

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

In re:

PROSPECT PARK NETWORKS, LLC,

Debtor.

Chapter 11

Case No. 14-10520 (MFW)

**DISCLOSURE STATEMENT FOR AMENDED LIQUIDATING PLAN OF PROSPECT PARK  
NETWORKS, LLC UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

**DATED: OCTOBER 27, 2014**

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[THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY  
COURT AND MAY NOT BE USED TO SOLICIT ACCEPTANCES OR REJECTIONS OF THE  
PLAN]

### SUMMARY INFORMATION

Debtor: Prospect Park Networks, LLC (the “Debtor”)

**Recommendation:** The Debtor recommends that you vote to accept the Plan.

**Vote Required to Accept the Plan:** Acceptance of the Plan requires the affirmative vote of two-thirds in amount and a majority in number of the Allowed General Unsecured Claims and two-thirds in amount of Equity Interests actually voted in each Class. Only entities holding (i) General Unsecured Claims, which are in Class 4 or (ii) Equity Interests, which are in Class 5, are entitled to vote. If one or both of these Classes rejects the Plan, however, the Bankruptcy Court nevertheless may confirm the Plan if the cramdown requirements of Bankruptcy Code section 1129(b) are satisfied.

**Voting Information:** If you are entitled to vote, you should have received a ballot with this Disclosure Statement. After completing and signing your ballot, you should return it to:

Genovese Joblove & Battista, P.A.  
Attn: Michael Schuster, Ballot Tabulator  
100 SE 2<sup>nd</sup> Street, Suite 4400  
Miami, Florida 33131  
Facsimile: (305) 349-2310  
E-Mail: mschuster@gjb-law.com

For your ballot to be counted, Genovese Joblove & Battista, P.A. must receive it no later than 5:00 p.m. Eastern Time on [\_\_\_\_\_].

**Confirmation Hearing:** The Confirmation Hearing will be held on [\_\_\_\_\_] at \_\_\_\_\_ pm (Eastern Time) at the United States Bankruptcy Court, 824 North Market Street, 5<sup>th</sup> Floor, Courtroom #4, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time without further notice.

**Treatment of Claims and Interests:** The treatment that creditors and shareholders will receive if the Bankruptcy Court confirms the Plan is set forth in Section II of the Plan and summarized in Section IX of this Disclosure Statement. If the Plan is confirmed and becomes effective, the terms of the Plan will be controlling on all creditors, shareholders and interested parties. You therefore are urged to read the Plan in its entirety. All discussion and summary of the terms and conditions of the Plan in this Disclosure Statement are qualified in their entirety by the Plan, which should be reviewed in its entirety by creditors, shareholders and interested parties.

**The Effective Date:** The Effective Date under the Plan will be the first Business Day, as determined by the Debtor, in its reasonable discretion, on which (i) the Confirmation Order has been entered and is not stayed, and (ii) the Court has made certain findings regarding the amount of specified claims, as provided in Section VI.A of the Plan.

**Questions:** All inquiries about the Plan and Disclosure Statement should be sent in writing to:

Genovese Joblove & Battista, P.A.  
Attn: Michael L. Schuster  
100 SE 2<sup>nd</sup> Street  
Suite 4400  
Miami, Florida 33131  
Tel: (305) 349-2300  
Fax: (305) 349-2310  
Email: mschuster@gjb-law.com

**IMPORTANT NOTICE: THE PLAN, DISCLOSURE STATEMENT, AND BALLOTS CONTAIN IMPORTANT INFORMATION THAT IS NOT INCLUDED IN THIS SUMMARY. THAT INFORMATION COULD MATERIALLY AFFECT YOUR RIGHTS. YOU SHOULD THEREFORE READ THE PLAN, DISCLOSURE STATEMENT, AND BALLOTS IN THEIR ENTIRETY. YOU SHOULD ALSO CONSULT WITH YOUR LEGAL AND FINANCIAL ADVISORS BEFORE VOTING ON THE PLAN.**

**I.**

**INTRODUCTION**

On March 10, 2014, Prospect Park Networks, LLC (the “**Debtor**”) filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “**Court**”). The bankruptcy case is pending before the Honorable Mary F. Walrath and was assigned Case No. 14-10520-MFW. Since the Petition Date, the Debtor has managed its affairs as debtor and debtor-in-possession pursuant to Bankruptcy Code sections 1107 and 1108.

The Debtor is the proponent of the Liquidating Plan of Prospect Park Networks, LLC Under Chapter 11 of the Bankruptcy Code (Dated: August 7, 2014) (the “**Plan**”) that is attached to this Disclosure Statement as Exhibit 1. THE DOCUMENT THAT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE ATTACHED PLAN. The Plan sets forth the manner in which the Claims against and Equity Interests in the Debtor will be treated following the Debtor’s liquidation under chapter 11. This Disclosure Statement describes the Debtor’s past business operations and the principal terms of the Plan, pursuant to which a Liquidating Trustee will liquidate the remaining assets of the Debtor’s bankruptcy estate, and distribute the proceeds to the holders of Allowed General Unsecured Claims and Allowed Equity Interests.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS TO THESE DOCUMENTS IN THEIR ENTIRETY.

This Disclosure Statement sets forth the assumptions underlying the Plan, describes the process that the Court will follow when determining whether to confirm the Plan, and describes how the Plan will be implemented if it is confirmed by the Bankruptcy Court. Bankruptcy Code section 1125 requires that a disclosure statement contain “adequate information” concerning a plan of reorganization. 11 U.S.C. §1125(a). The Court has [NOT YET] approved the form of this document as an adequate disclosure statement that contains enough information to enable entities affected by the Plan to make an informed judgment when deciding whether to vote to accept or to reject the Plan. Court approval of the adequacy of this Disclosure Statement, however, does not constitute a determination by the Court with respect to the fairness or the merits of the Plan or the accuracy or completeness of the information contained in the Plan or Disclosure Statement. THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. THEREFORE, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. IF THE COURT LATER CONFIRMS THE PLAN, AND THE EFFECTIVE DATE OCCURS, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND EQUITY INTEREST HOLDERS IN THIS CASE.

The Debtor believes that the Plan provides the greatest and earliest possible recoveries to creditors and equity interest holders, that acceptance of the Plan is in the best interests of all parties in interest, and that any alternative would result in unnecessary delay, uncertainty, and expense to the

Estate. The Debtor therefore strongly recommends that all eligible creditors entitled to vote on the Plan cast their ballots to accept the Plan.

## II.

### GENERAL DISCLAIMERS AND INFORMATION

Please carefully read this document and the Exhibits to this document. These documents explain who may object to confirmation of the Plan, who is entitled to vote to accept or reject the Plan, and the treatment that creditors and shareholders can expect to receive if the Court confirms the Plan. The Disclosure Statement also describes the Debtor's history, the events precipitating the Case, other events in the Case, the effect of Plan confirmation, and some of the things the Court may consider in deciding whether to confirm the Plan. The statements and information contained in the Plan and Disclosure Statement, however, do not constitute financial or legal advice. You therefore should consult your own advisors if you have questions about the impact of the Plan on your Claims or Equity Interests.

The financial information used to prepare the Plan and Disclosure Statement was prepared by the Debtor (and its professionals) from information in its books and records and is the sole responsibility of the Debtor. The Debtor's professionals prepared the Plan and Disclosure Statement at the direction of, and with the review, input, and assistance of, the Debtor's authorized representative. The Debtor's professionals have not independently verified this information.

The statements and information that concern the Debtor and that are set forth in this document constitute the only statements and information that the Bankruptcy Court has approved for the purpose of soliciting votes to accept or reject the Plan. Therefore, no statements or information that are inconsistent with anything contained in this Disclosure Statement are authorized unless otherwise ordered by the Bankruptcy Court.

You may not rely on the Plan and Disclosure Statement for any purpose other than to determine whether to vote to accept or reject the Plan. Nothing contained in the Plan or Disclosure Statement constitutes an admission of any fact or liability by any party or may be deemed to constitute evidence of the tax or other legal effects that the Debtor's liquidation may have on entities holding Claims or Interests.

Unless another time is expressly specified in this Disclosure Statement, all statements contained in this document are made as of August 7, 2014. Under no circumstances will the delivery of this Disclosure Statement or the exchange of any rights made in connection with the Plan create an implication or representation that there has been no subsequent change in the information included in this document. The Debtor assumes no duty to update or supplement any of the information contained in this document, and they presently do not intend to undertake any such updates or supplements.

**CAUTIONARY STATEMENT:** Some statements in this document may constitute forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 and any amendments to those acts. Such statements are based upon information available when the statements were made and are subject to risks and uncertainties that could cause actual results materially to differ from those expressed in the statements. Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved the Disclosure Statement, the Plan, or any exhibits to either document.

The following is a list of Exhibits attached hereto and incorporated herein:

EXHIBIT NO.	DESCRIPTION
1	Debtor's Chapter 11 Plan (Dated: <u>October 27, 2014</u> )
2	Professional Biography of James F. Feltman, Proposed Liquidating Trustee
3	Amended Complaint in ABC Litigation

### III.

#### WHO MAY VOTE TO ACCEPT OR REJECT THE PLAN

What follows in this Section III is a general discussion of the rules governing the treatment and satisfaction of claims and equity interests under a plan of liquidation proposed under the Bankruptcy Code. Where a particular word (such as "Debtor") or term (such as "Allowed Claim" or "Allowed Equity Interest") is capitalized in this Disclosure Statement, and not otherwise defined herein, that word or phrase has the meaning provided in Section I (Definitions) of the Plan. Where, however, a particular word (such as "debtor") or phrase (such as "allowed claim" or "allowed interest") is not capitalized in this Disclosure Statement, that word or phrase is not intended to refer to the definitions provided in Section I of the Plan, but rather, the word or phrase is intended to have the general meaning ascribed to it in common bankruptcy practice parlance. To vote to accept or reject the Plan, your Claim or Equity Interest must be impaired and not a Disputed Claim or Equity Interest and the Plan must provide for you to receive or retain some value. (Holders of unimpaired Claims are deemed to have accepted the Plan and do not vote, though they may object to confirmation of the Plan to the extent they otherwise have standing to do so. Holders of Claims who do not receive or retain any value under the Plan are deemed to reject the Plan). As defined by the Bankruptcy Code, a claim generally includes all rights to payment from a debtor, while an equity interest generally represents an ownership stake in the debtor.

#### A. Allowed Claims and Equity Interests.

With the exceptions explained below, under the Bankruptcy Code, a claim or interest is generally allowed only if a proof of the claim or equity interest is properly filed before the bar date for doing so and either no party in interest has objected or the court has entered an order allowing the claim or interest. Under certain circumstances as provided in the Bankruptcy Code, a creditor may have an allowed claim even if a proof of claim was not filed and the bar date for filing a proof of claim has passed. For example, a claim may be deemed allowed if the claim is listed on the debtor's schedules of liabilities filed with the court, and is not scheduled as disputed, contingent or unliquidated.

A holder's Claim or Equity Interest must be an Allowed Claim or Equity Interest, or must be allowed for purposes of voting, for the holder of such Claim or Equity Interest to have the right to vote on the Plan. Generally, for voting purposes, a Claim or Equity Interest is deemed Allowed to the extent that: (1) either (a) a proof of Claim or Equity Interest was timely filed, or (b) a proof of Claim or Equity Interest was deemed timely filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and (2) (a) the Claim or Equity Interest is not a Disputed Claim or Equity Interest, or (b) the Claim or Equity Interest is allowed either by a Final Order or under the Plan.

Under the Plan, a creditor or equity interest holder whose Claim of Equity Interest is not an Allowed Claim or Allowed Equity Interest nevertheless may be entitled to vote to accept or reject the Plan if the creditor or interest holder has timely filed a proof of Claim or Equity Interest that is not the subject of an objection Filed before the Confirmation Hearing or a Court order disallowing the Claim or Equity Interest entered before the Confirmation Hearing. An entity whose Claim or Equity Interest is subject to an objection is not eligible to vote on the Plan unless and until (1) that objection is resolved in the entity's favor or (2) after notice and a hearing under Bankruptcy Rule 3018(a), the Bankruptcy Court temporarily allows the entity's Claim or Equity Interest for the purpose of voting to accept or reject the Plan. Any entity that seeks temporary allowance of its Claim or Equity Interest for voting purposes must promptly take steps necessary to arrange for an appropriate and timely hearing with the Court.

#### **B. Impaired Claims and Equity Interests.**

Generally speaking, under the Bankruptcy Code, a class of claims or equity interests is impaired if the plan alters the legal, equitable or contractual rights of the members of the class, even if the alteration is beneficial to the creditors or interest holders. Section II.A of the Plan and Section IX.B of this Disclosure Statement, among other things, describe the Classes of Claims and Equity Interests that the Debtor believes to be impaired (or unimpaired) under the Plan.

### **IV.**

#### **VOTES NECESSARY TO CONFIRM THE PLAN**

Under the Bankruptcy Code, impaired claims or equity interests are placed in classes under a plan, and it is the class that must accept that plan. Section II.A of the Plan and Section IX.B of this Disclosure Statement summarize the classification of all Claims and Equity Interests under the Plan. There also are some types of claims that are unclassified because the Bankruptcy Code requires that they be treated a certain way. These claims are considered unimpaired, and their holders cannot vote. Section II.B of the Plan and Section IX.C of this Disclosure Statement describe these Claims in detail.

Under the Bankruptcy Code, a bankruptcy court may confirm a plan if at least one class of impaired claims or equity interests has voted to accept that plan (without counting the votes of any insiders whose claims or equity interests are classified within that class) and if certain statutory requirements are met both as to non-consenting members within a consenting class and as to rejecting classes. A class of claims has accepted the plan only when at least a majority in number and at least two-thirds in amount of the allowed claims actually voting in that class vote to accept the plan. A class of equity interests has accepted the plan only when at least two-thirds in amount of the allowed equity interests actually voting in that class vote to accept the plan.

Even if the Debtor receives the requisite number of votes to confirm the proposed Plan, the Plan will not become binding unless and until, among other things, the Bankruptcy Court makes an independent determination that confirmation is appropriate. This determination will be the subject of the Confirmation Hearing. Also, even if all Classes do not vote in favor of the Plan, the Plan may nonetheless be confirmed if the dissenting Classes are treated in a manner prescribed by the Bankruptcy Code.

V.

**INFORMATION REGARDING VOTING IN THESE CASE**

**A. Voting Instructions.**

The Debtor believes that Classes 4 and 5 are impaired and the holders of General Unsecured Claims and Equity Interests in those Classes are entitled to vote on the Plan. The Debtor believes the Claims in Classes 1, 2 and 3 not impaired. As such, the holders of Claims in these Classes are not entitled to vote and each of these Classes is deemed to accept the Plan. Similarly, Administrative Claims and Priority Tax Claims are not classified under the Plan and the holders thereof are not entitled to vote.

Any party that disputes the Debtor's characterization of its Claim as unimpaired may request a finding of impairment from the Bankruptcy Court to obtain the right to vote, but should file and serve a motion requesting such a determination and arrange for such motion to be heard by the Court *prior* to the hearing on confirmation of the Plan.

In voting to accept or reject the Plan, please use only the ballot (if any) sent to you with this Disclosure Statement, and please carefully read the voting instructions on the ballot for an explanation of the applicable voting procedures and deadlines. If you have received this Disclosure Statement without a ballot, the Debtor believes that you are: (i) a creditor whose claim is unimpaired by the Plan and that you, therefore, are not entitled to vote on the Plan, (ii) a holder of a Claim that will not retain or receive value under the Plan and that you, therefore, are deemed to reject the Plan, or (iii) otherwise not the holder of Claim that is entitled to vote to accept or reject the Plan.

If you nevertheless believe that you are entitled to vote on the Plan, you must file and serve a motion requesting a determination that you are entitled to vote on the Plan and arrange for such motion to be heard by the Court *prior* to the hearing on confirmation of the Plan. (Before doing so, you should first confirm that the absence of a ballot was not inadvertent by contacting the Ballot Tabulator, Michael L. Schuster, Esquire at Genovese Joblove & Battista, P.A., 100 SE 2<sup>nd</sup> Street, Suite 4400, Miami, Florida 33131 Telephone: (305) 349-2300, Facsimile: (305) 349-2310, E-Mail: mschuster@gjb-law.com.

If you wish to vote to accept or reject the Plan, your ballot must be received by the Ballot Tabulator, at the address or facsimile number listed above, no later than 5:00 p.m. Eastern Time, on [\_\_\_\_\_]. If your ballot is not timely received by the Ballot Tabulator, it will not be counted. Ballots must be provided to the Ballot Tabulator by mail, overnight delivery or messenger. Ballots sent by e-mail will not be accepted by the Ballot Tabulator and will not be counted in tabulating votes accepting or rejecting the Plan.

Any interested party desiring further information with respect to the Plan, or seeking additional copies of this document, should contact in writing the Debtor's Counsel, Genovese Joblove & Battista, P.A., Attn: Michael L. Schuster, Esquire, at the address noted in this Section. All pleadings and other papers filed in this Case may be inspected regular court hours at the United States Bankruptcy Court, 824 North Market Street, 3<sup>rd</sup> Floor, Wilmington, Delaware 19801, or accessed electronically through the Bankruptcy Court's website: [www.deb.uscourts.gov](http://www.deb.uscourts.gov).

## VI.

### CRAMDOW: TREATMENT OF NON-CONSENTING CLASSES

Even if all classes do not consent to the proposed treatment of their claims under a plan, a plan nonetheless may be confirmed if the dissenting classes are treated in the manner prescribed by the Bankruptcy Code. The process by which a plan is confirmed, notwithstanding the existence of a dissenting class, is commonly referred to as “cramdown.” The Bankruptcy Code allows dissenting classes to be crammed down if the plan does not “discriminate unfairly” and is “fair and equitable.” The Bankruptcy Code does not define unfair discrimination, but it does set forth certain minimum requirements for “fair and equitable” treatment. For a class of secured claims, “fair and equitable” can mean that the secured claimants retain their liens and receive deferred cash payments, the present value of which equals the value of the secured claimant’s interest in collateral. For a class of unsecured claims, a plan is fair and equitable if the claims in that class receive value equal to the allowed amount of the claims, or, if the unsecured claims are not fully satisfied, no claim or interest that is junior to such claims receives or retains anything under the plan. Accordingly, if a class of unsecured claims rejects a plan under which a junior class (e.g., a class of interest holders) will receive or retain any property under the plan, the plan cannot be confirmed (with certain possible exceptions not relevant to the Plan) unless the plan provides that the class of unsecured creditors receives value equal to the allowed amount of the claims in that class.

## VII.

### WHO MAY OBJECT TO PLAN CONFIRMATION

A hearing has been scheduled for [ ] Eastern Time, at the United States Bankruptcy Court, 824 North Market Street, 5<sup>th</sup> Floor, Courtroom #4, Wilmington, Delaware 19801, to determine whether the Bankruptcy Court will confirm the Plan. By [ ], the Debtor will File a memorandum of points and authorities and evidence supporting the entry of an order confirming the Plan. This memorandum will be served on the U.S. Trustee and those parties that have requested special notice in these Cases.

Any party that objects to confirmation of the Plan must file and serve its objection and evidence in support thereof by [ ]. Any objection to confirmation of the Plan must be in writing, specify the name and address of the party objecting, set forth the amount of the objecting party’s claims and any other grounds giving the objector standing to object, set forth the specific grounds for the objection, and be accompanied by the evidence the objecting party intends to present in support of its objection. Such objection and evidence in support thereof shall be served on the parties identified above in this paragraph. Any affiant or declarant with respect to an affidavit or declaration filed in support of Plan confirmation, must be present at the Confirmation Hearing for cross-examination without the necessity of a subpoena. Failure to properly and timely File an opposition to Plan confirmation or appear at the Confirmation Hearing may be deemed to be consent to the Plan’s confirmation. If you wish to obtain more information, you should contact:

Genovese Joblove & Battista, P.A.  
 Attn: Michael L. Schuster, Esquire  
 100 SE 2<sup>nd</sup> Street, Suite 4400  
 Miami, Florida 33131  
 Facsimile: (305) 349-2300  
 E-Mail: [mschuster@gjb-law.com](mailto:mschuster@gjb-law.com)

## VIII.

### DESCRIPTION OF THE DEBTOR'S BUSINESS, EVENTS PRECIPITATING THE FILING, AND SIGNIFICANT EVENTS IN THESE CHAPTER 11 CASES

#### A. Description of the Debtor's Corporate Structure.

The Debtor was formed as a Delaware limited liability company by the filing of a Certificate of Formation with the Delaware Secretary of State on August 11, 2011. The Debtor has also registered to do business in the State of California and the State of Connecticut. The Debtor is governed by an Amended and Restated Limited Liability Company Agreement dated December 31, 2012. On September 29, 2011, the Department of the Treasury, Internal Revenue Service, issued the Debtor Employment Identification Number 45-3458495.

#### B. Description of the Debtor's Business and Events Leading to Bankruptcy.

In April 2011, American Broadcasting Companies ("ABC") announced the cancellation of its storied soap operas One Life to Live ("OLTL") and All My Children ("AMC"). Seeing an opportunity to launch new episodes of these soap operas as original content for online consumption, the Debtor entered into an exclusive license agreement with ABC for all of the elements of OLTL and AMC – storylines, characters, themes and plots. In the agreement, ABC promised not to do anything to hinder the Debtor's exercise of its rights over the shows.

Not long after the Debtor was compelled to suspend an early launch of the online series, ABC asked to "borrow" certain OLTL characters for use on ABC's remaining soap, General Hospital ("GH"), in a limited and short-term capacity. ABC promised consultation, script approval, and expressly swore not to do any damage to the "canon" of OLTL. Yet, even before the ink dried on the parties' agreement, ABC began unilaterally changing key storylines and themes, literally killing some OLTL characters and deeply integrating others into the GH landscape, all to create a mega soap of GH behind the Debtor's back. The changes bewildered and alienated longtime OLTL fans. ABC even went so far as to induce the actors who had been playing some of the more popular characters on OLTL to sign secret, exclusive, multi-year contracts with ABC — all without a word to the Debtor.

When the Debtor announced in December 2012 that it had raised the tens of millions of dollars necessary to produce new shows, ABC's reaction was swift and punitive. ABC refused to run advertising for the new shows, refused to permit the Debtor access to the shows' social media and websites, attempted to prevent guest appearances by the OLTL actors on ABC's talk shows and even interfered with third party agreements. Confronted with losing its entire investment or trying to pick up the pieces and press on, the Debtor eventually produced one new season of OLTL and of AMC. But, the damage could not be undone, nor the fans reclaimed. As a consequence of ABC's fraud and its multiple breaches of both the express terms of the parties' contract and the implied covenant of good faith and fair dealing included in every contract in California, the Debtor has sustained the loss of its investment of over \$30 million, as well as the profits that it stood to make had ABC acted as the partner it had held itself out to be.

On April 18, 2013, the Debtor commenced an action against ABC in the Superior Court of the State of California, County of Los Angeles, Case No. BC506052, seeking recovery of its damages and other available relief resulting from ABC's actions (the "**ABC Lawsuit**" or the "**ABC Litigation**"). Prior to the Petition Date, the Debtor's interests in the ABC Lawsuit were represented by James E. Maloney, Esquire of Andrews Kurth LLP and Michael Weinstein, Esquire of Lavelly & Singer. Each of

these firms provided superior and competent representation to the Debtor in the ABC Lawsuit on an hourly fee basis. The successes of the Debtor's pre-petition litigation counsel include favorable rulings which permitted the Debtor to continue using the license for OLTL and AMC, as well as substantial progress in document discovery and related matters.

Meanwhile, the Debtor's income stream from agreements with Hulu, LLC and Apple, Inc. for the distribution of the newly produced episodes of OLTL and AMC (through the online video services Hulu and iTunes, respectively) proved insufficient to meet all of the Debtor's liabilities incurred in connection with the production of those shows, particularly in light of the significant legal expenses being incurred by the Debtor in prosecuting the ABC Lawsuit.

Ultimately, certain of the Debtor's creditors initiated potentially precipitous collection actions, including requests for the entry of pre-judgment attachment of the Debtor's entitlement to the Tax Credit. The Debtor commenced these Chapter 11 proceedings to preserve its assets for the benefit of all creditors and stake-holders, and to restructure its liabilities and reorganize its financial affairs while continuing to vigorously prosecute its claims in the ABC Lawsuit.

As set forth in the Debtor's schedules, the Debtor's assets consist of (i) checking account balances of approximately \$20,000 as of the Petition Date; (ii) receivables from Hulu, iTunes and the Online Network derived from distribution of the Debtor's episodes of OLTL and AMC; (iii) a Tax Credit from the Connecticut Office of Film, Television & Digital Media; (iv) litigation claims; (v) registered copyrights on episodes of One Life to Live and All My Children produced by the Debtor; (vi) licenses, format rights and other intellectual property set forth in that certain License Agreement between American Broadcasting Companies, Inc. and the Debtor; (vii) goods on consignment; (viii) the domain name [www.to1n.com](http://www.to1n.com); (ix) intellectual property related to the Online Network; and (x) physical copies of One Life to Live and All My Children episodes. The Debtor's most significant asset is the ABC Litigation. A copy of the Debtor's Amended Complaint in the ABC Litigation is attached hereto as Exhibit 3. The Debtor's gross recovery from the ABC Litigation will range from \$0.00 to \$95,000,000. The Debtor believes that its claims in the ABC Litigation are strong, but cannot reasonably predict the outcome of the ABC Litigation or the prospective recovery of any class of claims or interests from the proceeds of the ABC Litigation.

### **C. Description of Major Liabilities as of the Petition Date.**

As of the Petition Date, the Debtor's liabilities consisted of unsecured debt owed to vendors of goods and services used by the Debtor in connection with the production of OLTL and AMC, including video, sound and lighting equipment and production, studio space and license obligations. The Debtor also has unsecured debt stemming from pre-petition consulting agreements, actor agreements, production agreements, executive producer agreements, and collective bargaining agreements relating to union labor services. The Debtor also owes significant debts to its former professionals in connection with the ABC Litigation. The Debtor's secured liabilities are to GEPF, LLC and Prospect Park, LLC, as more particularly described below.

#### **1. Secured Liabilities.**

##### **a. GEPF, LLC**

As part of its business strategy in producing new episodes of OLTL and AMC, the Debtor filmed in the state of Connecticut. Connecticut legislation provides for eligible multimedia companies to receive a tax credit on qualified production expenses incurred in the state. The Debtor incurred such

qualified production expenses in Connecticut in 2013, and is entitled to a tax credit voucher from the State of Connecticut for its production related expenditures within the State of Connecticut (the “**Tax Credit**”). Prior to the Petition Date, the Debtor agreed to sell the Tax Credit to Apple, Inc. and pledged the anticipated proceeds from that sale as collateral to secure the Debtor’s indebtedness to GEPF, LLC. Specifically, the Debtor, as seller, entered into a Film Tax Credit Purchase Agreement with Apple, Inc. on April 1, 2013, and a First Amendment to Tax Credit Purchase Agreement dated June 12, 2013 (together, the “Tax Credit Purchase Agreement”). By a Second Amendment to Tax Credit Purchase Agreement, Apple, Inc. has agreed to extend the “Closing Date” under the Tax Credit Purchase Agreement to September 30, 2014. On June 19, 2013, the Debtor entered into a Tax Credit Loan with GEPF, LLC d/b/a EP Financial Solutions (“**GEPF**”), through which the Debtor borrowed \$5,007,140.00 from GEPF (the “**Tax Credit Loan**”). The Tax Credit Loan is comprised of borrowed funds in the amount of \$4,243,308.00, lender fees in the amount of \$125,143.00; a one year prepaid interest reserve in the amount of \$388,332.00 and a holdback in the amount of \$250,357.00. The Tax Credit Loan is evidenced by a Promissory Note and Loan and Security Agreement each dated June 19, 2013. In connection with the Tax Credit Loan, the Debtor granted GEPF a security interest in the following collateral:

6.1 Grant of Lien. As security for all of the Obligations, the Borrower hereby grants, assigns and pledges to the Lender a continuing, first priority security interest in, Lien on, and right of set-off against, all of the Borrower’s right, title and interest in and to the following personal property, whether now owned or hereafter acquired or arising and regardless of where located and whether or not in the possession of the Borrower (collectively referred to herein as the “Collateral”): (a) all right, title and interest in and to, and in connection with, the Tax Credit, the Tax Credit Proceeds and the Tax Credit Purchase Agreement; (b) all accounts, contract rights, general intangibles, negotiable instruments and investment property related to the Tax Credit, the Tax Credit Proceeds or the Tax Credit Purchase Agreement; and (c) all accessions to, substitution for, and replacements, proceeds, and proceeds of proceeds of any of the foregoing, including, without limitation, proceeds of any insurance policies and claims against third Persons.

GEPF asserts that it perfected its security interest in connection with the Tax Credit Loan by filing a UCC-1 financing statement with the Delaware Secretary of State on June 20, 2013, bearing Initial Filing # 2013 2371830. Also in connection with the Tax Credit Loan, the Debtor executed a Notice Pursuant to UCC Section 9406 of Assignment and Irrevocable Direction to Pay and Account (the “**UCC 9406 Assignment**”) whereby the Debtor irrevocably assigned the purchase price under the Tax Credit Purchase Agreement as security for the Debtor’s obligations to GEPF. The Debtor further executed a Film Production Incentive Administration Agreement with GEPF.

The Court has approved the retention of Cohn & Reznick as auditors in connection with the Debtor’s application for the Tax Credit. Cohn & Reznick will have an administrative claim against the estate for post-petition audit services rendered.

The Debtor believes that GEPF is fully secured in the proceeds of the Tax Credit Purchase Agreement. However, the Official Committee of Unsecured Creditors has informally asserted objections to the validity, priority and extent of GEPF’s lien on the Tax Credit Proceeds.

## b. Prospect Park, LLC

Prior to the Petition Date, the Debtor required funding for the retention of its professionals in connection with this Chapter 11 Case and for the payment of fees to Andy Wheeler, the Debtor's production accountant. The Debtor obtained these required funds through a loan from Prospect Park, LLC, which required that the Debtor grant it a security interest in specified collateral as described herein. Specifically, on March 10, 2014, prior to the filing of the Debtor's bankruptcy petition, the Debtor executed a Promissory Note in favor of Prospect Park, LLC evidencing a loan made by Prospect Park, LLC to the Debtor in the amount of \$130,000 (the "**Note**"). As security for the indebtedness evidenced by the Note, and prior to the filing of the Debtor's bankruptcy petition, the Debtor executed a Security Agreement in favor of Prospect Park, LLC (the "**Security Agreement**"). The collateral pledged by the Debtor in the Security Agreement is "PPN's rights to payment under the Content Deal Memorandum executed on or about January 7, 2013 between PPN and Hulu, LLC (the "**Hulu Agreement**"), and all proceeds arising therefrom" including "all of PPN's rights to payments under the Hulu Agreement, together with all products and proceeds of the foregoing." On March 10, 2014, prior to the filing of its bankruptcy petition, the Debtor caused a UCC-1 financing statement to be electronically filed with the Delaware Department of State, U.C.C. filing Section, which was assigned Initial Filing # 2014 0921346 (the "**UCC-1**"). The UCC-1 described the debtor thereunder as "Prospect Park Networks, LLC", the secured party as "Prospect Park, LLC" and the collateral as "All rights to payment under the Content Deal Memorandum executed on or about January 7, 2013 between Prospect Park Networks, LLC and HULU, LLC and all products and proceeds of the foregoing." Since the Petition Date, the Debtor has sought Bankruptcy Court approval for the payment of the proceeds of the Hulu Agreement to Prospect Park, LLC pursuant to the Note. The Official Committee of Unsecured Creditors has objected to that relief, maintaining that the lien of Prospect Park, LLC on the proceeds of the Hulu Agreement is avoidable as a preference pursuant to 11 U.S.C. § 547, and otherwise asserts that the lien of Prospect Park, LLC is not valid and enforceable against property of the Debtor.

One of the Debtor's pre-petition professionals, Lavelly & Singer P.C., has filed a claim against the estate purportedly secured by the Debtor's interest in the ABC Litigation, in the amount of \$120,596.72. The Debtor does not believe that the claim of Lavelly & Singer P.C. can be allowed as a secured claim against the estate, because it was not perfected as of March 10, 2014. If the Court finds that Lavelly & Singer P.C. does have a secured claim against the estate, the distribution to General Unsecured Creditors and/or Equity Interest holders from any proceeds of the ABC Litigation will be reduced by the allowed amount of the secured claim of Lavelly & Singer P.C.

## 2. Guild Claims

The Debtor is a party to, or otherwise bound by, certain Collective Bargaining Agreements (the "**CBAs**") with various entertainment guilds, principally including, SAG-AFTRA, Theatrical Drivers and Helpers Local 817, Writers Guild of America, East, Inc., Writers Guild of America, West, Inc., IATSE New York Production Local Union, and the Directors Guild of America (together, the "**Guilds**"). The CBAs are executory contracts in bankruptcy, subject to the provisions of Section 1113 of the Bankruptcy Code.

Under the CBAs with each of the Guilds, when the Debtor is the copyright holder (i.e., the producer) of a film, they are initially responsible for paying to the guilds: (i) residual payments owed to guild members for certain exploitations of a film in which their services are used and credited, and (ii) certain fringe payments such as social security withholdings, unemployment insurance, disability insurance payments and contributions to health and retirement plans created pursuant to the CBAs (collectively, the "**Guild Obligations**"). In general, the calculation of residuals owed, as specified in the

applicable CBAs, for each exploitation of a film depends on several factors such as the type of film being exploited (i.e., whether the film is an MFT film, mini-series, etc.), how the film is exploited (i.e., broadcast on network television, broadcast on cable television, and sale of the home video versions of the film), and the number of times that the film has been previously exhibited (in the case of free television rebroadcasts, the amount per rebroadcast decreases as the number of rebroadcasts increases).

The Debtor believes that one or more of the Guilds may hold administrative, priority and/or general unsecured claims against the Debtor. The Liquidating Plan describes the treatment of each such class of claims. The Debtor also recognizes that the CBA's contain mandatory alternative dispute resolution and other procedures which otherwise vary from what is required under the Bankruptcy Code. In considering its restructuring options with respect to the Guild Obligations, the Debtor considered its rights under the Bankruptcy Code to assume, reject or modify the CBAs, the higher scrutiny applied to modification or rejection under Section 1113 of the Bankruptcy Code, and the impact of nonconsensual modification or rejection on its relationships with the Guilds. Based on this consideration, the Debtor believes that it is required to assume the provisions of the CBA's.

### **3. Unsecured Liabilities.**

The Debtor has scheduled undisputed unsecured claims in the total amount of \$3,626,997.97. The Debtor approximates that there are additional disputed unsecured claims against the estate which the Debtor estimates to total \$1,918,400. Of this amount, \$1,732,400 represents unpaid license fees owed to ABC which are subject to ongoing dispute in the ABC Litigation. The final amount of ABC's claim against the Debtor, if any, as well as the Debtor's right to set-off this amount against the claims of the Debtor against ABC, will be determined by the Court presiding over the ABC Litigation. Additionally, SAG AFTRA has filed a claim with priority and general unsecured components. SAG-AFTRA's priority claims were filed in an unliquidated amount. The class of general unsecured claims could include the entire SAG-AFTRA claim to the extent it is neither priority nor disallowed.

The United States Treasury has filed a priority tax claim against the Debtor in the amount of \$17,722.33. The Debtor believes that this amount may be subject to dispute and intends to dispute this claim. To the extent the Debtor is unsuccessful in its dispute of the United States Treasury's claim, such claim will need to be paid in full pursuant to the Plan, which will likely decrease the ultimate distribution to General Unsecured Creditors and/or Equity Interest Holders.

### **4. Equity Interests.**

100% of the preferred stock in the Debtor is owned by Prospect Park, LLC.

The common stock in Prospect Park Networks, LLC is owned as follows:

<b>Name</b>	<b>Percentage Common Stock Ownership</b>
Del, Shaw, Moonves, Tanaka, Finklestein & Lezcano	5%
Employee Incentive Plan (phantom units)	3% of phantom units
Jeffrey E. Kwatinetz	49%
Prospect Park, LLC	4%
Richard Frank	28%
WME Investments, LLC	10%
AGM Partners, LLC	4%

## **D. Significant Events in the Cases.**

### **1. Overview of Chapter 11 and the Plan Process.**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession attempts to reorganize its business for the benefit of itself, its creditors, and other parties in interest, or, in the alternative, use chapter 11 to effectuate an orderly liquidation of its assets.

The commencement of a chapter 11 case creates an estate consisting of all of the legal and equitable interests of the debtor in property as of the date that the petition is filed. Bankruptcy Code sections 1107 and 1108 provide that a debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession” unless the bankruptcy court orders the appointment of a trustee. Following the Petition Date, therefore, the Debtor remained in possession of its property as debtor-in-possession.

The filing of a voluntary petition under chapter 11 also operates as an automatic stay of, among other things, all attempts to collect on prepetition claims from the debtor or otherwise interfere with the debtor's property or business. In a chapter 11 case, unless otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect through the effective date of a confirmed chapter 11 plan.

The formulation of a chapter 11 plan of reorganization is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying the claims against and interests in the debtor. The Plan proposed by the Debtor, which is attached hereto as Exhibit 1, provides for a liquidation of the Debtor's assets to maximize the recoveries for creditors and equity interest holders.

### **4. Bankruptcy Motions.**

During the early days of the Cases, the Debtor focused its efforts on moving forward with the transition into Chapter 11 and the consummation of the Tax Credit Purchase Agreement. Specifically, the Debtor filed the following motions, all of which were granted by the Court:

- Application to Employ Genovese Joblove & Battista, P.A. as Counsel to the Debtor *nunc pro tunc* to March 10, 2014 [Docket No. 18];
- Application to Employ Cousins Chipman & Brown LLP as Counsel to the Debtor *nunc pro tunc* to March 10, 2014 [Docket No. 19];
- Motion for Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket No. 20];
- Motion to Extend Deadline to File Schedules and Statement of Financial Affairs [Docket No. 21]
- Second Motion to Extend Deadline to File Schedules and Statement of Financial Affairs [Docket No. 28];
- Application to Employ Cohn Reznick LLP as Ordinary Course Professional to complete audit in connection with Tax Credit application [Docket No. 43]

Anyone wishing to receive a copy of one or more of these motions should review the Bankruptcy Court records (available at [www.deb.uscourts.gov](http://www.deb.uscourts.gov)) or contact: Chipman Brown Cicero & Cole, LLP, Attn: Michelle Dero, 1007 North Orange Street, Suite 1110, Wilmington, Delaware 19801, Facsimile: (302) 295-0199, E-Mail: [dero@chipmanbrown.com](mailto:dero@chipmanbrown.com).

**5. Professionals Retained at the Expense of the Estate.**

During the Case to date, the Debtor has retained three professionals to assist with the administration of the Estate. The Bankruptcy Court has approved the employment of each of these professionals. These professionals are listed below:

Genovese Joblove & Battista, P.A. LLP as the Debtor's bankruptcy co-counsel;

Chipman Brown Cicero & Cole, LLP as the Debtor's bankruptcy co-counsel;

Cohn Reznick LLP as the Debtor's auditors.

The Bankruptcy Court has further authorized the retention of Cole Schotz, Meisel, Forman & Leonard P.A. as counsel to the Official Committee of Unsecured Creditors [*see* Docket Nos. 36 and 55]. This firm will be owed fees and costs incurred in their representation of the Official Committee of Unsecured Creditors as an administrative expense of the estate.

As set forth in the Application to Employ Genovese Joblove & Battista, P.A. as Counsel to the Debtor nunc pro tunc to March 10, 2014 [Docket No. 18], Genovese Joblove & Battista, P.A. is holding in its trust account a retainer in the amount of \$90,000, which it will apply to fees and costs incurred in its representation of the Debtor as and when authorized by the Court.

Cohn Reznick LLP will be entitled to fees and costs incurred on and after March 10, 2014 in the course of its duties as the Debtor's auditor in connection with the application for the Tax Credit. Cohn Reznick LLP has waived any pre-petition claims it may have against the estate.

The Bankruptcy Court has approved interim fee procedures for professionals seeking compensation from the Estate. Subject to the Debtor's cash availability, professionals of the estate are eligible to receive payment of 80% of their monthly fees and 100% of their monthly costs if no objection is timely filed and served with respect to monthly applications, with the opportunity to request and obtain payment of the "hold back" amounts at an interim or a final fee application hearing.

The Debtor has filed its Application to retain Jones Day as Special Litigation Counsel [Docket No. 84], which has been granted by the Court. Jones Day shall be entitled to fees in the amount of 33 1/3% of any Gross Consideration should the ABC Litigation settle prior to the swearing in of a jury in the pending lawsuit, and 40% of any Gross Consideration received after the swearing in of a jury in the ABC Litigation.

**6. Executory Contracts and Unexpired Leases.**

All executory contracts and unexpired leases not previously assumed or rejected by the Debtor under Section 365 of the Bankruptcy Code with the approval of the Bankruptcy Court will be deemed rejected by the Debtor as of the Confirmation Date. The Confirmation Order shall constitute an Order of the Bankruptcy Court approving all such rejections hereunder as of the Effective Date. Any Claim for damages arising from any such rejection must be filed within 30 days after the mailing of notice of the entry of the Confirmation Order or such Claim shall be forever barred, shall not be enforceable against the Debtor, its Estate, or the Liquidating Estate, and the holder of such Claims shall receive no distribution under this Plan or otherwise on account of such Claims.

Prior to a hearing on approval of the Disclosure Statement, the Debtor intends to file a separate motion seeking authority to assume certain executory contracts and unexpired leases which were in effect as of the Petition Date.

**7. Claims.**

**a. The Schedules.**

Pursuant to its Schedules Filed on or about April 21, 2014, the Debtor has scheduled undisputed unsecured claims in the total amount of \$3,626,997.97. The Debtor approximates that there are additional disputed unsecured claims against the estate which the Debtor estimates to total \$1,918,400. Of this amount, \$1,732,400 represents unpaid license fees owed to ABC which are subject to ongoing dispute in the ABC Litigation.

The United States Treasury has filed a priority tax claim against the Debtor in the amount of \$17,722.33. The Debtor believes that this amount may be subject to dispute and intends to object to this claim. To the extent the Debtor is unsuccessful in its objection to the United States Treasury's claim, such claim will need to be paid in full pursuant to the Plan, which will likely decrease the ultimate distribution to General Unsecured Creditors and/or Equity Interest Holders.

The Court has not yet set a claims bar date in this case. Accordingly, the total amount of claims against the Debtor may increase after the filing of the Debtor's Plan. Some or all of these claims may be disputed by the Debtor and all parties in interest will retain the right to object to the allowance of any claims against the Debtor. Such objections may be resolved by the Court in favor of the claimant, which could materially affect the ultimate distribution to creditors of the estate, including by decreasing the Pro Rata Share of any Distribution to any class of creditors.

The amount of the distribution received by creditors in Class 4 could be affected by, among other things, the ultimate amount of Allowed Claims in such class (which amount includes both Filed Claims and claims listed on the Debtor's Schedules that have not been superseded by Filed Claims). The amount of the Allowed Claims in this class also could be increased by the amount of any deficiency Claim resulting from the avoidance of a lien or security interest in favor of a secured lender or the amount, if any, by which the amount of such Claim exceeds the value of any collateral securing such obligation.

THE DEBTOR, ESTATE, LIQUIDATING TRUSTEE AND THE LIQUIDATING ESTATE RESERVE ANY AND ALL RIGHTS, EXCEPT AS EXPRESSLY STATED IN THE PLAN, TO OBJECT TO OR DEFEND AGAINST ANY CLAIM ASSERTED AGAINST THE DEBTOR OR ITS ESTATE.

**b. Administrative Claims Bar Date.**

The Court has not set an administrative claims bar date in this case. Accordingly, the total amount of administrative claims may increase after the filing of the Debtor's Plan. Some or all of these claims may be disputed by the Debtor and all parties in interest will retain the right to object to the allowance of any claims against the Debtor. Such objections may be resolved by the Court in favor of the claimant, which could materially affect the ultimate distribution to non-administrative creditors of the estate, including by decreasing the Pro Rata Share of any Distribution to any class of creditors and/or Equity Interest Holders.

**c. Claim Objections.**

Pursuant to Section IV.D of the Plan, the Liquidating Trustee and the Debtor, are authorized to file Objections to Claims, through and including the Claim Objection Deadline. Accordingly, all rights are reserved on behalf of the Debtor, the Estate, the Liquidating Estate and the Liquidating Trustee, with respect to the allowance or disallowance of any and all Claims, including Claims not referenced in the Disclosure Statement.

THEREFORE, IN VOTING ON THE PLAN, NO CREDITOR OR EQUITY INTEREST HOLDER MAY RELY ON THE ABSENCE OF AN OBJECTION TO THEIR PROOF OF CLAIM OR EQUITY INTEREST, RESPECTIVELY, AS ANY INDICATION THAT THE DEBTOR, THE ESTATE, THE LIQUIDATING ESTATE, THE LIQUIDATING TRUSTEE OR OTHER PARTIES IN INTEREST ULTIMATELY WILL NOT OBJECT TO THE AMOUNT, PRIORITY, SECURITY, OR ALLOWABILITY OF ITS CLAIM OR EQUITY INTEREST, OR SEEK TO SUBORDINATE SUCH CLAIM. CREDITORS AND EQUITY INTEREST HOLDERS SHOULD ASSUME THAT THE DEBTOR, THE ESTATE, LIQUIDATING ESTATE, LIQUIDATING TRUSTEE, OR OTHER PARTY IN INTEREST (I) WILL FILE AN OBJECTION TO ANY PROOF OF CLAIM OR EQUITY INTEREST THAT IS NOT LISTED IN THE DEBTOR'S SCHEDULES OR STATEMENT OF EQUITY SECURITY HOLDERS, DIFFERS IN AMOUNT OR PRIORITY FROM THE AMOUNT OR PRIORITY OF THAT CREDITOR'S CLAIM AS LISTED IN THE SCHEDULES, IF SUCH CREDITOR'S CLAIM IS LISTED IN THE SCHEDULES AS DISPUTED, CONTINGENT, OR UNLIQUIDATED, OR THE PERCENTAGE OF EQUITY INTERESTS AS LISTED IN THE DEBTOR'S STATEMENT OF EQUITY SECURITY HOLDERS (II) WILL PROSECUTE, ALL OBJECTIONS TO CLAIMS AND EQUITY INTERESTS AND COUNTERCLAIMS THEY MAY HAVE WITH RESPECT TO CLAIMS OR EQUITY INTERESTS ASSERTED, AND (III) EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, WILL PROSECUTE CLAIMS AND EQUITY INTERESTS OF THE DEBTOR OR THE ESTATE (INCLUDING RIGHTS TO AFFIRMATIVE RECOVERY, RIGHTS TO SUBORDINATE CLAIMS, AND RIGHTS TO AVOID TRANSFERS).

**8. Litigation and Avoidance Actions.**

**a. Avoidance Actions Against Insiders and Others.**

Payments and transfers of an interest in property made by the Debtor within 90 days and, where made to Insiders, within one year of the Petition Date, may be recoverable by the Estate under Bankruptcy Code section 547 as preferential transfers. Also, the Estate may have other potential avoidance actions, including actions to avoid liens, set aside and/or recover fraudulent transfers of property arising under Bankruptcy Code sections 544 and 548 and applicable state law, which may apply to transfers preceding the Petition Date by four or more years.

As of the date of this Disclosure Statement, the Debtor has not identified any prepetition payments that may constitute preferential transfers under Bankruptcy Code section 547. The Debtor believes that any subsequently discovered payments would not constitute recoverable preferences, would be subject to significant defenses, and/or would not merit the cost of prosecution. Accordingly, the total amounts that may be realized cannot be estimated with any accuracy.

As noted above, the Official Committee of Unsecured Creditors believes that the lien of Prospect Park, LLC on the proceeds of the Hulu Agreement is avoidable as a preference pursuant to Bankruptcy Code section 547.

**b. Preservation of All Claims, Causes of Action and Rights.**

NO PERSON SHOULD VOTE TO ACCEPT OR REJECT THE PLAN IN THE EXPECTATION THAT THE DEBTOR, THE ESTATE, THE LIQUIDATING TRUSTEE AND/OR LIQUIDATING ESTATE MAY PURSUE OR REFRAIN FROM PURSUING ANY ACTION, REGARDLESS OF WHETHER THAT ACTION WAS COMMENCED PRIOR TO THE PETITION DATE, HAS BEEN COMMENCED SINCE THE PETITION DATE, OR IS SPECIFICALLY IDENTIFIED IN THIS DISCLOSURE STATEMENT. SUBJECT TO THE RELEASES CONTAINED IN THE PLAN, THE PLAN RELEASES NONE OF THE RIGHTS OF THE DEBTOR OR THE ESTATE TO COMMENCE ANY ACTION. INSTEAD, UNDER THE PLAN, ALL CLAIMS, CAUSES OF ACTION, AND OTHER RIGHTS THAT THE DEBTOR OR THE ESTATE MAY HOLD OR HAVE AGAINST ANY ENTITY, ARE PRESERVED AND VESTED IN THE LIQUIDATING ESTATE, INCLUDING, WITHOUT LIMITATION, (I) ANY CLAIMS, RIGHTS, OR CAUSES OF ACTION UNDER SECTIONS 544 THROUGH 550 OF THE BANKRUPTCY CODE OR ANY SIMILAR PROVISIONS OF STATE LAW, OR ANY OTHER STATUTE OR LEGAL THEORY, (II) ANY LEGAL OR EQUITABLE RIGHTS TO SUBORDINATE AND/OR DISALLOW CLAIMS OR INTERESTS, (III) ANY CAUSES OF ACTION THAT MAY BE BROUGHT ON BEHALF OF THE DEBTOR, THE ESTATE OR ITS CREDITORS OR EQUITY INTEREST HOLDERS; AND (IV) ANY AND ALL OTHER CLAIMS, RIGHTS, OR CAUSES OF ACTION OF ANY KIND OR NATURE OF THE DEBTOR OR THE ESTATE THAT MAY EXIST UNDER APPLICABLE BANKRUPTCY OR NONBANKRUPTCY LAW.

WITHOUT LIMITING THE GENERALITY OF ANY OF THE FOREGOING PARAGRAPHS, THE LIQUIDATING ESTATE SHALL, SUBJECT TO THE EXCULPATION PROVISIONS CONTAINED IN THE PLAN, RETAIN THE RIGHT TO ASK THE COURT TO SUBORDINATE OR DISALLOW ANY CLAIM OR EQUITY SECURITY INTEREST, NOTWITHSTANDING ANY REFERENCE TO SUCH A CLAIM OR EQUITY INTEREST OR CLASSIFICATION OF SUCH A CLAIM OR EQUITY INTEREST UNDER THE PLAN (NEITHER OF WHICH CONSTITUTE AN ADMISSION THAT ANY SUCH CLAIM SHOULD BE AN ALLOWED CLAIM OR EQUITY INTEREST OR THAT ANY SUCH CLAIM OR EQUITY INTEREST SHOULD NOT BE SUBORDINATED).

Except as otherwise provided in the Plan, any such rights shall be retained by the Liquidating Estate free and clear of all Claims and Interests, and the Liquidating Estate may pursue these rights of action in accordance with their best interests.

Any order entered by the Court approving the Debtor's Application to retain Jones Day as Special Litigation Counsel [Docket No. 84] shall be binding of the Liquidating Trustee to the extent set forth in such order.

**c. Proceeds of Retained Actions.**

All recoveries realized on Avoidance Actions (i.e., the claims, causes of action and other rights preserved under the Plan) will be retained and used by the Liquidating Estate in accordance with the Plan. Importantly, Retained Actions as defined in the Plan includes the ABC Litigation, in which the Debtor has sought damages which could be as much as \$95,000,000.00. However, the Debtor's damages in the ABC Litigation remain subject to vigorous dispute by ABC. The Debtor may ultimately recover no damages in the ABC Litigation. Furthermore, any damages that the Debtor does recover in the ABC Litigation may be subject to a contingency fee for the Debtor's counsel in the ABC Litigation, as may be approved by the Bankruptcy Court after the filing of the Debtor's Plan and Disclosure Statement.

**IX.**

**SUMMARY OF MATERIAL PLAN PROVISIONS**

The following is a narrative description of certain provisions of the Plan. The Plan is attached hereto as Exhibit 1. The following summary of the Plan is qualified in its entirety by the actual terms of the Plan. In the event of any conflict, the terms of the Plan will control over any summary set forth in this Disclosure Statement.

**A. Designation of Classes and Treatment of Claims and Interests Generally.**

The Bankruptcy Code requires that a chapter 11 plan divide the different claims against, and equity interests in, a debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are usually classified together, as are equity interests of a substantially similar legal nature. The Bankruptcy Code does not require the classification of administrative claims and certain priority claims, and they are typically denominated "unclassified claims."

Under Bankruptcy Code section 1124, a class of claims is "impaired" unless the plan (i) leaves unaltered the legal, equitable, and contractual rights of the holders of claims in the class; or (ii) cures all defaults (other than those arising from the debtor's insolvency, the commencement of the case, or nonperformance of a nonmonetary obligation) that occurred before or after the commencement of the case, reinstates the maturity of the claims in the class, compensates the holders for their actual damages incurred as a result of their reasonable reliance on any acceleration rights, and does not otherwise alter their legal, equitable, and contractual rights. Except for any right to accelerate the debtor's obligations, the holder of an unimpaired claim will be placed in the position it would have been if the case had not been commenced.

A chapter 11 plan must designate each separate class of claims and equity interests either as "impaired" (affected by the plan) or "unimpaired" (unaffected by the plan). If a class of claims is "impaired," under the Bankruptcy Code the holders of claims in that class are entitled to vote on the plan (unless the plan provides for no distribution to the class, in which case the class is deemed to reject the plan), and to receive, under the plan, property with a value at least equal to the value that the holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. If a class of claims is unimpaired, the holders of claims in that class are deemed to accept the plan.

The following table summarizes unclassified Claims and the Classes of Claims and Equity Interests under the Plan:

<b>CLASS/ UNCLASSIFIED CLAIMS</b>	<b>DESCRIPTION</b>	<b>IMPAIRED/ UNIMPAIRED</b>	<b>VOTING STATUS</b>
Unclassified Claims	Administrative Claims and Priority Tax Claims	Unimpaired	Not Entitled to Vote
Class 1	Secured Claim of GEPF, LLC	Unimpaired	Not Entitled to Vote
Class 2	Secured Claim of Prospect Park, LLC	Unimpaired	Not Entitled to Vote
Class 3	Priority Claims (Other than Priority Tax Claims)	Unimpaired	Not Entitled to Vote
Class 4	General Unsecured Claims	Impaired	Entitled to Vote
Class 5	Equity Interests	Unimpaired	Not Entitled to Vote

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, NO DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM OR EQUITY INTEREST THAT IS NOT ALLOWED.

The treatment in the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights (including any Liens) that each entity holding an Allowed Claim or an Allowed Equity Interest may have in or against the Debtor, the Estate, the Liquidating Estate or its respective property. This treatment supersedes and replaces any agreements or rights those entities may have in or against the Debtor, the Estate, the Liquidating Estate or its respective property. All distributions in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claim, as determined for federal income tax purposes, and thereafter, to the remaining portion of such Allowed Claim, if any.

**B. Allowance and Treatment of Unclassified Claims  
(Administrative Claims and Priority Tax Claims).**

**1. Administrative Claims.**

**(a) U.S. Trustee Fees.**

U.S. Trustee Fees shall be allowed in accordance with 28 U.S.C. § 1930. The Disbursing Agent will pay to the U.S. Trustee all fees due and owing under 28 U.S.C. § 1930 in cash on the Effective Date.

**(b) Professional Fee Claims.**

A Professional Fee Claim of one of the Debtor's Professionals will be allowed only if:

(i) On or before 60 days after the Effective Date, the entity holding such Professional Fee Claim both Files with the Bankruptcy Court a final fee application or a motion requesting allowance of the fees and serves the application or motion on the Liquidating Trustee and his/her counsel, the Debtor and its counsel (to the extent, if any, that the final fee application is served prior to the Effective Date),

the U.S. Trustee, and on all parties listed on the post-Effective Date special service list maintained by the Liquidating Trustee established in accordance with Section VI.H of the Plan; and

(ii) The Bankruptcy Court allows the Claim.

Any party in interest may File an objection to such application or motion within the time provided by the Bankruptcy Rules or within any other period that the Bankruptcy Court establishes. Entities holding Professional Fee Claims that do not timely File and serve a fee application or motion for payment will be forever barred from asserting such Professional Fee Claim against the Debtor, the Estate, the Liquidating Estate, or its respective property.

Holders of Professional Fee Claims may agree to payment arrangements different than what is provided hereunder, except that in all circumstances Professional Fee Claims are subject to final approval by the Bankruptcy Court.

The interest of Jones Day in the proceeds of the ABC Litigation shall be as set forth in any order of the Court entered on the Debtor's Application to retain Jones Day as Special Litigation Counsel [Docket No. 84], and such interests of Jones Day shall not be modified or otherwise affected by the Plan.

(c) Other Administrative Claims.

Unless otherwise expressly provided in the Plan, an Administrative Claim (other than U.S. Trustee Fees and a Professional Fee Claim) will be allowed only if:

(i) On or before the Administrative Claim Bar Date, the person or entity asserting an Administrative Claim Files and serves a request for allowance of an Administrative Claim in compliance with the procedures established by the Court under the Administrative Claim Bar Date Order; and

(ii) The Court allows the Claim by Final Order.

Any party in interest may File an objection to such Administrative Claim within the time provided by the Bankruptcy Rules or within any other period that the Bankruptcy Court establishes. **Except as otherwise expressly provided in the Plan, entities holding Administrative Claims (other than U.S. Trustee Fees or Professional Fee Claims, which are addressed in Sections II.B.1(a) and II.B.1(b) above) that have not timely Filed and served a request for allowance an Administrative Claim by the Administrative Claim Bar Date are forever barred from asserting such Administrative Claim against the Debtor, the Estate, the Liquidating Estate or its respective property.**

Unless the entity holding a Allowed Administrative Claim (other than U.S. Trustee Fees, Professional Fee Claims) agrees to different treatment, the Disbursing Agent will pay to the entity holding such Allowed Administrative Claim Cash in the full amount of such Allowed Administrative Claim, on or before the latest of: (a) the Distribution Date; (b) fifteen (15) days after the date on which the Allowed Administrative Claim becomes an Allowed Administrative Claim; and (c) the date on which the Allowed Administrative Claim first becomes due and payable in accordance with its terms.

(d) Costs of the Liquidating Estate.

Allowance and payment of the post-Effective Date fees and expenses of the Liquidating Trustee and his professionals shall be governed by the provisions of the Liquidating Estate Agreement.

## **2. Priority Tax Claims.**

Unless the entity holding a Priority Tax Claim Allowed by the Court agrees to different treatment, the Disbursing Agent will pay to the entity holding an Allowed Priority Tax Claim cash in the full amount thereof on or before the latest of: (a) the Distribution Date; (b) fifteen (15) days after the date on which the Priority Tax Claim becomes an Allowed Priority Tax Claim; and (c) the date on which the Allowed Priority Tax Claim first becomes due and payable in accordance with its terms.

### **C. Classification and Treatment of Classified Claims and Interests.**

#### **1. Class 1 (Secured Claim of GEPP, LLC).**

Class 1 comprises the Secured Claim of GEPP, LLC. Class 1 is unimpaired under the Plan. In full satisfaction of any Allowed Class 1 Claim that has not been satisfied or extinguished as of the Effective Date, the Disbursing Agent will pay the holder of such Allowed Class 1 Claim the full amount thereof within the time frames and in the manner set forth in the existing agreements which evidence the Tax Credit Loan. All liens of GEPP, LLC against property of the Debtor shall continue after confirmation of this Plan with the same validity, priority and to the same extent that such liens existed on the Petition Date.

#### **2. Class 2 (Secured Claim of Prospect Park, LLC).**

Class 2 comprises all Secured Claim of Prospect Park, LLC against the Debtor. The Collateral for the Class 2 Claim is the Debtor's rights to payment under the Hulu Agreement and all proceeds arising therefrom including all of PPN's rights to payments under the Hulu Agreement, together with all products and proceeds of the foregoing. Class 2 is unimpaired under the Plan. In full satisfaction of any Allowed Class 2 Claim that has not been satisfied or extinguished as of the Effective Date, the Disbursing Agent will, at its option, (1) pay the holder of such Allowed Class 2 Claim the full amount thereof on or before the latest of: (a) the Distribution Date and (b) fifteen (15) days after the date on which such Claim becomes an Allowed Secured Claim, or (2) surrender the Collateral securing the Allowed Secured Claim to the holder thereof, in full satisfaction thereof. All liens of Prospect Park, LLC against property of the Debtor shall continue after confirmation of this Plan with the same validity, priority and to the same extent that such liens existed on the Petition Date, except to the extent modified by order of the Bankruptcy Court.

Prospect Park, LLC has previously agreed to the use of its cash collateral to pay a "Litigation Cost Reserve" as set forth in the Debtor's Application to retain Jones Day as Special Litigation Counsel [Docket No. 84]. Such use shall be taken into account in determining any distribution to the Class 2 claimant under the Plan.

#### **3. Class 3 (Priority Claims other than Priority Tax Claims).**

Class 3 comprises all Priority Claims, other than Priority Tax Claims, against the Consolidated Debtor. Class 3 is unimpaired under the Plan. In full satisfaction of any Allowed Class 3 Claim that has not been satisfied or extinguished as of the Effective Date, the Disbursing Agent will pay the holder of such Allowed Class 3 Claim the full amount thereof from Estate Cash on or before the latest of: (a) the Distribution Date and (b) fifteen (15) days after the date on which such Claim becomes an Allowed Priority Claim. The Debtor believes that the holders of Class 3 Priority Claims will be the portion of any Guild Claims which are entitled to priority under the Bankruptcy Code.

**4. Class 4 (General Unsecured Claims).**

Class 4 comprises all General Unsecured Claims against the Debtor. Class 4 is Impaired under the Plan. In full satisfaction of any Allowed Class 4 Claim that has not been satisfied or extinguished as of the Effective Date, the Disbursing Agent will pay the holder of such Allowed Class 4 Claim a Pro Rata share of the Debtor's Distributable Assets on or before the latest of: (a) the Distribution Date and (b) fifteen (15) days after the date on which such Claim becomes an Allowed General Unsecured Claim. If the amount of the Debtor's Distributable Assets exceeds the total amount of Allowed General Unsecured Claims, each holder of an Allowed Class 4 Claim shall be paid in full plus interest at the federal judgment rate established by 28 U.S.C. § 1961 as of the Petition Date.

**5. Class 5 (Equity Interests).**

Class 5 comprises all Equity Interests. Class 5 is Unimpaired under the Plan. In full satisfaction of any Allowed Class 5 Equity Interest that has not been satisfied or extinguished as of the Effective Date, the Class 5 Equity Interests shall not be cancelled or extinguished and the Disbursing Agent will pay to the Holder of such Allowed Class 5 Equity Interest its pro rata share of each distribution of Distributable Assets proposed to be made to all Holders of Allowed Class 5 Equity Interests by the Liquidating Trustee on any Distribution Date. No distribution shall be made to Holders of Allowed Class 5 Equity Interests unless and until all Allowed Administrative Claims, Allowed Professional Fee Claims, U.S. Trustee Fees, Post-Confirmation Administrative Claims, Allowed Priority Tax Claims and all Allowed Claims in Classes 1, 2, 3 and 4 have been paid in full, reserved or otherwise resolved, and/or included in or accounted for in the distribution at issue.

**D. Appointment of Steering Committee**

Upon the Effective Date, a Steering Committee shall be constituted. The Steering Committee shall have three members. The initial membership of the Steering Committee shall be as follows: (i) an individual designated by the Official Committee of Unsecured Creditors; (ii) Jeffrey E. Kwatinetz (the Debtor's Chief Executive Officer and President) or his designee, and (iii) a third member selected by mutual agreement of the other two members.

The Liquidating Trustee shall update the Steering Committee on developments in the case, and shall consult with the Steering Committee on major decisions involving the liquidation of the estate, including the commencement or settlement of any litigation claims.

The Steering Committee and any professional to the Steering Committee shall be entitled to receive, on a monthly basis, payment of fees and reimbursement of reasonable expenses from the assets of the Liquidating Estate in accordance with the Liquidating Estate Agreement. In the event there is insufficient Estate Cash to satisfy the fees and expenses incurred by the Steering Committee and its professionals following the Effective Date, such fees and expenses shall be satisfied with the cash proceeds of the Avoidance Actions, when and to the extent they are realized.

The members of the Steering Committee shall serve for the duration of the Liquidating Estate, subject to earlier death, resignation, incapacity or removal as provided in the Liquidating Estate Agreement. The Steering Committee shall be authorized, without further order of the Bankruptcy Court, to employ such persons, including professionals, as deemed necessary to enable the Steering Committee to perform its functions under the Plan, and the costs of such employment and other expenditures shall be paid solely from assets of the Liquidating Estate in accordance with the Liquidating Estate Agreement.

**E. Appointment of the Liquidating Trustee.**

Pursuant to 11 U.S.C. § 1129(a)(5), consistent with the interests of creditors and equity security holders, and consistent with public policy, the Confirmation Order shall appoint, effective on the Effective Date, James S. Feltman of Mesirow Financial Consulting, LLC to act as the Liquidating Trustee, or such other person as may be appointed pursuant to the terms of the Liquidating Estate Agreement. The Liquidating Trustee shall be free to act as he deems appropriate, in his discretion, to effectuate the terms of the Plan and the Liquidating Estate Agreement.

Mr. Feltman is the spouse of Allison R. Day, one of the partners of Genovese Joblove & Battista, P.A., which is the Debtor's counsel in this bankruptcy case.

The Liquidating Trustee and any professional to the Liquidating Trustee shall be entitled to receive, on a monthly basis, payment of fees and reimbursement of reasonable expenses from the assets of the Liquidating Estate in accordance with the Liquidating Estate Agreement. In the event there is insufficient Estate Cash to satisfy the fees and expenses incurred by the Liquidating Trustee and his professionals following the Effective Date, such fees and expenses shall be satisfied with the cash proceeds of the Retained Actions, when and to the extent they are realized.

The Liquidating Trustee shall serve for the duration of the Liquidating Estate, subject to earlier death, resignation, incapacity or removal as provided in the Liquidating Estate Agreement. If James S. Feltman is not able to serve for the duration of the Liquidating Estate, a successor shall be chosen pursuant to the terms of the Liquidating Estate Agreement. The Liquidating Trustee shall be authorized, without further order of the Bankruptcy Court, to employ such persons, including professionals, as deemed necessary to enable the Liquidating Trustee to perform his functions under the Plan, and the costs of such employment and other expenditures shall be paid solely from assets of the Liquidating Estate in accordance with the Liquidating Estate Agreement.

The Liquidating Trustee shall perform his obligations under the Plan without bond. The Liquidating Trustee shall have no liability to any person or entity entitled to receive a distribution pursuant to the Plan for any losses, damages, claims or causes of action, other than those primarily resulting from the Liquidating Trustee's action or failure to act arising out of, in connection with or resulting from the Liquidating Trustee's gross negligence or willful misconduct. The Liquidating Estate shall indemnify, defend and hold the Liquidating Trustee and his agents and advisors harmless from and against any claims, damages, costs, fines, penalties, liabilities, attorneys' and other professional fees and disbursements, suffered, incurred by, or asserted against any such party in connection with the rendition of services to the Liquidating Estate, provided that such indemnification shall not apply to the extent any such claims, damages, costs, fines, penalties, liabilities, attorneys' and other professional fees and disbursements, resulted primarily from gross negligence or willful misconduct of the Estate Representative, its agent or advisors, as the case may be, as determined by a Final Order. Any such indemnification claims shall be paid prior and in preference to any other payments or distributions to be made from the Liquidating Estate.

**F. Powers and Duties of the Liquidating Trustee.**

On and after the Effective Date, the Liquidating Trustee shall be the duly authorized representative of the Liquidating Estate for the purpose of implementing the Plan. Among other things, the Liquidating Trustee shall have the following rights, powers and duties:

- a. liquidate, in accordance with the Plan, the assets of the Liquidating Estate;

- b. serve as Disbursing Agent under the Plan;
- c. in the Liquidating Trustee's reasonable business judgment, investigate, prosecute, settle and/or abandon rights, actions or litigation of the Liquidating Estate, including the Retained Actions;
- d. manage the affairs of the Liquidating Estate;
- e. collect and marshal all assets of the Liquidating Estate, reduce such assets to Cash, and make interim and final distributions in accordance with the Plan;
- f. monitor and enforce the implementation of the Plan;
- g. file all tax and regulatory forms, returns, reports and other documents required with respect to the Liquidating Estate;
- h. as soon as reasonably practicable, but in no event later than fifteen (15) days after the Effective Date, serve a notice of Effective Date on all holders of Claims and Equity Interests. The notice of Effective Date shall include a notice that the bar date for filing Rejection Damage Claims (or other Claims for damages) arising from the rejection under the Plan of executory contracts or unexpired leases shall be 30 days after the mailing of notice of the Effective Date, as set forth in Section III.A.2;
- i. in the Liquidating Trustee's reasonable business judgment, manage, control, prosecute and/or settle on behalf of the Liquidating Estate, objections to Claims on account of which the Liquidating Trustee (as Disbursing Agent) will be responsible (if Allowed) for making distributions under the Plan;
- j. submit all required U.S. Trustee and Bankruptcy Court reports and pay all required U.S. Trustee Fees until the case is closed;
- k. take all actions necessary and create any documents necessary to wind up the affairs of the Liquidating Estate and implement the Plan; and
- l. take all necessary actions and File all appropriate motions to obtain an order closing the Cases.

#### **G. Liquidating Estate Agreement**

The Proposed Liquidating Estate Agreement is attached as Exhibit A to the Plan.

#### **H. Exculpation and Limitation of Liability**

THE DEBTOR AND ITS OFFICERS, DIRECTORS, MANAGERS, MEMBERS, ACCOUNTANTS, ATTORNEYS AND REPRESENTATIVES (COLLECTIVELY, THE "**EXCULPATED PARTIES**"), WILL NEITHER HAVE NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY ACTION IN GOOD FAITH TAKEN OR OMITTED TO BE TAKEN AFTER THE PETITION DATE AND BEFORE THE EFFECTIVE DATE IN CONNECTION WITH OR RELATED TO THE CHAPTER 11 CASE OR THE FORMULATION, PREPARATION, DISSEMINATION, IMPLEMENTATION, CONFIRMATION OR CONSUMMATION OF THE

PLAN, THE DISCLOSURE STATEMENT, OR ANY AGREEMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN; PROVIDED, HOWEVER, THAT THIS LIMITATION WILL NOT AFFECT OR MODIFY THE OBLIGATIONS CREATED UNDER THIS PLAN, OR THE RIGHTS OF ANY HOLDER OF AN ALLOWED CLAIM OR ALLOWED EQUITY INTEREST TO ENFORCE ITS RIGHTS UNDER THE PLAN AND SHALL NOT RELEASE ANY ACTION (OR INACTION) CONSTITUTING WILLFUL MISCONDUCT, FRAUD OR GROSS NEGLIGENCE (IN EACH CASE SUBJECT TO DETERMINATION OF SUCH BY FINAL ORDER OF A COURT OF COMPETENT JURISDICTION. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH EXCULPATED PARTY SHALL BE ENTITLED TO AND GRANTED THE PROTECTIONS OF SECTION 1125(E) OF THE BANKRUPTCY CODE.

## X.

### BEST INTERESTS OF CREDITORS AND FEASIBILITY

#### A. “Best Interests Test.”

In addition to the other requirements described in this Disclosure Statement, the Bankruptcy Code requires that a chapter 11 plan satisfy the “best interests of creditors” test. Under this test, if the holder of an Allowed Claim or Allowed Equity Interest is in an impaired Class and does not vote to accept the Plan, then that entity must receive or retain under the Plan property of a value not less than the amount that such entity would receive or retain if the Debtor was liquidated under chapter 7 of the Bankruptcy Code.

In a chapter 7 case, a debtor’s assets are usually sold by a chapter 7 trustee. Secured creditors are paid first from the sales proceeds of property on which the secured creditors have liens. Administrative claims are paid next. Unsecured creditors thereafter are paid from any remaining sales proceeds, according to their legal rights of priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm the Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a chapter 7 forced liquidation. The Debtor maintains that any prospects for recovery that may be realized by unsecured creditors and equity interest holders on account of their Claims or Equity Interests, as applicable should be at least as great, if not greater, pursuant to the terms embodied in Plan, than they would be in chapter 7. Generally, the Plan requires the proceeds to be distributed, to the extent available, in accordance with the priority scheme established by the Bankruptcy Code.

Under the Plan and under chapter 7, the remaining assets of the Estate will be liquidating and reduced to money. The Debtor assumes that those assets are worth what they are worth. However, under the Plan, a greater recovery will inure to the holders of General Unsecured Claims and Equity Interests, due to decreased costs and the elimination of litigation risk.

Thus, the Debtor believes that the Plan is in the best interests of creditors, and should be confirmed.

**B. Feasibility.**

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless such liquidation or reorganization is proposed in the Plan. See 11 U.S.C. § 1129(a)(11). The Plan provides for the liquidation of the Debtor's assets, to the extent not already liquidated, and the distribution of the proceeds to holders of Allowed Claims and Allowed Equity Interests. The Debtor will show at the Confirmation Hearing that the Plan satisfies the feasibility requirement set forth in Bankruptcy Code section 1129.

**XI.****TAX ANALYSIS****1. In General**

THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE ESTATE, BUT IS NOT A COMPLETE DISCUSSION OF ALL SUCH CONSEQUENCES. CERTAIN OF THE CONSEQUENCES DESCRIBED BELOW ARE SUBJECT TO SUBSTANTIAL UNCERTAINTY DUE TO THE UNSETTLED STATE OF THE TAX LAW GOVERNING BANKRUPTCY REORGANIZATIONS. AS OF THE DATE HEREOF, NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE ("IRS") WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. FURTHER, THE TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AND EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OR EACH HOLDER, AND MAY BE AFFECTED BY MATTERS NOT DISCUSSED BELOW, SUCH AS THE SPECIAL RULES APPLICABLE TO CERTAIN TYPES OF HOLDERS (INCLUDING PERSONS SUBJECT TO SPECIAL RULES, SUCH AS, FOR EXAMPLE, NONRESIDENT ALIENS, LIFE INSURANCE COMPANIES AND TAX-EXEMPT ORGANIZATIONS). IN ADDITION, THERE MAY BE STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN APPLICABLE TO PARTICULAR HOLDERS OF CLAIMS OR INTERESTS, NONE OF WHICH ARE DISCUSSED BELOW. THEREFORE, THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE SPECIFIC CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST, AND EACH HOLDER OF A CLAIM AGAINST OR EQUITY INTEREST IN THE ESTATE IS URGED TO CONSULT HIS, HER OR ITS TAX ADVISORS CONCERNING THEIR SPECIFIC TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

**2. Certain Federal Income Tax Consequences Of the Plan**

The following discussion is a summary of certain material U.S. federal income tax consequences of the implementation of the Plan to the Debtors and to certain Holders of Claims. This discussion does not address the federal income tax consequences of the Plan to (a) the Holders of unclassified Claims under the Plan (i.e., Administrative Claims and Priority Claims), (b) the Holders of Secured Claims, or (c) the Holders of Equity Interests.

Due to the complexity of certain aspects of the Plan, the lack of applicable legal precedent, the possibility of changes in the law; the differences in the nature of the Claims. (including Claims within

the same Class) and Equity Interests, the Holder's status and method of accounting (including Holders within the same Class) and the potential for disputes as to legal and factual matters with the IRS, the tax consequences described herein are subject to significant uncertainties. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the IRS with respect to any of the issues discussed below. Furthermore, legislative, judicial or administrative changes may occur, perhaps with retroactive effect, which could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the Debtors and the Holders of Claims and Equity Interests.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or certain Holders of Claims or Equity Interests in light of their personal circumstances, nor does the discussion deal with tax-issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, regulated investment companies and foreign taxpayers). This discussion does not address the tax consequences to certain Holders of Claims who did not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

THE FOLLOWING SUMMARY IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PERSONAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR EQUITY INTEREST. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

### **3. Tax Consequences To Holders Of Claims and Equity Interests**

The federal income tax consequences of the Plan to a Holder of a Claim will depend upon several factors including but not limited to: (i) the basis of the Holder's Claim or Equity Interest, (ii) whether the Holder is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above), (iii) whether the Holder reports income or the accrual or cash basis method, (iv) whether the Holder has taken a bad debt deduction or worthless security deduction with respect to this Claim or Equity Interest and (v) whether the Holder receives distributions under the Plan in more than one taxable-year. HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS OR EQUITY INTERESTS.

Generally, a Holder of an Allowed Claim or Equity Interest will recognize gain or loss equal to the difference between the "amount realized" by such Holder and such Holder's adjusted tax basis in the Allowed Claim or Equity Interest. The "amount realized" is equal to the sum of the Cash and the fair market value of any other consideration received under the Plan in respect of a Holder's Claim or Equity Interest. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR ALLOWED CLAIMS.

Pursuant to the Plan, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance that the IRS will respect such allocation for federal income tax purposes. Holders of Allowed Claims not previously required to include in their taxable income any accrued by

unpaid interest on an Allowed Claim may be treated as receiving taxable interest, to the extent any consideration they receive under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR ALLOWED CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

Where gain or loss is recognized by a Holder of an Allowed Claim or Equity Interest, the character of such gain or loss as a long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, but not limited to, the status of the Holder, the nature of the Allowed Claim or Equity Interest in such Holder's hands (i.e., whether the claim of equity interest constitutes a capital asset in the hands of the holder), the purpose and circumstances of its acquisition, the Holder's holding period of the Allowed Claim or Equity Interest, and the extent to which the Holder previously claimed a deduction for the worthlessness of all or a portion of the Allowed Claim. The Holder's aggregate tax basis for any consideration received under the Plan will generally equal the amount realized in the exchange (less any amount allocable to interest as described in the previous paragraph). The holding period for any consideration received under the Plan will generally begin on the day following the receipt of such consideration.

A Holder that purchased its Claim from a prior Holder at a market discount may be subject to the market discount rules of the Internal Revenue Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a *de minimis* rule) generally would be characterized ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY FOR INFORMATIONAL PURPOSES AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND; IN SOME CASES UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

#### **4. Duties of Regulatory Agencies**

Nothing in this Disclosure Statement or in the Plan shall be construed to preclude a regulatory agency, such as the Securities and Exchange Commission or the Internal Revenue Service, from fulfilling its statutory duties.

#### **5. Importance of Obtaining Independent Professional Tax Assistance.**

THE FOREGOING IS INTENDED AS A SUMMARY ONLY, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE PARTICULAR CIRCUMSTANCES OF EACH HOLDER OF AN ALLOWED CLAIM OR AN ALLOWED EQUITY INTEREST. ACCORDINGLY, EACH HOLDER OF AN ALLOWED CLAIM

AND ALLOWED EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND LOCAL INCOME TAX AND OTHER TAX CONSEQUENCES UNDER THE PLAN.

**6. Duties of Regulatory Agencies**

Nothing in this Disclosure Statement or in the Plan shall be construed to preclude a regulatory agency, such as the Securities and Exchange Commission or the Internal Revenue Service, from fulfilling its statutory duties.

**XII.**

**CERTAIN RISK FACTORS TO BE CONSIDERED**

**A. Risk Factors**

**1. Introduction**

This section summarizes some of the risks associated with the Plan and the Debtor's ability to comply with the terms of the Plan. However, this analysis is not exhaustive and must be supplemented by an evaluation of the Plan and this Disclosure Statement as a whole by each Holder of a Claim or Equity Interest with such Holder's own advisors.

AS SUCH, HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE ESTATE SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN, ITS IMPLEMENTATION OR ITS SUCCESS.

The risk factors present in a typical plan of reorganization are not present in this Plan because this Plan provides for the liquidation and distribution of all of the Assets through the Liquidating Estate under the control of the Liquidating Trustee. In a typical plan of reorganization, the risks involved in the continued operation and success of a business are usually important to creditors in that proposed distributions to creditors often hinge on the ability of the business to generate sufficient revenue and profit.

**2. Bankruptcy Risks**

**(a) Risks Relating to Confirmation**

For the Plan to be confirmed, each impaired Class of creditors and Holders of Equity Interests is given the opportunity to vote to accept or reject the Plan, except for those Classes which will not receive any distribution under the Plan and which are, therefore, presumed to have rejected the Plan. There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan.

If one or more of the impaired Classes vote to reject the Plan, then the Debtor may request that the Bankruptcy Court confirm the Plan by application of the "cramdown" procedures available under Section 1129(b) of the Bankruptcy Code. There can be no assurance, however, that the Debtor will be able to use the cramdown provisions of the Bankruptcy Code to achieve Confirmation of the Plan.

If the Plan were not to be confirmed, it is unclear what Distribution Holders of Claims and Equity Interests ultimately would receive with respect to their Claims and Equity Interests. If an alternative plan could not be agreed to, it is likely that Holders of Claims and Equity Interests would receive less than they would have received pursuant to this Plan.

Any objection to the Plan by a member of a class of Claims or Equity Interests could also either prevent Confirmation of the Plan or delay such Confirmation for a significant period of time.

(b) **Other Bankruptcy Risks**

If non-Professional Administrative Claims, Priority Tax Claims and/or Priority Claims are determined to be Allowed in amounts greatly exceeding the Debtor's estimates, then there may be inadequate Available Cash or other property available on the Effective Date to pay such Claims or Equity Interests under the Plan, and the Plan would not become effective. The Debtor believes, however, that there is sufficient Available Cash to satisfy all Administrative Claims, including such non-Professional Administrative Claims, Priority Tax Claims and Priority Claims on the Effective Date as provided in the Plan.

### **XIII.**

#### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the legal alternatives to the Plan include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code and (ii) an alternative chapter 11 plan.

##### **A. Liquidation under Chapter 7.**

If no plan can be confirmed, the Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a chapter 7 trustee would distribute the Estate's assets in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a chapter 7 liquidation would have on the recoveries of holders of Claims and Equity Interests is set forth in Section X.A of this Disclosure Statement (the "Best Interests Test"). The Debtor believes that liquidation under chapter 7 would result in smaller distributions being made to creditors and equity interest holders than those provided for in the Plan.

##### **B. Alternative Plan of Liquidation.**

If the Plan is not confirmed, the Debtor or any other party in this case could theoretically attempt to formulate a different plan.

### **XIV.**

#### **RECOMMENDATION AND CONCLUSION**

The Debtor believes that the Plan provides the greatest possible recovery to holders of Claims and Equity Interests, that acceptance of the Plan is in the best interests of all parties, and that any alternative would result in a significantly reduced recovery to holders of Claims and Equity Interests, as well as delay, uncertainty, and expense. Accordingly, the Debtor urges holders of impaired Claims and Equity Interests to vote to accept the Plan, by so indicating on their Ballots, and returning them as specified in this Disclosure Statement and on their Ballots.

Dated: October 27, 2014

PROSPECT PARK NETWORKS, LLC

/s/ Jeffrey E. Kwatinetz

By: Jeffrey E. Kwatinetz

Its: Authorized Representative

(Electronic Signature added by consent)

**SUBMITTED BY:**

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