings Association, as such Fiscal Agency  
5 Agreement may have been amended or modified, and the \$27,500,000 of 8% Convertible  
6 Subordinated Debentures Due 2000 (the "8% Notes"), issued by Kushner Locke thereunder  
7 (collectively, the "**Subordinated Debt Documents**").

8 "**Tax Claim**" means a Claim entitled to priority under Section 507(a)(8) of the  
9 Bankruptcy Code.

10 "**Unclaimed Property**" means any funds, checks and any other property which have  
11 been returned as undeliverable without a proper forwarding address, or which were not mailed or  
12 delivered because of the absence of a proper address to which to mail or deliver such property.

13 "**Union Entity Assumption Agreements**" means assumption agreements in the  
14 standard form prescribed by each applicable collective bargaining agreement with a Union Entity,  
15 governing the terms and conditions of employment in connection with a Covered Picture, subject to  
16 the changes agreed to by the Reorganized Debtor and the applicable Union Entity pursuant to  
17 provisions of Article V.A hereof, all in form and content satisfactory to the Agent and the Union  
18 Entities.

19 "**Union Entities**" means The Screen Actors Guild, Inc., Directors Guild of America,  
20 Inc., Writers Guild of America, West, Inc., Screen Actors Guild—Producers Pension & Health  
21 Plans, Directors Guild Of America, Inc.—Producers Pension And Health Plans, Writers Guild  
22 Pension Plan And Industry Health Fund, Motion Picture Industry Pension & Health Plans, and the  
23 Film Musicians Secondary Markets Fund.

24 "**Union Entity Residuals**" means all residuals and pension, health and benefit  
25 contributions payable by a Debtor under a collective bargaining agreement with a Union Entity,  
26 governing the terms and conditions of employment in connection with a Covered Picture.

27 "**Units**" shall have the meaning given to such term in Article VI.C.1 of this Plan.

28 "**U.S. Trustee**" means the Office of the United States Trustee.

**B. Interpretation, Rules Of Construction, Computation Of Time.**

1. Any term used in this Plan that is not a Defined Term, either in this Article II (Definitions) or elsewhere, but that is used in the Bankruptcy Code or the Bankruptcy Rules has the meaning assigned to that term in (and shall be construed in accordance with the rules of construction under) the Bankruptcy Code or the Bankruptcy Rules.

2. The words "herein," "hereof," "hereto," "hereunder" and others of similar import refer to this Plan as a whole and not to any particular Article, Section, Subsection or clause contained in this Plan.

3. Unless specified otherwise in a particular reference, a reference in this Plan to an Article or a Section is a reference to that Article or Section of this Plan.

4. Any reference in this Plan to a document being in a particular form means that the document shall be in substantially such form.

5. Any reference in this Plan to an existing document means such document, as it may have been amended, modified or supplemented from time to time.

6. A reference to, or use of, a definition from another document shall not effect the assumption of any executory contract, nor is the reference to or use of the definition subject to whether such document is still in effect or is subject to breach, default, or rejection.

7. Whenever from the context it is appropriate, each term stated in either the singular or the plural shall include both the singular and the plural.

8. Wherever the terms of the Confirmation Order or this Plan contain a specific clause regarding a particular provision, such specific clause shall control over any general provision; provided, however, that the whole of each of the Confirmation Order and this Plan shall be taken together to give effect to every part thereof, if reasonably practicable. To the extent any discrepancy exists between any provision contained in the Confirmation Order, this Plan, the Plan Documents, or the Disclosure Statement, the following order of priority shall apply: first, the Confirmation Order; second, this Plan; and third, the Plan Documents; the Disclosure Statement shall not be the controlling document under any circumstances.

9. In addition to the foregoing, the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply.

10. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply. If any act under this Plan is required to be made or performed on a date that is not a Business Day, then the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

11. All exhibits and annexes to this Plan are incorporated into this Plan, regardless of when they are Filed.

### III.

## **DESIGNATION AND TREATMENT OF CLASSES OF CLAIMS AND INTERESTS**

As required by the Bankruptcy Code, this Plan classifies Claims and Interests in various Classes according to their right to priority of payments as provided in the Bankruptcy Code. This Plan states whether each Class of Claims or Interests is impaired or unimpaired. This Plan provides the treatment each Class will receive under this Plan.

### A. Unclassified Claims.

## **1. Administrative Claims And Administrative Tax Claims.**

**a. General.**

Subject to Article III.A.1.b and III.A.3, as soon as practicable after the later of:

(a) the Effective Date; and (b) the date on which such Claim becomes an Allowed Administrative Claim or Allowed Administrative Tax Claim, the Reorganized Debtor shall pay to each Holder of such Allowed Administrative Claim or Allowed Administrative Tax Claim, on account of and in full satisfaction of such Allowed Administrative Claim or Allowed Administrative Tax Claim, Cash equal to the amount of such Allowed Administrative Claim or Allowed Administrative Tax Claim, unless the Holder agrees to other treatment of such Claim. Except as to Administrative Claims subject to a Final Fee Application, an Administrative Claim shall be an Allowed Administrative Claim on the last date to timely File an objection to such Claim in the amount set forth in the request

1 for payment, if no objection is timely Filed, or if an objection is timely Filed, on the date that such  
2 objection is resolved by Final Order, and in the amount determined by Final Order.

3 **b. Bar Dates.**

4 **(i) General Provisions.**

5 Except as previously ordered by the Bankruptcy Court, requests for payment of  
6 Administrative Claims that were incurred on or after the Petition Date but on or before the Effective  
7 Date, other than Administrative Tax Claims as provided in Article III.A.1.b(iii), and Claims that are  
8 the subject of Final Fee Applications as provided in Article III.A.1.b(ii), must be Filed no later than  
9 30 days after the mailing of the Notice of Effective Date. Any objection to a request for payment of  
10 an Administrative Claim must be Filed by the applicable objection deadline provided under Article  
11 VII.B.1.

12 Holders of Administrative Claims (including Professional Persons requesting  
13 compensation or reimbursement of expenses) that are required to File a request for payment of an  
14 Administrative Claim or Final Fee Application, and that do not File such a request or Final Fee  
15 Application by the applicable bar date, shall be forever barred from asserting such Claims against the  
16 Debtors, the Committee, the Reorganized Debtor, any of their respective properties and any of their  
17 current or former employees, officers, members, directors, agents, or representatives, any  
18 Professional Persons employed by any of them, or recipients of distributions from the Estates in  
19 respect of Allowed Claims, including Allowed Administrative Claims.

20 Notwithstanding the Administrative Bar Date, or any other provision of this Plan, the  
21 Reorganized Debtor shall pay in full in Cash any obligations under an Administrative Transaction  
22 that has not been breached, terminated, or fully performed as of the Effective Date, including any  
23 Administrative Claim for salary, wages, benefits, or expense reimbursements to an employee of the  
24 Debtors, regardless of whether a request for payment has been Filed, when and as such Claim  
25 becomes due and owing in the normal course of business, and shall pay in full in Cash all Union  
26 Entity Residuals arising on or after the Petition Date but on or before the Effective Date, and each  
27 Union Entity will be provided with reports concerning all cash receipts from the exploitation of  
28 Covered Pictures and the media and territory in which such Covered Pictures were exploited by the

1 Debtors from the Petition Date through the Effective Date and an adequate opportunity to review the  
2 Debtors' books and records concerning such exploitation. In the event the Debtors and a Union  
3 Entity cannot agree on quantification of applicable Union Entity Residuals after provision of reports  
4 and an audit window, the Debtors will provide each such Union Entity with notice of an  
5 Administrative Claims bar date running for 90 days from the mailing of such notice, and the  
6 provisions of Article III.A.1(a) shall apply.

7 **(ii) Professional Persons.**

8 All Professional Persons or other Persons requesting compensation or reimbursement  
9 of expenses under Code sections 327, 328, 330, 331, 503(b)(2), and/or 1103 for services rendered  
10 before the Effective Date, shall File an application for final allowance of compensation and  
11 reimbursement of expenses incurred from the Petition Date through the Effective Date ("Final Fee  
12 Application") no later than 30 days after the Effective Date, or such other date ordered by the  
13 Bankruptcy Court after notice and a hearing on an application to extend such deadline Filed by a  
14 Professional Person. The Reorganized Debtor shall prepare an appropriate notice of the hearing on  
15 all timely Filed Final Fee Applications, with which it has been served, and obtain from the  
16 Bankruptcy Court a hearing date for such Final Fee Applications, and a date on which all objections  
17 to Final Fee Applications must be Filed. Notice of such Final Fee Applications, the hearing date,  
18 and the last date to object shall be Filed and also served by the Reorganized Debtor on the Persons  
19 on the All Notices List and all Professional Persons who timely File Final Fee Applications.  
20 Administrative Claims subject to a Final Fee Application shall be Allowed Administrative Claims  
21 only in the amount approved by Final Order of the Bankruptcy Court.

22 Any reasonable fees and expenses incurred by Professional Persons after the  
23 Effective Date, shall be paid by the Reorganized Debtor without further notice or any need for a  
24 hearing or approval order of the Bankruptcy Court.

25 **(iii) Administrative Tax Claims.**

26 Administrative Tax Claims shall be Allowed Administrative Tax Claims only if:  
27 (a) within the later of: (i) 30 days after the Effective Date; and (ii) 120 days after the filing of the tax  
28



1 return for such taxes, the Holder of such Claim Files a motion requesting payment of such  
2 Administrative Tax Claim; and (b) such Claim is allowed by Final Order.

3 **2. Priority Tax Claims.**

4 Except as otherwise agreed to by the Debtors or the Reorganized Debtor and the  
5 applicable taxing authority, the Reorganized Debtor shall pay to each Holder of an Allowed Priority  
6 Tax Claim deferred Cash payments, over a period not exceeding six years from the date of  
7 assessment of such Allowed Priority Tax Claim, in an aggregate amount equal to the amount of such  
8 Allowed Priority Tax Claim, plus interest from the Effective Date on the unpaid portion of such  
9 Allowed Priority Tax Claim (without penalty of any kind) at the rate prescribed below. The  
10 payment of each such Allowed Priority Tax Claim shall be made in equal quarterly installments with  
11 the first installment due on the latest of: (i) the Effective Date, (ii) 30 calendar days after the date on  
12 which an order allowing such Allowed Priority Tax Claim becomes a final order, and (iii) such other  
13 date or time as may be agreed to by the Holder of such Allowed Priority Tax Claim and the Debtors  
14 or the Reorganized Debtor. Each installment shall include simple, fixed interest accruing on and  
15 after the Effective Date on the unpaid portion of such Allowed Priority Tax Claim, without penalty  
16 of any kind, at the rate of interest in effect on the Effective Date under Internal Revenue Code  
17 section 6621(a)(2) with respect to underpaid taxes; provided, however, that the Reorganized Debtor  
18 shall have the right from time to time to pay any Priority Tax Claim, or any remaining balance of  
19 such Claim, in part or in full on or after the Effective Date, without premium or penalty of any kind.

20 **3. Prior Bar Dates.**

21 Nothing in Article III.A shall constitute a waiver of any applicable bar date or  
22 deadline for seeking payment of Administrative Claims, Administrative Tax Claims, Priority Tax  
23 Claims, or any other Claims. Any Holder of any Administrative Claims that is required to File a  
24 request for payment of such Administrative Claim and does not File and properly serve such a  
25 request by the applicable bar date shall be forever barred from asserting any such Administrative  
26 Claims against the Debtors, the Reorganized Debtor, their estates, or their property.  
27  
28

**B. Classified Claims And Interests.**

**1. Class 1 -- Secured Lenders' Claims.**

Class 1 consists of the Secured Lenders' Claims. The Agent, on behalf of each Holder of Class 1 Claims will receive, on the fifth Business Day following the Effective Date: (i) to the extent not previously delivered to the Agent or disposed of and the proceeds thereof delivered to the Agent, 100% of the First Advantage Stock, (ii) 100% of the Class A Units of the Reorganized Debtor, and (iii) the Amended and Restated Debt. Such distribution shall be in full and complete satisfaction of all of the Secured Lenders' claims. Thereafter, the Holders of Class 1 Claims shall receive distributions and allocations on account of such Class A Units of the Reorganized Debtor in accordance with the terms and conditions of the Reorganized Debtor's Operating Agreement and on the Amended and Restated Debt in accordance with the terms and conditions of the Amended and Restated Credit Agreement.

Class 1 is impaired under this Plan and Holders of Class 1 Claims are entitled to vote to accept or reject this Plan.

**2. Class 1A—Secured Claims of the Guilds**

Class 1A consists of the secured claims of the DGA, SAG and WGA. Bush, Quinonez, Gottlieb, Singer, Lopez, Kohanski, Adelstein & Dickinson ("Guild Agent"), as agent for the Holders of Class 1A Claims, will receive, on the Effective Date, cash in the amount of \$175,000 on account of the Guilds' Class 1A prepetition claims.

Class 1A is impaired under this Plan and Holders of Class 1A Claims are entitled to vote to accept or reject this Plan.

**3. Class 2 – Other Secured Claims.**

Class 2 consists of Allowed Other Secured Claims. Unless each of the Holders of such Allowed Class 2 Claims and the Debtors agree to a different treatment, each Allowed Class 2 Claim shall be Reinstated. Class 2 is unimpaired under this Plan and Holders of Class 2 Claims are not entitled to vote to accept or reject this Plan.

1           **4.     Class 3 – Other Priority Claims.**

2           Class 3 consists of Allowed Other Priority Claims. Each Holder of a Class 3 Claim  
3 shall receive payment in Cash equal to the full amount of the Holder's Class 3 Claim as soon as  
4 practicable after the later of: (x) the Effective Date; and (y) the date a Final Order of the Bankruptcy  
5 Court is Entered allowing the Priority Claim, unless a particular claimant agrees to a different  
6 treatment.

7           Class 3 is unimpaired under this Plan and Holders of Class 3 Claims are not entitled  
8 to vote to accept or reject this Plan.

9           **5.     Class 4 – Convenience Class of General Unsecured Claims.**

10          Class 4 consists of Allowed General Unsecured Claims in the amount of \$10,000 or  
11 less, and of Allowed General Unsecured Claims in excess of \$10,000 held by Holders who agree to  
12 accept a payment of not more than \$2,500 in full and final satisfaction of their Allowed General  
13 Unsecured Claims by executing the election at the space provided in the Ballot, as provided in this  
14 Paragraph 4. Under this Plan, Holders of Allowed Class 4 Claims in the amount of \$10,000 or less,  
15 shall receive payment of 25% of the full amount of their Allowed General Unsecured Claims,  
16 without interest, on or within 30 days from the Effective Date. Holders of Allowed General  
17 Unsecured Claims in excess of \$10,000 who are willing to accept a payment of \$2,500 in full and  
18 final satisfaction of their Allowed General Unsecured Claims, shall receive payment in such amount,  
19 without interest, on or within 30 days from the Effective Date, in full satisfaction of their Allowed  
20 General Unsecured Claims.

21          Class 4 is impaired under this Plan and Holders of Class 4 Claims are entitled to vote  
22 to accept or reject this Plan.

23          **6.     Class 5 -- General Unsecured Claims.**

24          Class 5 is comprised of Allowed General Unsecured Claims, other than Class 4  
25 Claims.

26          Each Holder of an Allowed Class 5 Claim will receive on the fifth Business Day  
27 following the Effective Date its Pro Rata Share of the Class B Units of the Reorganized Debtor.  
28 Such distribution shall be in full and complete satisfaction of each Allowed Class 5 Claim.

1 Thereafter, the Holders of Class 5 Claims shall receive distributions and allocations on account of  
2 such Class B Units of the Reorganized Debtor in accordance with the Reorganized Debtor's  
3 Operating Agreement.

4 Class 5 is impaired under this Plan and Holders of Class 5 Claims are entitled to vote  
5 to accept or reject this Plan.

6 **7. Class 6 -- Subordinated Debt Claims.**

7 Class 6 consists of Subordinated Debt Claims. The Holders of Class 6 Claims shall  
8 be deemed to receive interests in the Reorganized Debtor, in accordance with the subordination  
9 provision of the Subordinated Debt Documents; and those interests, in lieu of being delivered to the  
10 Holders of Class 6 Claims shall be deemed to be included with the interests of the Reorganized  
11 Debtor that shall be distributed to the beneficiaries of said subordination, the Holders of Class 1  
12 Claims, in accordance with Article III.B.1 of this Plan. Thus, Holders of Class 6 Claims shall not  
13 receive or retain any distributions under this Plan on account of their Class 6 Claims because the  
14 contractual subordination provisions that apply to these Claims will be enforced.

15 Class 6 is impaired under this Plan and Holders of Class 6 Claims are deemed to have  
16 rejected this Plan.

17 **8. Class 7 -- Kushner Locke Interests Holders.**

18 Class 7 consists of Interests in the Debtors, or any of them. On the Effective Date,  
19 the Class 7 Kushner Locke Interests shall be cancelled and the Holders of Allowed Class 7 Kushner  
20 Locke Interests shall not receive or retain any distributions under this Plan on account of their  
21 Interests.

22 Class 7 is impaired under this Plan and Holders of Class 7 Interests are deemed to  
23 have rejected this Plan.

24 **IV.**

25 **TREATMENT OF NON-CONSENTING CLASSES**

26 The Plan Proponents will seek Plan Confirmation pursuant to the provisions of  
27 Bankruptcy Code Section 1129(b), with respect to each Class that is deemed to have rejected or fails  
28 to accept this Plan.

V.

**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Treatment of Union Entity Claims and Interests Related to Covered Pictures**

Claims and interests of each Union Entity in connection with Covered Pictures are provided for as follows:

1. On or before the fifth Business Day after the Effective Date, the Reorganized Debtors shall execute and deliver Union Entity Assumption Agreements by which, among other things, the Reorganized Debtor agrees, for the benefit of each applicable Union Entity in connection with the Covered Pictures applicable thereto, to pay Union Entity Residuals with respect to the Covered Pictures that accrue upon or after the Effective Date, to observe all other assumed obligations that accrue after the Effective Date pursuant to each such Union Entity Assumption Agreement, and to obtain a corresponding assumption agreement from any subsequent transferee of all or substantially all of the Reorganized Debtor's interests in any such Covered Picture. In addition, on or before the fifth Business Day after the Effective Date, the Reorganized Debtor and the applicable Union Entity shall enter into an agreement(s), in form and substance satisfactory to the Agent, pursuant to which such Union Entity shall identify the collective bargaining agreement(s) applicable to each Covered Picture (and include copies of such agreements), identify Guild Liens for each Covered Picture, provide all available information which the Reorganized Debtor is to use in order to calculate and effectuate payment to the applicable Union Entity with respect to each Covered Picture (including, without limitation, formulas and applicable exploitation thresholds for the calculation of residuals or other applicable benchmarks for the purpose of calculating applicable residuals and payroll records necessary to allocate residuals among and to pay residuals to Guild members), and provide for special provisions, if any, applicable to payments in connection with any specific Covered Picture. In connection with any unproduced written materials transferred to the Reorganized Debtor that are subject to a WGA collective bargaining agreement, the Reorganized Debtor shall execute a standard-form WGA Literary Material Assumption Agreement.

2. All right, title, and interest of the Debtors in each Covered Picture transferred to the Reorganized Debtor in accordance with Article VI.C.3 shall be transferred subject to the Guild

1 Liens on such Covered Picture that were duly perfected as of the Petition Date and such liens shall  
2 remain in full force and effect, and shall secure the Reorganized Debtor's post-Effective Date  
3 performance of all obligations under the applicable Union Entity Assumption Agreement with  
4 respect to such Covered Picture only, i.e., the Reorganized Debtor's obligations under any Union  
5 Entity Assumption Agreement shall not be cross-collateralized such that the Guild Lien on one  
6 Covered Picture shall not secure the Reorganized Debtor's obligations under a Union Entity  
7 Assumption Agreement as to any other Covered Picture.

8           3. All Union Entity Residuals that arose between the Petition Date and the  
9 Effective Date shall be allowed and paid as Administrative Claims, subject to credit given for  
10 previous overpayments.

11           4. All Union Entity Residuals that arose prior to the Petition Date shall be  
12 allowed and paid as Class 5 Claims hereunder, except for all such claims covered by Guild Liens  
13 senior to Agent liens, which shall be treated as Class 1A Claims hereunder.

14 **B. Executory Contracts and Unexpired Leases**

15           The List of Rejected Contracts and the List of Assumed Contracts identify each  
16 executory contract and unexpired lease of which the Debtors are aware, other than contracts with the  
17 Union Entities. Any contract not included in either the List of Rejected Contracts or the List of  
18 Assumed Executory Contracts is not an executory contract and any Claim arising under such  
19 contract is a prepetition Claim subject to, among other things, the provisions of this Plan and the  
20 Claims Bar Date. In the event that any party believes that it is a party to an executory contract or  
21 unexpired lease that is not listed on either the List of Rejected Contracts or the List of Assumed  
22 Executory Contracts, such party must file a timely objection to this Plan on or by the deadline set for  
23 filing objections to Confirmation of this Plan, or such party will be barred from later contending that  
24 it is a party to an executory contract or unexpired lease with the Debtors, or any of them. The  
25 Debtors reserve all of their rights under section 365 of the Bankruptcy Code with respect to any such  
26 contract or lease which is determined, pursuant to a Final Order, to be an executory contract,  
27 governed by Bankruptcy Code section 365 and will amend this Plan to specify the treatment of such  
28 contract in accordance with Bankruptcy Code section 1123(b)(2).

1 **C. Rejected Contracts and Leases.**

2 **1. Rejection of Contracts on List of Rejected Contracts**

3 Each executory contract and unexpired lease set forth on the List of Rejected  
4 Contracts shall be deemed rejected as of the Effective Date by the applicable Debtor. The  
5 Confirmation Order shall constitute an order of the Bankruptcy Court approving such deemed  
6 rejection by the applicable Debtor as of the Effective Date. If an executory contract previously has  
7 been rejected, or is hereby rejected, under which a Debtor is a licensor of intellectual property (as  
8 defined in Code section 101(35A)), the licensee under such contract shall retain and may exercise its  
9 rights and remedies under Code section 365(n) by Filing a notice of its election to do so, and serving  
10 each of the Plan Proponents with copy of that notice, at any time prior to the commencement of the  
11 Confirmation Hearing. Any licensee of intellectual property as defined in Code section 101(35A)  
12 that fails to timely provide the foregoing notice within thirty (30) days after Confirmation of the Plan  
13 shall be deemed to have elected to decline to exercise its rights pursuant to Code section 365(n).  
14 Nothing in this Plan, or any Exhibits to this Plan, shall constitute an admission by the Debtors, the  
15 Estates or the Reorganized Debtor that any Debtor is a licensor of intellectual property, or that Code  
16 sections 101(35A) or 365(n) apply to any such contract.

17 **2. Objections To Rejection.**

18 Any party in interest wishing to object to the rejection of an executory contract or  
19 unexpired lease identified for rejection, as provided under this Plan, shall File and serve on the  
20 parties listed in Article IX.K hereof, any objection by the same deadline and in the same manner  
21 established for filing objections to Confirmation, unless the executory contract or unexpired lease is  
22 the subject of an amendment to Exhibit "A", in which case the deadline is the date that is the earlier  
23 of: (a) 20 days after the date of such amendment; or (b) the day that is five days before the  
24 Confirmation Hearing. Failure to File and serve any such objection by the applicable deadline shall  
25 constitute consent to the rejection.

26 **3. Rejection Damages Bar Date.**

27 Any Claim by any party to an executory contract or unexpired lease rejected  
28 hereunder, shall be classified as a Class 4 Claim or Class 5 Claim, depending on the actual amount

1 of such Allowed Claim (or deemed amount, in the event that such claim exceeds \$10,000 and the  
2 holder of such claim elects to accept a payment of \$2,500 on account of such claim as provided in  
3 Article III.B.4); provided, however, that: (a) any Claim arising from rejection of an executory  
4 contract or unexpired lease which has not been barred by a prior order of the Bankruptcy Court shall  
5 be forever barred and shall not be enforceable against any Debtor or the Reorganized Debtor or the  
6 properties of any of them unless a proof of Claim is Filed within 30 days after the mailing of the  
7 Notice of Effective Date; and (b) nothing in Article V.A or B shall constitute a waiver of the Claims  
8 Bar Date, if applicable.

9 **D. Assumed Contracts and Leases.**

10 **1. Assumption of Contracts on List of Assumed Executory Contracts**

11 Each executory contract or unexpired lease set forth on the List of Assumed  
12 Executory Contracts shall be deemed automatically assumed pursuant to this Plan by the applicable  
13 Debtor as of the Effective Date and assigned, by merger or otherwise, to the Reorganized Debtor.

14 Each executory contract or unexpired lease that is assumed under this Plan and relates  
15 to the use, ability to acquire or occupancy of real property shall include (a) all modifications,  
16 amendments, supplements, restatements or other agreements made directly or indirectly by any  
17 agreement, instrument or other document that in any manner affect such executory contract or  
18 unexpired lease and (b) all executory contract or unexpired lease appurtenant to the premises,  
19 including all easements, licenses, permits, rights, privileges, immunities, options, rights of first  
20 refusal, powers, uses, reciprocal easement agreements and any other interests in real estate or rights  
21 in rem related to such premises, unless any of the foregoing agreements has been rejected pursuant  
22 to a Final Order of the Bankruptcy Court or is otherwise rejected as part of this Plan.

23 **2. Objections To Assumption Or Assumption And Assignment.**

24 Any party in interest wishing to object to the assumption or assumption and  
25 assignment of an executory contract or unexpired lease, or the encumbrance of such assumed or  
26 assumed and assigned executory contract or unexpired lease, shall File and serve on the parties listed  
27 in Article IX.K hereof, any objection to such assumption or assumption and assignment and/or  
28 encumbrance by the same deadline and in the same manner established for filing objections to



1 Confirmation, unless the assumption, assumption and assignment or encumbrance of such executory  
2 contract or unexpired leases is the subject of an amendment to Exhibit "B" (other than an  
3 amendment made pursuant to Article V.B), in which case the deadline is the date that is the earlier  
4 of: (a) 20 days after the date of such amendment; or (b) five days before the Confirmation Hearing.  
5 Failure to File and serve any such objection by the applicable deadline shall constitute consent to the  
6 assumption or assumption and assignment, consent to the encumbrance of such assumed or assumed  
7 and assigned executory contract or unexpired leases, an acknowledgment that there are no defaults  
8 or cure amounts due under the executory contract or unexpired lease identified for assumption or  
9 assumption and assignment, except as set forth in Exhibit "B", and that adequate assurance of future  
10 performance in connection with the proposed assumption or assumption and assignment has been  
11 provided.

12 If an objection to assumption or assumption and assignment of an executory contract  
13 or unexpired lease is timely Filed and: (a) a Final Order is entered determining that the executory  
14 contract or unexpired lease cannot be assumed or assigned; or (b) if the Debtors (before the Effective  
15 Date) or the Reorganized Debtor (after the Effective Date) give notice to the other party to such  
16 executory contract or unexpired lease stating that assumption of such contract or lease is not in the  
17 best interests of the Estates or the Reorganized Debtor in light of the objection, then the contract or  
18 lease shall automatically thereupon be deemed to have been included on Exhibit "A", and rejected  
19 pursuant to Article V.C hereof.

20 If the rejection of an executory contract or unexpired lease pursuant to Article V.D.2  
21 gives rise to an Allowed Claim, such Claim shall be classified in Class 4 or Class 5; provided,  
22 however, that any Claim arising from such rejection which has not been barred by a prior order of  
23 the Bankruptcy Court shall be forever barred and shall not be enforceable unless a proof of Claim is  
24 Filed within 30 days after the mailing of notice referred to in Article V.E below.

25 Nothing in Article V.D.2 shall constitute a waiver of any other applicable bar date.

26 **3. Payments Related to Assumption of Executory Contracts.**

27 Any monetary amounts due to Cure any defaults under any executory contracts to be  
28 assumed under this Plan as set forth in Exhibit "B," or, in the event of an objection to such Cure

1 amount, in the amount agreed between the parties or as ordered by the Bankruptcy Court, shall be  
2 paid on or as soon as practicable after the Effective Date by the Reorganized Debtor. Objections, if  
3 any, to a Cure amount set forth on Exhibit "B" shall be filed by the non-debtor party to the executory  
4 contract or unexpired lease with the Bankruptcy Court on or before the last date by which votes to  
5 accept or reject this Plan must be submitted, or if notified of the assumption after such date, within  
6 ten (10) days of such notice. If a non-debtor party to any such executory contract or unexpired lease  
7 does not file an objection on or before such applicable date, such non-debtor party shall be deemed  
8 to accept such Cure amount. In the event of a dispute regarding (a) the nature or the amount of any  
9 Cure, (b) the ability of the Reorganized Debtor or any assignee to provide "adequate assurance of  
10 future performance" (within the meaning of Section 365 of the Code) under the executory contract or  
11 unexpired lease to be assumed or (c) any other matter pertaining to assumption, or assumption and  
12 assignment, such dispute will be determined by the Bankruptcy Court, or as the parties may  
13 otherwise agree.

14 In the event that a Debtor which is a party to an executory contract or unexpired lease  
15 is merged into the Reorganized Debtor pursuant to this Plan, upon assumption as contemplated  
16 herein, the Reorganized Debtor, as the surviving entity after such merger, shall be the party to such  
17 executory contract or unexpired lease in place of such Debtor.

18 **E. Miscellaneous.**

19 The Debtors reserve the right to file a motion on or before the Confirmation Date to  
20 assume or reject any executory contract or unexpired lease.

21 Notwithstanding any other provision of this Plan, each of the Debtors shall retain the  
22 right, at any time through the date that is ten days prior to the Confirmation Hearing, to modify or  
23 supplement Exhibit "A" and Exhibit "B", including, without limitation, the right to add any  
24 executory contract or unexpired lease to, or delete any executory contract or unexpired lease from,  
25 Exhibit "A" or Exhibit "B". The Debtors shall promptly File and provide notice of any amendment,  
26 modification or supplement to Exhibit "A" or Exhibit "B" to the Agent and the affected non-debtor  
27 party to the executory contract or unexpired lease.  
28

Listing an executory contract or unexpired lease on Exhibit "A" or Exhibit "B" shall not, prior to the Confirmation Date, constitute an admission by any of the Debtors or the Reorganized Debtor that such contract or lease (including any related agreements that may exist) is an executory contract or unexpired lease or that the applicable Debtor or Reorganized Debtor has any liability thereunder.

**F. Post-Petition Contracts and Leases.**

All rights under Administrative Transactions that have not been breached, terminated, or fully performed in accordance with their terms on or before the Effective Date, shall remain in full force and effect for the benefit of and as against the Estates. Any requests for the payment of Claims arising under any Administrative Transaction that has been breached, terminated, or fully performed as of the Effective Date shall be Filed within the time period established in Article III.A for the Filing of Administrative Claims.

All contracts, agreements and leases entered into, or assumed by, the Debtors after the Petition Date shall be deemed assigned by the Debtors to the Reorganized Debtor on the Effective Date.

**VI.**

**MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

**A. Source of Payments.**

All payments required to be made under this Plan shall be made from the Reorganized Debtor's Cash on hand as of the Effective Date, as well as Cash generated from the Reorganized Debtor's operations and liquidation of assets following the Effective Date, including, without limitation, the liquidation of Reserved Recovery Rights.

**B. Substantive Consolidation.**

By order dated September 22, 2006, the Bankruptcy Court approved the substantive consolidation of the Estates. Accordingly, on and as of October 2, 2006, the Estates were substantively consolidated and, as a consequence, (i) all Intercompany Claims have been contributed to the capital of, or distributed as a dividend to, the obligor, or cancelled, and no distributions shall be made on account thereof; (ii) all guarantees of any of the Debtors of the

1 payment performance or collection of obligations of any of the other Debtors have been eliminated  
2 and canceled; (iii) any obligation of the Debtors and all guarantees thereof executed by one or more  
3 of the other Debtors are being treated as a single obligation and such obligations and guarantees shall  
4 be deemed a single Claim against the consolidated estate; (iv) all joint obligations of the Debtors,  
5 and all multiple Claims against such entities on account of such joint obligations, are being treated  
6 and allowed only as a single Claim against the consolidated estate; and (v) each Claim Filed shall be  
7 deemed (a) Filed against the consolidated estate, and (b) a single obligation of the consolidated  
8 estate, provided, however, that such substantive consolidation is not and may not be deemed to be or  
9 be construed as an admission against interest or a waiver in connection with any objection to any  
10 Claim. Further, on the Effective Date, all property of the Debtors (other than the assets identified as  
11 excluded in Article V.C.2 hereof), shall be transferred, by operation of law through merger or by  
12 assignment, to the Reorganized Debtor for the benefit of its creditors.

13 **C. The Reorganized Debtor's Structure And Operation.**

14 **1. Creation of the Reorganized Debtor.**

15 After the Confirmation Date, but before the Effective Date, Kushner Locke will  
16 organize the Reorganized Debtor by forming the entity, executing the Reorganized Debtor's  
17 Operating Agreement and contributing \$1,000 to the Reorganized Debtor in exchange for 100% of  
18 the Class A Units and 100% of the Class B Units, all having the terms set forth in the Reorganized  
19 Debtor's Operating Agreement and all to be distributed in accordance with the terms of the Plan.  
20 The Class A Units and the Class B Units are referred to herein as the "Units."

21 **2. Assignment of Kushner Locke Assets to the Reorganized Debtor.**

22 On the Effective Date, Kushner Locke shall assign to the Reorganized Debtor all of  
23 Kushner Locke's assets including, without limitation, all of the stock of the Debtors owned by  
24 Kushner Locke, the Interests in the Retained Non-Debtor Affiliates owned by Kushner Locke, all  
25 property subject to options granted to third parties, all litigation claims, all rights to acquire property,  
26 all executory contracts which have been assumed in accordance with Article V.D hereof, all post-  
27 petition contracts and leases referred to in Article V.F herein, and all Cash, but excluding the FIRST  
28 ADVANTAGE Stock (to the extent not previously delivered to the Agent or disposed of and the

1 proceeds delivered to the Agent), the Interests in the Reorganized Debtor owned by Kushner Locke,  
2 and any Interests in any Non-Debtor Affiliates other than the Retained Non-Debtor Affiliates. Such  
3 property shall be transferred to and vested in the Reorganized Debtor free and clear of all liens,  
4 claims and encumbrances, except for: (i) the liens securing the Amended and Restated Debt, (ii) the  
5 Guild Liens and (iii) any liens that were perfected on the Petition Date that secured any Class 2  
6 Claim.

7 **3. Liquidation of Remaining Debtors.**

8 The property of the Debtors, other than Kushner Locke, shall be transferred to and  
9 vested in Reorganized Debtor free and clear of all liens, claims and encumbrances, except for the  
10 liens securing the Amended and Restated Debt, the Guild Liens, and any liens that were perfected on  
11 the Petition Date that secured Allowed Class 2 Claims. Immediately following such mergers or  
12 transfers, the following entities shall be dissolved without further action under California law: KL  
13 PRODUCTIONS, INC., a California corporation; POST AND PRODUCTION SERVICES, INC., a  
14 California corporation; TWILIGHT ENTERTAINMENT, INC., a California corporation; KLF  
15 GUILD CO., a California corporation; KLTV GUILD CO., a California corporation; KUSHNER-  
16 LOCKE INTERNATIONAL, INC., a California corporation; KL INTERACTIVE MEDIA, INC., a  
17 California corporation; and DAYTON WAY PICTURES III, INC., a California corporation.  
18 Thereupon, in accordance with applicable law and this Plan, all Interests in any of the Debtors, other  
19 than Kushner Locke, shall be cancelled.

20 **4. Distribution of First Advantage Stock and the Reorganized Debtor's**  
21 **Membership Interests.**

22 On the fifth Business Day after the Effective Date, Kushner Locke shall assign to the  
23 Agent for the benefit of the Class 1 Claim Holders, for distribution on a Pro Rata basis to the Class 1  
24 Claim Holders: (a) all of the FIRST ADVANTAGE Stock owned by Kushner Locke, to the extent  
25 not previously delivered to the Agent or disposed of and the proceeds thereof having been delivered  
26 to the Agent and (b) all of Class A Units in the Reorganized Debtor. On the date that is the fifth  
27 Business Day after the Effective Date, Kushner Locke shall distribute Class B Units in the  
28 Reorganized Debtor on a Pro Rata basis to the holders of Allowed Class 5 Claims that are not Union

1 Entities, to the Film Musicians Secondary Market Fund, and to the Guild Agent, as agent for the  
2 remaining Class 5 Claim Holders that are Union Entities. The distributions of Units under this  
3 Article VI.C.4 shall be in full satisfaction of the Class 1 Claims and Allowed Class 5 Claims.  
4 Kushner Locke shall retain no interest in the Reorganized Debtor or any of the property transferred  
5 to the Reorganized Debtor. Immediately after such transfers, Kushner Locke shall be dissolved  
6 without further action under California law and all of Kushner-Locke's Interests in the Non-Debtor  
7 Affiliates other than the Retained Non-Debtor Affiliates shall be abandoned. Thereupon, all  
8 Interests in Kushner Locke shall be cancelled.

9           On the fifth Business Day after the Effective Date, the terms of \$2,000,000 of the  
10 Credit Agreement Debt that was assumed by the Reorganized Debtor and not discharged shall be  
11 amended and restated on the terms set forth in the form of the "Amended and Restated Credit  
12 Agreement", which shall evidence the "Amended and Restated Debt". All liens and security  
13 interests relating thereto shall remain in full force and effect with the same priority held immediately  
14 prior to the Petition Date pursuant to the terms and conditions of the Amended and Restated Credit  
15 Agreement, and the documents to be executed pursuant thereto in such form as the Reorganized  
16 Debtor and the Agent may mutually agree subject to Committee review and approval. Payments of  
17 principal and interest on the Amended and Restated Debt will reduce the amount otherwise available  
18 for distribution to the holders of Class A Units in accordance with the Reorganized Debtor's  
19 Operating Agreement.

20           Except for purposes of evidencing a right to distributions under this Plan or otherwise  
21 provided hereunder, on the sixth Business Day after the Effective Date, all the agreements and other  
22 documents evidencing the Claims or Interests, or rights of any Holder of a Claim or Interest, against  
23 the Debtors, including the Old KLC Common Stock, all indentures and notes evidencing such  
24 Claims or Interests and any options or warrants to purchase Interests, obligating the Debtors to issue,  
25 transfer, or sell Interests or any capital stock of the Debtors, shall be deemed cancelled without the  
26 need for further act or deed to effectuate the same.

1           **5. Management of the Reorganized Debtor.**

2           The overall management and control of the Reorganized Debtor shall be vested in one  
3 Manager appointed by the Holders of at least 70% of the outstanding Class A Units (the  
4 "Supermajority of Class A Units"). The Manager's authority is subject to the right of the  
5 Supermajority of Class A Units to approve certain actions and subject to the right of the Holders of  
6 at least a majority of the outstanding Class B Units to approve certain fundamental changes, as  
7 provided in the Reorganized Debtor's Operating Agreement. The Manager shall serve until the  
8 Manager resigns or is removed by a Supermajority of Class A Interests, subject to the provisions of  
9 any employment agreement with the Manager approved by a Supermajority of Class A Interests.  
10 Initially, the Manager shall be Alice P. Neuhauser. The Manager shall function as the chief  
11 executive officer of the Reorganized Debtor, and may appoint officers, who shall act at the direction  
12 of the Manager. Officers shall have such powers and duties as may be specified by, or in accordance  
13 with, resolutions adopted by the Manager.

14           **6. Conduct of Business after the Effective Date.**

15           On and after the Effective Date, the Reorganized Debtor may use, acquire, sell and  
16 otherwise dispose of its assets in accordance with the Reorganized Debtor's Operating Agreement  
17 and this Plan without supervision of or approval by the Bankruptcy Court or the U.S. Trustee. From  
18 and after the day immediately following the Effective Date, the Reorganized Debtor shall cause  
19 Kushner Locke (and any remaining Debtors which are not merged into the Reorganized Debtor on  
20 the Effective Date) to cease all business and be wound up, liquidated, dissolved or terminated. The  
21 Reorganized Debtor may, but shall not be obligated to, pay the expenses of merging, combining,  
22 consolidation, winding up, liquidating, dissolving and terminating Kushner Locke and such other  
23 Debtors and Retained Non-Debtor Affiliates, including the preparation and filing of any tax reports  
24 or returns that may be required before, during or after the winding up, liquidation, dissolution and  
25 termination of Kushner Locke and such other Debtors and Retained Non-Debtor Affiliates. Neither  
26 the Debtors, their Estates, the Reorganized Debtor, nor any of their officers, directors, owners,  
27 partners, beneficiaries, employees, professionals, agents or representatives shall have any liability or  
28 obligation on account of any claims against any of the Non-Debtor Affiliates.

1 **D. Revesting Of Assets.**

2 On and after the Effective Date, all assets of the Debtors and the Estates, except the  
3 non-Retained Non-Debtor Affiliates, tangible and intangible, wherever located, including without  
4 limitation all of the Reserved Recovery Rights and all books and records of the Debtors shall be  
5 vested or revested, as appropriate, in the Reorganized Debtor, subject to the provisions of this Plan;  
6 provided, however, that any asset transfer to the Reorganized Debtor shall not eliminate or abrogate  
7 any obligation of the Reorganized Debtor or the Debtors under this Plan.

8 **E. Disbursing Agent.**

9 The Reorganized Debtor shall serve without bond as Disbursing Agent for the  
10 purpose of making all distributions required under the terms of this Plan.

11 **F. Discharge Of Debtors And Injunction.**

12 The rights afforded in this Plan and the treatment of all Claims and Interests therein  
13 shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and  
14 Interests of any nature whatsoever, including any interest accrued on such Claims from and after the  
15 Petition Date, against the Debtors, the Debtors in Possession, or the Reorganized Debtor, or any of  
16 their assets or properties. Except as otherwise provided in this Plan: (i) on the Effective Date, the  
17 Debtors shall be deemed discharged and released, to the fullest extent permitted by Section 1141 of  
18 the Bankruptcy Code, from all Claims and Interests, including, but not limited to, demands,  
19 liabilities, Claims and Interests that arose before the Confirmation Date and all debts of the kind  
20 specified in Sections 502(g), 502(h) and 502(i) of the Bankruptcy Code, whether or not: (a) a proof  
21 of Claim or proof of Interest based on such debt or Interest is Filed or deemed Filed pursuant to  
22 Section 501 of the Bankruptcy Code, (b) a Claim or Interest based on such debt or Interest is allowed  
23 pursuant to Section 502 of the Bankruptcy Code, or (c) the Holder of a Claim or Interest based on  
24 such debt or Interest has accepted this Plan; and (ii) all persons and entities shall be precluded from  
25 asserting against the Debtors, their successors, or their assets or properties any other or further  
26 Claims or Interests based upon any act or omission, transaction, or other activity of any kind or  
27 nature that occurred prior to the Confirmation Date. The Confirmation Order shall act as a discharge  
28 of any and all Claims (except any Claim under the Amended and Restated Debt) against, and all



1 debts and liabilities of, the Debtors, as provided in Sections 524 and 1141 of the Bankruptcy Code,  
2 and such discharge shall void any judgment against the Debtors at any time obtained to the extent  
3 that it relates to a Claim discharged.

4 Except as otherwise expressly provided in this Plan, the documents executed pursuant  
5 to this Plan, or the Confirmation Order, on and after the Effective Date, all Persons and Entities who  
6 have held, currently hold, or may hold a debt, Claim, or Interest discharged pursuant to the terms of  
7 this Plan (including but not limited to States and other governmental units, and any State official,  
8 employee, or other entity acting in an individual or official capacity on behalf of any State or other  
9 governmental units) shall be permanently enjoined from: (a) taking any of the following actions on  
10 account of any such discharged debt, Claim, or Interest: (1) commencing or continuing in any  
11 manner any action or other proceeding against the Debtors, the Reorganized Debtor, their  
12 successors, or their property; (2) enforcing, attaching, executing, collecting, or recovering in any  
13 manner any judgment, award, decree, or order against the Debtors, the Reorganized Debtor, their  
14 successors, or their property; (3) creating, perfecting, or enforcing any lien or encumbrance against  
15 the Debtors, the Reorganized Debtor, their successors, or their property; (4) asserting any set off,  
16 right of subrogation, or recoupment of any kind against any obligation due the Debtors, the  
17 Reorganized Debtor, their successors, or their property; and (5) commencing or continuing any  
18 action, in any manner, in any place that does not comply with or is inconsistent with the provisions  
19 of this Plan; and (b) commencing or continuing in any manner any action or other proceeding of any  
20 kind to recover on or otherwise with respect to any Claims or Reserved Rights of Action that are  
21 revested in, or transferred to, or the Reorganized Debtor as of the Effective Date or under this Plan  
22 (to the extent one or more Debtors' Estates held such Claim or rights of action or held the right to  
23 assert such Claim or right of action after the Petition Date).

24 Any person or entity injured by any willful violation of such injunction shall recover  
25 actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover  
26 punitive damages, from the willful violator.  
27  
28

**G. Preservation And Prosecution Of Reserved Recovery Rights.**

Pursuant to the Confirmation Order, on the Effective Date, except to the extent such rights, claims, causes of action, defenses, and counterclaims are expressly and specifically released in connection with this Plan or in any settlement agreement approved during the Cases, (i) any and all Reserved Recovery Rights shall become assets of, and vest in, the Reorganized Debtor, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such Reserved Recovery Rights have been Scheduled or otherwise listed or referred to in this Plan, the Disclosure Statement, or any other document filed with the Bankruptcy Court, and (ii) neither the Debtors nor the Reorganized Debtor, waive, relinquish, or abandon (nor shall they be estopped or otherwise precluded from asserting) any Reserved Recovery Rights: (a) whether or not such Reserved Recovery Rights have been listed or referred to in the Schedules, this Plan, the Disclosure Statement, or any other document filed with the Bankruptcy Court, (b) whether or not such Reserved Recovery Rights are currently known to the Debtors, and (c) whether or not a defendant in any litigation relating to such Reserved Recovery Rights filed a proof of Claim in the Cases, filed a notice of appearance or any other pleading or notice in the Cases, voted for or against this Plan, or received or retained any consideration under this Plan. Without in any manner limiting the scope of the foregoing, notwithstanding any otherwise applicable principle of law or equity, including, without limitation, any principles of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, or refer to any Reserved Recovery Rights in the Debtors' Schedules, this Plan, the Disclosure Statement, or any other document filed with the Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter the Reorganized Debtor's right to commence, prosecute, defend against, settle, and realize upon any Reserved Recovery Rights that any of the Debtors or the Reorganized Debtor have or may have as of the Confirmation Date. The Reorganized Debtor may commence, prosecute, defend against, recover on account of, and settle all Reserved Recovery Rights in its sole discretion in accordance with what is in the best interests, and for the benefit, of the Reorganized Debtor. Any and all fees, costs and expenses incurred in respect of the prosecution of such Reserved Recovery Rights shall be payable and paid solely by the Reorganized Debtor from revenues derived from the

1 disposition or exploitation of the Reorganized Debtor's assets. It is the intention of the Plan  
2 Proponents that the Reorganized Debtor will pursue the Reserved Recovery Rights to the extent any  
3 exist.

4 **H. Limitation Of Liability.**

5 None of the Debtors, the Reorganized Debtor, the Committee, the Agent, the Lenders,  
6 the Plan Proponents, nor any of their respective members, officers, directors, employees, trustees,  
7 agents, Affiliates (as that term is defined in section 101(2) of the Bankruptcy Code), shareholders,  
8 representatives, counsel or agents, nor any Professionals employed by the Debtors shall be liable for  
9 violation of any applicable law, rule, or regulation, or incur any liability to any person for any act  
10 taken or omission made in good faith in connection with or relating to: (i) the business judgment of  
11 the Debtors; (ii) the post-Petition Date administration of the Cases; or (iii) the formulation,  
12 solicitation of acceptance or rejection, confirmation, implementation and consummation of the  
13 Disclosure Statement and Plan, including, but not limited to, the business operations of the Debtors  
14 and the Reorganized Debtor, the negotiation and implementation of any settlement agreement or any  
15 security, contract, instrument, release, or other agreement or document created in connection with  
16 this Plan (excluding, however, a Claim based upon a breach of a written contract), regarding any  
17 distributions made pursuant to this Plan, or regarding the offer, issuance, sale or purchase of  
18 securities, on account of the solicitation of acceptance or rejection of this Plan or participation in the  
19 offer, issuance, sale, or purchase of a security, offered under this Plan.

20 **I. Approvals.**

21 Entry of the Confirmation Order shall constitute all approvals, consents and actions  
22 required by any governmental units, applicable law or the stockholders, directors, partners, officers,  
23 employees or representatives of the Debtors under applicable law or any documents, instruments or  
24 agreements to take all corporate, partnership and other actions that are specified in this Plan or the  
25 Confirmation Order or that are necessary or appropriate to perform this Plan.

26 **J. Appointment of Officer And Director Of The Debtors.**

27 Alice P. Neuhauser shall be appointed and deemed to be the sole director and the  
28 President, Chief Financial Officer and Secretary of each of the Debtors.

1 **K. Required Transactions.**

2 After the Confirmation Date and until the Effective Date, the Debtors shall take or  
3 cause to be taken all actions which are necessary or appropriate to enable this Plan to become  
4 effective on the Effective Date and to implement and perform this Plan on and after the Effective  
5 Date.

6 Without limiting the foregoing, after the Confirmation Date and until the Effective  
7 Date, the Debtors shall be authorized to and shall:

- 8 i. Prepare the documents and filings that will be executed and submitted  
9 on and after the Effective Date;
- 10 ii. Prepare, adopt, execute and file with the Secretary of State of the State  
11 of California Articles of Organization creating the Reorganized  
12 Debtor;
- 13 iii. Prepare, adopt and execute the Reorganized Debtor's Operating  
14 Agreement and contribute \$1000 to the capital of the Reorganized  
15 Debtor in exchange for receipt of all of the membership interests  
16 therein;
- 17 iv. Prepare, adopt, execute, and file with the Secretary of State of the  
18 State of California merger agreements between the Reorganized  
19 Debtor and the Debtors (other than Kushner Locke), to become  
20 effective on a date after the Effective Date.

21 On the Effective Date, the Debtors and the Reorganized Debtor shall be authorized to  
22 and shall:

- 23 i. Execute a bill of sale and all necessary assignment and assumption  
24 documents and stock assignments in blank pursuant to which Kushner  
25 Locke shall assign to the Reorganized Debtor the assets of Kushner  
26 Locke described in Article VI.C.2 of this Plan on the terms set forth in  
27 such section; and  
28

- 1                   ii.     Adopt and execute all necessary agreements to accomplish the merger  
2                             or other liquidation of the Debtors other than Kushner Locke with and  
3                             into the Reorganized Debtor, including without limitation, agreements  
4                             of merger providing for the merger of each Debtor other than Kushner  
5                             Locke with, and into, the Reorganized Debtor, with the Reorganized  
6                             Debtor being the surviving entity, and the cancellation of stock,  
7                             without consideration, of the merging Debtors, and bills of sale and all  
8                             necessary assignment documents pursuant to which each Debtor other  
9                             than Kushner Locke shall assign to the Reorganized Debtor all of the  
10                            assets of such Debtor.

11                   On the fifth day immediately following Effective Date, the Debtors and the  
12     Reorganized Debtor shall be authorized to, and shall:

- 13                   i.     Execute all necessary assignment documents in order to reflect the  
14                             assignment to Agent on behalf of the Holders of Class 1 Claims the  
15                             FIRST ADVANTAGE Stock, to the extent not previously delivered to  
16                             the Agent or disposed of and the proceeds thereof delivered to the  
17                             Agent, and, in order to reflect the transfer to Agent on behalf of the  
18                             Holders of Class 1 Claims, to Allowed Class 5 Claims that are not  
19                             Union Entities, and to the Guild Agent, as agent to the Class 5 Claim  
20                             Holders that are Union Entities, all Units of the Reorganized Debtor to  
21                             which they are entitled under the terms of this Plan;  
22                   ii.    Execute the Amended and Restated Credit Agreement, the documents  
23                             related thereto, and all necessary documents to perfect the security  
24                             interests of the Agent, on behalf of the Holders of Class 1 Claims in  
25                             the assets of the Reorganized Debtor; and  
26                   iii.   Execute the Assumption Agreements and all necessary documents to  
27                             perfect the security interests of the Union Entity entitled to such  
28                             security interest in the applicable assets of the Reorganized Debtor.

1 In furtherance of this Plan, all of the above actions of the Debtors and the  
2 Reorganized Debtor shall be taken without the need for any action by their respective directors or  
3 stockholders. In accordance with this Plan and applicable nonbankruptcy law, the shares of capital  
4 stock in the Debtors shall be cancelled, all of the Debtors shall cease to exist, and the Reorganized  
5 Debtor shall continue as the surviving company.

6 On the Effective Date, the Reorganized Debtor shall own its assets free and clear of  
7 liens, Claims, and encumbrances, except for the liens maintained pursuant to the Amended and  
8 Restated Credit Agreement, the Guild Liens, and any liens perfected on the Petition Date that  
9 secured Allowed Class 2 Claims.

10 **L. Powers Of The Reorganized Debtor.**

11 The Reorganized Debtor shall have all the powers and duties set forth in this Plan, the  
12 Reorganized Debtor's Operating Agreement and under applicable law. The Reorganized Debtor  
13 shall become, on the Effective Date of this Plan, the exclusive representative of the Estates under  
14 Code sections 1123(b)(3)(B). Subject to the provisions of this Plan, but notwithstanding whether  
15 they are set forth in the Disclosure Statement or this Plan, on and after the Effective Date, the  
16 Reorganized Debtor may enforce any and all rights, Claims, causes of action, powers, privileges,  
17 licenses, and franchises of the Debtors or the Estates, including all rights regarding tax  
18 determinations under Code section 505, all causes of action arising under this Plan and the Code, and  
19 all Reserved Recovery Rights.

20 The Reorganized Debtor shall have the authority to pay any Post-Effective Date  
21 Claims in the ordinary course of business.

22 **M. Authority To Compromise Claims And Defenses; Offset.**

23 After the Effective Date, the Reorganized Debtor may, in its sole and absolute  
24 discretion, settle and compromise as appropriate, without further order of the Bankruptcy Court, any  
25 and all (a) Reserved Recovery Rights, and (b) Claims. The Estates may, but shall not be required to,  
26 set off or recoup against any Claim and the distributions to be made pursuant to this Plan in respect  
27 of such Claim, any counterclaims, setoffs, or recoupments of any nature whatsoever that the Estates  
28 may have against the Holder of the Claim, but neither the failure to do so nor the allowance of any

1 Claim shall constitute a waiver or release by the Estates or the Reorganized Debtor of any such  
2 Claim, cause of action, setoff, or recoupment.

3 **N. Notice Of Effective Date.**

4 As soon as practicable following the occurrence of the Effective Date, and, in any  
5 event, no later than 30 days after the Effective Date, the Reorganized Debtor shall serve the Notice  
6 of Effective Date on the Persons on the All Notices List, and on all Holders of Claims and Interests.

7 **O. Compliance With Tax Requirements.**

8 The Reorganized Debtor shall prepare and file any necessary tax returns with respect  
9 to, and shall pay all taxes due from, the Debtors in Possession or the Estates, and all taxes imposed  
10 on any gains, interest, earnings, or other income on assets of the Estates. To the extent applicable,  
11 the Reorganized Debtor shall comply with all tax withholding and reporting requirements imposed  
12 by any governmental unit, and all distributions pursuant to this Plan shall be subject to such  
13 applicable withholding and reporting requirements. In addition, to the extent required by applicable  
14 law, reported distributions from such reserves shall include all interest and investment income, if  
15 any, attributable to the Cash or property being distributed net of taxes which are, or are estimated to  
16 be, due and payable thereon.

17 **P. 1146(c) Exemption.**

18 In accordance with Code section 1146(c), the making, delivery, filing or recording of  
19 any mortgages, deeds of trust, leasehold mortgages, leases (whether recorded or unrecorded) and/or  
20 the various instruments and documents of transfer as specified in or contemplated by this Plan  
21 (collectively, "Instruments of Transfer") and/or the exhibits thereto are hereby exempt from taxation  
22 under any law imposing a recording tax, stamp tax, transfer tax or any similar tax. The Reorganized  
23 Debtor, or any agent or representative thereof, is hereby authorized to serve upon all filing and  
24 recording officers a notice in connection with the filing and recording of any such Instruments of  
25 Transfer in accordance with this Plan, to evidence and implement this paragraph.

26 **Q. Retention Of Jurisdiction.**

27 On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction to the  
28 full extent permitted under applicable law, including, without limitation, for the following purposes:

- (a) To enforce the provisions, purposes, and intent of this Plan and the Confirmation Order, and to resolve any and all disputes regarding the operation and interpretation of this Plan and the Confirmation Order.
- (b) To determine the allowance, classification, or priority of any Claims and to estimate Class 4 and 5 Claims, upon objection or motion by the Reorganized Debtor or other parties in interest with standing to bring such objection or proceeding.
- (c) To determine the extent, validity, and/or priority of any lien asserted against property of the Debtors or the Estates or property abandoned or transferred by the Debtors or the Estates.
- (d) To take such actions and issue such orders as are appropriate to:
  - (i) enforce and execute this Plan, the Confirmation Order, and any Final Order; (ii) the implementation, execution, performance, and consummation of this Plan, the Confirmation Order, and all matters referred to in this Plan and the Confirmation Order, and (iii) determine all matters that may be pending before the Bankruptcy Court in the Cases on or before the Effective Date.
- (e) To determine any and all applications for allowance of compensation and reimbursement of expenses of Professional Persons and to determine any other requests for payment of Administrative Claims.
- (f) To determine matters relating to the collection, liquidation, and realization upon property of the Debtors or the Estates.
- (g) To the extent provided in Article VI.M, to authorize and approve or disapprove any settlements or compromises of Claims, causes of action, defenses, or controversies asserted by or against the Estates or the Debtors, and the sale, lease, or other disposition of property of the Estates or the Debtors.
- (h) To determine, as is necessary or appropriate under Code section 505 or otherwise, matters relating to tax returns filed or to be filed on behalf of the Debtors, the Estates or the Reorganized Debtor for all periods through the end of the fiscal year in which the Cases are closed, including the determination of the amount of basis, depreciation, net operating losses, or other tax attributes of the Debtors, the Estates or the Reorganized Debtor.
- (i) To implement the provisions of this Plan and to enter orders in aid of Confirmation, including orders to:
  - (i) recover property of the Debtors, the Estates or the Reorganized Debtor; (ii) determine causes of action that may be asserted by or against the Estates, any of the Professionals employed by the Estates, or the Committee; (iii) determine whether property is property of the Estates or the Reorganized Debtor; (iv) protect the assets of the Estates and the Reorganized Debtor from



Creditor action; and (v) enter orders enabling Persons to perform acts necessary for consummation of this Plan.

- (j) To enter such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, rescinded or vacated.
- (k) To adjudicate all adversary proceedings and contested matters in which the Debtors, the Committee, the Estates or the Reorganized Debtor is a party in interest, including such proceedings seeking to enforce the Reserved Recovery Rights and other causes of action.
- (l) To determine all applications, motions, adversary proceedings, contested matters, and any other litigated matters arising in or under, or related to, the Cases whether before, on, or after the Effective Date.
- (m) To modify this Plan and to confirm a modified plan consistent with the Code and the Bankruptcy Rules.
- (n) To issue injunctions, provide declaratory relief, take such other legal or equitable actions, or issue such other orders as may be necessary or appropriate to restrain interference with this Plan, the Estates or its property, the Reorganized Debtor, Professional Persons, the Committee, or the Confirmation Order.
- (o) To enter an order closing the Cases.

**R. Successors And Assigns.**

The rights, benefits and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, successors or assigns of such entity, except to the extent that the assignment of any interests in the Reorganized Debtor is restricted by the terms of the Reorganized Debtor's Operating Agreement.

**S. Modification And Withdrawal.**

At any time prior to Confirmation of this Plan, the Plan Proponents may supplement, amend, modify, withdraw or revoke this Plan. After Confirmation of this Plan, the Debtors or the Reorganized Debtor may: (i) apply to the Bankruptcy Court, pursuant to section 1127 of the Code, to modify this Plan, and (ii) apply to the Bankruptcy Court to remedy defects or omissions in this Plan or to reconcile inconsistencies in this Plan.

1 In the event that any impaired Class of Claims or Interests shall fail to accept this  
2 Plan in accordance with section 1129(a)(8) of the Code, the Debtors (i) may request that the  
3 Bankruptcy Court confirm this Plan in accordance with section 1129(b) of the Code, and (ii) in  
4 accordance with Article VI.S may modify this Plan in accordance with section 1127(a) of the Code.

5 **T. Post-Effective Date Employment Of Professionals.**

6 From and after the Effective Date, the Reorganized Debtor is authorized, without  
7 further order of the Bankruptcy Court, to employ such persons, including Professionals, as it may  
8 deem necessary to enable it to perform its obligations under this Plan, and the costs of such  
9 employment and other expenditures shall be paid solely by the Reorganized Debtor, as applicable,  
10 from revenues derived from the disposition or exploitation of the Reorganized Debtor's assets,  
11 without the necessity of obtaining approval for the payment of such expenses by the Bankruptcy  
12 Court.

13 **VII.**

14 **PROVISIONS REGARDING OBJECTIONS TO, AND ALLOWANCE OF CLAIMS, AND**  
15 **DISTRIBUTIONS ON ACCOUNT OF ALLOWED CLAIMS**

16 **A. Objections To Claims.**

17 All objections to Claims shall be Filed and served upon the Holders of such Claims  
18 by the later of (a) 90 days after the Effective Date, or (b) 90 days after the particular proof of Claim  
19 has been Filed, except as extended by an agreement between the claimant and the Reorganized  
20 Debtor, or by order of the Bankruptcy Court upon a motion filed by the Reorganized Debtor, with  
21 notice of such motion to be served upon the Office of the United States Trustee, the Agent and those  
22 Holders of the Disputed Claims to which that motion relates. If an objection has not been Filed to a  
23 proof of Claim by the objection bar dates established in this Article, the Claim to which the proof of  
24 Claim relates shall be treated as an Allowed Claim for purposes of distributions under this Plan.

25 **B. Provisions Regarding Allowance And Objection Deadlines.**

26 Notwithstanding any other provision in this Plan: (a) no Holder of a Claim shall  
27 receive or retain property of the Debtors in excess of the allowed amount of its Claim; and (b) no  
28 provision of this Plan shall increase or expand the amount or scope of any lien or Claim.

1           **1. Administrative Claims.**

2           Any objection to an Administrative Claim, other than an Administrative Claim  
3 subject to a Final Fee Application, shall be Filed and also served upon the Holder of such Claim no  
4 later than the first day that is the later of: (a) the date that is 90 days after the Effective Date; (b) the  
5 date that is 60 days after the request for payment is Filed; (c) with respect to Union Entity Residuals  
6 accruing between the Petition Date and the Effective Date, 60 days after filing of a proof of claim  
7 consistent with Article III.A.1.(b), and (d) such extended date as may be fixed by agreement of the  
8 Reorganized Debtor and the holder of such claim or the Bankruptcy Court on motion Filed by the  
9 Reorganized Debtor and also served on the Holder of the Claim and the Persons on the All Notices  
10 List, including the Committee Counsel; provided, however, that the foregoing shall not prohibit:  
11 (x) objections to late-Filed Administrative Claims or objections to amendments to Administrative  
12 Claims; (y) raising new objections based upon newly discovered facts if a timely objection has been  
13 Filed; or (z) seeking reconsideration of any Administrative Claim that has been allowed.

14           **2. Final Fee Applications.**

15           Any objection to an Administrative Claim subject to a Final Fee Application shall be  
16 Filed and also served upon the Holder of such Claim no later than the last date set by the Local  
17 Bankruptcy Rules, if the Bankruptcy Court fails to establish such a date.

18           **3. Administrative Tax Claims.**

19           Any objection to an Administrative Tax Claim shall be Filed and also served upon the  
20 Holder of such Claim no later than the first day that is the later of: (a) the date that is 180 days after  
21 the Effective Date; (b) the date that is 30 days after the motion regarding such Claim is Filed under  
22 Article III.A.1.b(iii); and (c) such extended date as may be fixed by agreement of the Reorganized  
23 Debtor and the holder of such claim or the Bankruptcy Court on motion Filed by the Reorganized  
24 Debtor and also served on the Holder of the Claim and the Persons on the All Notices List; provided,  
25 however, that the foregoing shall not prohibit: (x) objections to late-Filed Administrative Tax  
26 Claims or to amendments to Administrative Tax Claims; (y) raising new objections based upon  
27 newly discovered facts if a timely objection has been Filed; or (z) seeking reconsideration of any  
28 Administrative Tax Claim that has been allowed.

1           **4.     Priority Claims, Priority Tax Claims And Class 4 And 5 Claims.**

2           Any objection to a Priority Claim, Priority Tax Claim, or a Class 4 or Class 5 Claim  
3 shall be Filed and also served upon the Holder of such Claim, no later than the first day that is the  
4 later of: (a) the date that is 90 days after the Effective Date; and (b) such extended date as may be  
5 fixed by agreement of the Reorganized Debtor and the holder of such claim or fixed by the  
6 Bankruptcy Court, for cause shown, on motion Filed by the Reorganized Debtor and also served on  
7 the Holder of the Claim and the Persons on the All Notices List; provided, however, that the  
8 foregoing shall not prohibit: (x) objections to late-Filed Claims or to amendments to Claims;  
9 (y) raising new objections based upon newly discovered facts if a timely objection has been Filed; or  
10 (z) seeking reconsideration of any Claim that has been allowed.

11       **C.     Distributions.**

12           Distributions shall be made by the Disbursing Agent in accordance with this Plan, the  
13 Confirmation Order, the Reorganized Debtor's Operating Agreement and, in the discretion of the  
14 Disbursing Agent exercising reasonable business judgment, the terms and schedule provided for  
15 below.

16           **1.     Initial Distribution Date.**

17           On, or as soon as practicable after the Effective Date, the Disbursing Agent shall  
18 distribute, in accordance with the treatment set forth in Article III of this Plan and to the extent  
19 applicable, the property to be distributed under this Plan to the Holders of Claims that, as of the  
20 Effective Date, are Allowed Claims, except with regard to Class 1 and Class 5 Claims, which shall  
21 received distributions in the manner set forth in Article VI.C.4.

22           **2.     Allowance of Claims.**

23           Distributions shall be made by the Disbursing Agent with respect to any Disputed  
24 Claim, which becomes an Allowed Claim after the Effective Date on or as soon as practicable after  
25 the date on which each such Disputed Claim becomes an Allowed Claim, in accordance with the  
26 treatment set forth in Article III of this Plan for the Class into which the Allowed Claim falls. The  
27 amount of such distribution shall be calculated, on a Pro Rata basis, so that the subject Claim  
28

1 receives an initial distribution equal to the total percentage of distributions made prior to the date of  
2 such allowance on other Allowed Claims in the same Class.

3 **3. Subsequent Distribution Dates.**

4 After the Initial Distribution Date, unless otherwise directed in a Final Order or as  
5 otherwise provided herein, the Disbursing Agent shall make additional distributions periodically to  
6 the Holders of Allowed Claims as and when the Reorganized Debtor, in its sole and absolute  
7 discretion, and in its capacity as the Disbursing Agent, deems appropriate.

8 **4. Final Distribution.**

9 Upon resolution of all outstanding objections to Disputed Claims and all actions or  
10 other proceedings relating to any Reserved Recovery Rights, the Disbursing Agent shall cause the  
11 distribution of the final amounts due and owing to Holders of Allowed Claims, in accordance with  
12 the amounts and the schedule provided for each Class in Article III of this Plan, and the Reorganized  
13 Debtor shall file a final report and account of all receipts and disbursements with the Bankruptcy  
14 Court.

15 **D. Old Instruments and Securities.**

16 **1. Surrender and Cancellation of Instruments and Securities.**

17 Except as otherwise provided herein, as a condition to receiving any distribution  
18 pursuant to this Plan, each Person holding any note or other instrument or security (collectively  
19 "Instruments or Securities" and individually an "Instrument or Security") evidencing an existing  
20 Claim against a Debtor must surrender such Instrument or Security to the Reorganized Debtor,  
21 together with such additional information or documentation which the Reorganized Debtor may  
22 require.

23 **2. Rights of Persons Holding Old Instruments and Securities.**

24 Except as otherwise provided herein, as of the Effective Date, and whether or not  
25 surrendered by the Holder thereof, all existing Old KLC Common Stock and Subordinated Debt  
26 Instruments, and all other Instruments and Securities evidencing any Claims or Interests shall be  
27 deemed automatically cancelled and deemed void and of no further force or effect, without any  
28 further action on the part of any person, and any Claims or Interests under or evidenced by such Old

1 KLC Common Stock and Subordinated Debt Instruments or other Instruments or Securities shall be  
2 deemed discharged. The rights afforded in this Plan and the treatment of all Claims and Interests  
3 therein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and  
4 Interests of any nature whatsoever, including any interest accrued on such Claims from and after the  
5 Petition Date, against the Debtors, the Debtors in Possession, or the Reorganized Debtor, or any of  
6 their assets or properties. Except as otherwise provided in this Plan, (i) on the Effective Date, the  
7 Debtors shall be deemed discharged and released to the fullest extent permitted by Section 1141 of  
8 the Bankruptcy Code from all Claims and Interests, including, but not limited to, demands,  
9 liabilities, Claims and Interests that arose before the Confirmation Date and all debts of the kind  
10 specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (a) a proof of  
11 Claim or proof of Interest based on such debt or Interest is Filed or deemed Filed pursuant to  
12 Section 501 of the Bankruptcy Code, (b) a Claim or Interest based on such debt or Interest is allowed  
13 pursuant to Section 502 of the Bankruptcy Code, or (c) the Holder of a Claim or Interest based on  
14 such debt or Interest has accepted this Plan; and (ii) all persons and entities shall be precluded from  
15 asserting against the Debtors, their successors, or their assets or properties any other or further  
16 Claims or Interests based upon any act or omission, transaction, or other activity of any kind or  
17 nature that occurred prior to the Confirmation Date. Except for the Amended and Restated Debt, the  
18 Confirmation Order shall act as a discharge of any and all Claims against, and all debts and liabilities  
19 of, the Debtors, as provided in Sections 524 and 1141 of the Bankruptcy Code, and such discharge  
20 shall void any judgment against the Debtors at any time obtained to the extent that it relates to a  
21 discharged Claim.

22 **3. Cancellation of Liens.**

23 Except as otherwise provided in this Plan, any lien securing any Secured Claim, other  
24 than the liens securing the Secured Lenders' Claims, the Guild Liens, and liens perfected on the  
25 Petition Date securing Class 2 Claims, shall be deemed released and discharged, and the Person  
26 holding such Secured Claim shall be authorized and directed to release any collateral or other  
27 property of the Debtors (including, without limitation, any cash collateral) held by such Person and  
28 to take such actions as may be requested by the Reorganized Debtor to evidence the release of such

1 lien, including, without limitation, the execution, delivery and filing or recording of such releases as  
2 may be requested by the Reorganized Debtor at the sole expense of the Reorganized Debtor.

3 **E. Interest.**

4 To the extent practicable, the Disbursing Agent shall keep all funds of the  
5 Reorganized Debtor in interest bearing instruments or accounts. All funds of the Reorganized  
6 Debtor shall be invested in any manner authorized by section 345 of the Bankruptcy Code, as chosen  
7 by the Reorganized Debtor in its reasonable business judgment.

8 Nothing in this Article shall affect any Claim, position, or right by the Holder of any  
9 Claim that the allowed amount of the Claim should include interest accruing prior to the Petition  
10 Date, but no Claim shall be allowed for interest for periods after the Petition Date, or after the  
11 Confirmation Date, except as provided in this Plan.

12 **F. De Minimis Distributions And Fractional Shares.**

13 **1. Cash Distributions.**

14 No Cash payment of less than ten dollars (\$10) shall be made by the Disbursing  
15 Agent or the Reorganized Debtor to any Holder of Claims unless a request therefor is made in  
16 writing to the Disbursing Agent or the Reorganized Debtor. Whenever payment of a fraction of a  
17 cent would otherwise be called for, the actual payment shall reflect a rounding down of such fraction  
18 to the nearest whole cent. Any Cash that is not distributed as a consequence of this section shall,  
19 after the last distribution on account of Allowed Claims in the applicable Class, be treated as  
20 Unclaimed Property under this Plan.

21 **2. Manner Of Payment Under This Plan.**

22 Cash payments made pursuant to this Plan shall be in United States currency by  
23 checks drawn on an Acceptable Depository or by wire transfer from an Acceptable Depository, at  
24 the Disbursing Agent's or the Reorganized Debtor's option.

25 **3. Delivery Of Distributions.**

26 Except as provided in Article VII.F.4 with respect to Unclaimed Property, or as  
27 provided in Article V.A with respect to Union Entity Claims, notices and distributions to Holders of  
28 Allowed Claims and Allowed Administrative Claims shall be distributed by mail as follows:

(1) with respect to each Holder of an Allowed Claim that has Filed a proof of Claim, at the address for such Holder as set forth in the proof of claim, or if no such address is listed in the proof of claim, at the address listed in the Schedules; (2) with respect to each Holder of an Allowed Claim that has not Filed a proof of Claim, at the address reflected on the Schedules filed by the Debtors, provided, however, that if the Debtors or the Reorganized Debtor have received a written notice of a change of address for such Holder, the address set forth in such notice shall be used; or (3) with respect to each Holder of an Allowed Administrative Claim, at such address as the Holder may specify in writing.

**4. Undeliverable Distributions.**

If the distribution of Cash or Units to the Holder of any Allowed Claim or Allowed Administrative Claim is returned to the Disbursing Agent or the Reorganized Debtor as undeliverable Unclaimed Property, no further distribution shall be made to such Holder unless and until the Disbursing Agent or the Reorganized Debtor is notified in writing of such Holder's then current address. Subject to the remainder of this Article VII.F.4, Unclaimed Property shall remain in the possession of the Disbursing Agent or the Reorganized Debtor pursuant to this Article VII.F.4, and shall be held in a segregated interest bearing account (as to Cash Unclaimed Property) to be maintained by the Disbursing Agent or the Reorganized Debtor until such time as the subject distribution becomes deliverable. Nothing contained in this Plan shall require the Disbursing Agent, the Reorganized Debtor or any other Person to attempt to locate such Person.

**5. Disposition of Unclaimed Property.**

If the Person entitled thereto notifies the Disbursing Agent or the Reorganized Debtor of such Person's Claim to the distribution of Unclaimed Property within six months following the Effective Date, the Unclaimed Property distributable to such Person, together with any interest or dividends earned thereon, shall be paid or distributed to such Person as soon as is practicable. Any Holder of an Allowed Claim or Allowed Administrative Claim that does not assert a claim in writing for Unclaimed Property held by the Disbursing Agent or the Reorganized Debtor within six months after the Effective Date shall no longer have any Claim to or interest in such Unclaimed Property, and shall be forever barred from receiving any distributions under this Plan or otherwise from the Disbursing Agent or the Reorganized Debtor. In such cases, any property held for distribution on



1 account of such Claims or Administrative Claims by the Disbursing Agent or the Reorganized  
2 Debtor shall be retained by the Reorganized Debtor pursuant to Code section 347(b), as property of  
3 the Reorganized Debtor.

4 **VIII.**

5 **CONDITIONS PRECEDENT TO CONFIRMATION AND THE EFFECTIVE DATE**

6 **A. Condition Precedent To Plan Confirmation.**

7 The following are conditions precedent (each, a "Confirmation Condition Precedent")  
8 to Confirmation of this Plan:

- 9 1. The Reorganized Debtor's Operating Agreement, Amended and Restated  
10 Credit Agreement, and the Assumption Agreements shall have been approved by the Committee.  
11 2. The Bankruptcy Court shall have entered the Confirmation Order.  
12 3. The Estates shall have sufficient Cash, or sufficient committed funds, so as to  
13 pay in full the Administrative Claims, Administrative Tax Claims, and Other Priority Claims.

14 **B. Condition Precedent To Plan Effectiveness.**

15 The following shall be conditions precedent to the effectiveness of this Plan and the  
16 occurrence of the Effective Date:

- 17 1. All of the conditions in Article VIII.A have been satisfied.  
18 2. All agreements and instruments contemplated by, or to be entered into  
19 pursuant to, this Plan, including, without limitation, each of the Plan Documents necessary for  
20 consummation of this Plan, shall be satisfactory to the Agent and Committee and shall have been  
21 duly and validly executed and delivered by the parties thereto and all conditions to their  
22 effectiveness shall have been satisfied or waived, and have closed, where applicable.  
23 3. All Class 5 Claims shall be resolved.

IX.

**MISCELLANEOUS**

**A. Provisions Severable.**

Should any provision in this Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of this Plan.

**B. Headings Do Not Control.**

In interpreting this Plan, the headings of individual Articles are provided for convenience only, and are not intended to control over the text of any Article.

**C. Taking Action – General Authority.**

After the Effective Date, to the extent this Plan requires an action by the Debtors, the action may be taken only by the Reorganized Debtor on behalf of the Debtors.

**D. Dissolution Of Committee.**

On the Effective Date, the Committee shall be deemed disbanded and its members shall be released and discharged from all rights and duties arising from, or related to, the Cases.

**E. Payment Of United States Trustee Quarterly Fees.**

The Reorganized Debtor shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6). After Confirmation, the Reorganized Debtor shall file with the Bankruptcy Court and serve on the United States Trustee a quarterly financial report regarding all income and disbursements, including all Plan payments, for each quarter (or portion thereof) the Cases remains open.

**F. No Admission.**

Except as specifically provided in this Plan, nothing contained in this Plan or the Disclosure Statement shall be deemed or construed in any way as an admission by the Debtors or the Estates with respect to any matter set forth in this Plan or the Disclosure Statement, including the amount or allowability of any Claim, or the value of any property of the Estates.

1 **G. Exemption from Securities Registration.**

2 Pursuant to section 1145 of the Code, to the extent any securities are offered or sold,  
3 or deemed offered or sold, under this Plan, including the interests in the Reorganized Debtor, the  
4 securities are exempt from the requirements of the Securities Act of 1933, 15 U.S.C. Section 77e,  
5 and any State or local law requiring registration or any filings or notices for the offer or sale of  
6 securities.

7 **H. Post-Confirmation Status Report.**

8 Within 120 days of the Entry of the Confirmation Order, the Reorganized Debtor  
9 shall file a status report with the Bankruptcy Court explaining what progress has been made toward  
10 consummation of this Plan. The status report shall be served on the United States Trustee, and those  
11 parties who have requested post-Confirmation notice as provided for in Article IX.K of this Plan.  
12 Further status reports shall be filed every 120 days and served on the same entities, unless otherwise  
13 ordered by the Bankruptcy Court.

14 **I. Post-Confirmation Conversion/Dismissal.**

15 A Creditor or party in interest may bring a motion to convert or dismiss the Cases  
16 under Section 1112(b) of the Bankruptcy Code, after this Plan is confirmed, if there is a default in  
17 performing this Plan. If the Bankruptcy Court orders the Case converted to Chapter 7 after this Plan  
18 is confirmed, then all property that had been property of the Estates, and that has not been disbursed  
19 pursuant to this Plan, will revert in the Chapter 7 estate, and the automatic stay will be reimposed  
20 upon the reverted property only to the extent that relief from stay was not previously granted by the  
21 Bankruptcy Court during the Cases.

22 **J. Final Decree.**

23 Once the Estates have been fully administered as referred to in Bankruptcy  
24 Rule 3022, the Reorganized Debtor shall file a motion with the Bankruptcy Court to obtain a final  
25 decree to close the Cases, pursuant to Bankruptcy Code section 350. The Cases shall not be closed  
26 before: (a) the payment in full of all Allowed Administrative Claims, Allowed Administrative Tax  
27 Claims, and Allowed Priority Tax Claims, and the disallowance by Final Order of all other  
28 Administrative Claims, Administrative Tax Claims, and Priority Tax Claims; (b) the disallowance or

allowance of all Class 1 through 5 Claims; and (c) the resolution of all litigation related to the Reserved Recovery Rights pursuant to a Final Order.

**K. Post-Confirmation Notices.**

From and after the Effective Date, any person who desires notice of any pleading or document filed in the Bankruptcy Court, or any hearing in the Bankruptcy Court, or other matter as to which the Bankruptcy Code requires notice to be provided, shall file a request for post-Confirmation notice and shall serve the request on the Reorganized Debtor, The Kushner-Locke Company, 280 S. Beverly Drive, Suite 205, Beverly Hills, California 90212, Attention: Alice P. Neuhauser; counsel to Debtors: Charles D. Axelrod and Gregory K. Jones, Stutman, Treister & Glatt Professional Corporation, 1901 Avenue of the Stars, 12th Floor, Los Angeles, California 90067; and counsel to the Agent: Richard S. Petretti, Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178; and Richard Esterkin, Morgan, Lewis & Bockius LLP, 300 South Grand Avenue, Twenty-Second Floor, Los Angeles, CA 90071-3132; provided however, the United States Trustee, counsel to the Debtors and counsel to the Agent shall be deemed to have requested post-Confirmation notice.

**L. Governing Documents.**

Except as otherwise specifically provided for herein, in the event of any inconsistency between the terms of the Reorganized Debtor's Operating Agreement and the terms of the Plan, the terms of the Reorganized Debtor's Operating Agreement shall govern.

**X.**

**CONFIRMATION REQUEST**

The Plan Proponents request Confirmation of this Plan under Section 1129(b) of the Bankruptcy Code with respect any impaired Class that does not accept this Plan or is deemed to have rejected this Plan.

1 DATED: July 10, 2009

2 THE KUSHNER-LOCKE COMPANY, a California  
3 corporation; KL PRODUCTIONS, INC., a California  
4 corporation; POST AND PRODUCTION SERVICES,  
5 INC., a California corporation; TWILIGHT  
6 ENTERTAINMENT, INC., a California corporation;  
7 KLF GUILD CO., a California corporation; KLT  
8 V GUILD CO., a California corporation; KUSHNER-  
9 LOCKE INTERNATIONAL, INC., a California  
10 corporation; KL INTERACTIVE MEDIA, INC., a  
11 California corporation; and DAYTON WAY  
12 PICTURES III, INC., a California corporation

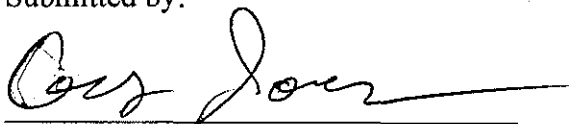
13 By: /s/ Alice P. Neuhauser  
14 **Alice P. Neuhauser, Responsible Officer**

15 DATED: July 10, 2009

16 JPMORGAN CHASE BANK, NATIONAL  
17 ASSOCIATION, as Agent

18 By: /s/ Billie J. Prue  
19 **Billie J. Prue**

Submitted by:



CHARLES D. AXELROD, and  
GREGORY K. JONES, members of  
STUTMAN, TREISTER & GLATT  
PROFESSIONAL CORPORATION  
Reorganization Counsel for the  
Debtors and Debtors in Possession

-and-

/s/ Richard W. Esterkin

Richard W. Estrekin  
Richard S. Petretti  
Wendy S. Walker  
Morgan, Lewis & Bockius LLP  
Counsel for JPMorgan Chase Bank, National Association  
as Agent

**EXHIBIT A**

None

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**EXHIBIT B**

None

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