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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:) Case No. 15-31430
)
RDIO, INC.,) Chapter 11
)
) **DISCLOSURE STATEMENT DESCRIBING**
) **DEBTOR'S SECOND AMENDED PLAN OF**
) **REORGANIZATION (DATED JUNE 1, 2016)**
Debtor.)
) Disclosure Statement Hearing:
) Date: June 3, 2016
) Time: 10:30 a.m.
) Place: U.S. Bankruptcy Court
) Courtroom 17
) 450 Golden Gate Ave., 16th Floor
) San Francisco, CA 94102
) Judge: The Hon. Dennis Montali
)
) Plan Confirmation Hearing:
) Date: [To Be Scheduled]
) Time: [To Be Scheduled]
) Place: [Same As Above]
)
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)
)

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I. INTRODUCTION

Rdio, Inc., chapter 11 debtor and debtor in possession in the above-referenced chapter 11 bankruptcy case (the “Debtor”), is the Debtor in a pending chapter 11 bankruptcy case. The Debtor filed a voluntary petition under chapter 11 of 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) on November 16, 2015.

This document is the Disclosure Statement which describes the Debtor’s Second Amended Plan of Reorganization (Dated June 1, 2016) (“Plan”) that is being proposed by the Debtor. The Plan includes a good faith compromise of certain claims and controversies pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019.

Chapter 11 allows the Debtor, and, under some circumstances, creditors and other parties in interest, to propose a plan of reorganization. The Plan is a plan of reorganization which has been proposed by the Debtor but which is supported by the Official Committee of Unsecured Creditors (the “Committee”) and by the Prepetition Secured Creditors (defined below). The Plan is the result of extensive negotiations between the Debtor, the Committee, and the Prepetition Secured Creditors, all of whom support the Plan and confirmation of the Plan. The effective date of the Plan (the “Effective Date”) will be the first business day following the date of entry of the Court order confirming the Plan (the “Plan Confirmation Order”) and the satisfaction or waiver by the Debtor and the Prepetition Secured Creditors of all of the following conditions to the effectiveness of the Plan: (a) there shall not be any stay in effect with respect to the Plan Confirmation Order; (b) the Plan Confirmation Order shall not be subject to any appeal or rehearing; (c) the Plan and all documents, instruments and agreements to be executed in connection with the Plan shall have been executed and delivered by all parties to such documents, instruments and agreements, and (d) the Plan Confirmation Order must be reasonably acceptable to the Debtor, the Committee and the Prepetition Secured Creditors. All

capitalized terms used in this Disclosure Statement which are not defined in this Disclosure Statement but which are defined in the Plan shall be deemed to have the same definitions as used in the Plan.

A. Disclaimer

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN IS INCLUDED HEREIN AND THEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND DESCRIBING TREATMENT UNDER THE PLAN. THE INFORMATION CONTAINED HEREIN AND THEREIN MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN AND TO DESCRIBE TREATMENT UNDER AND TERMS OF THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE PLAN, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS AND PARTIES IN INTEREST ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT OR THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THIS DISCLOSURE STATEMENT AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT, AND, IF THE TERMS OF THIS DISCLOSURE STATEMENT AND THE PLAN ARE INCONSISTENT, THE PLAN WILL CONTROL. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE

1 ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT
2 THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME
3 AFTER THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND INTERESTS SET
4 FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS
5 OF CLAIMS AND INTERESTS ULTIMATELY ALLOWED BY THE COURT.
6

7 THE FINANCIAL DATA RELIED UPON IN FORMULATING THE PLAN IS
8 BASED ON THE DEBTOR'S BOOKS AND RECORDS WHICH, UNLESS
9 OTHERWISE INDICATED, ARE UNAUDITED. THE INFORMATION CONTAINED
10 IN THIS DISCLOSURE STATEMENT IS PROVIDED BY THE DEBTOR. THE
11 COURT HAS NOT YET DETERMINED WHETHER OR NOT THE PLAN IS
12 CONFIRMABLE AND THE COURT HAS NO RECOMMENDATION AS TO
13 WHETHER OR NOT YOU SHOULD SUPPORT OR OPPOSE, OR ACCEPT OR
14 REJECT, THE PLAN.
15

16 THE INFORMATION AND STATEMENTS CONTAINED IN THIS
17 DISCLOSURE STATEMENT, INCLUDING, WITHOUT LIMITATION,
18 INFORMATION ABOUT THE DEBTOR, ITS BUSINESS AND ITS BANKRUPTCY
19 ESTATE AND ASSETS, HAVE BEEN PROVIDED SOLELY BY THE DEBTOR, AND
20 SUCH INFORMATION HAS NOT BEEN INDEPENDENTLY VERIFIED BY ANY
21 OTHER PARTY.
22

23 **B. Purpose of this Disclosure Statement**

24 This Disclosure Statement summarizes what is in the Plan and tells you certain
25 information relating to the Plan and the process the Court follows in determining whether or not
26 to confirm the Plan.
27
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**READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO
KNOW ABOUT:**

- (1) WHO CAN VOTE OR OBJECT,**
- (2) WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what your claim will receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN A CHAPTER 7 LIQUIDATION OF THE DEBTOR,**
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING ITS BANKRUPTCY CASE,**
- (4) THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO CONFIRM THE PLAN,**
- (5) THE EFFECT OF PLAN CONFIRMATION, AND**
- (6) WHETHER THE PLAN IS FEASIBLE.**

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how the Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as this Disclosure Statement. If there are any inconsistencies between the Plan and this Disclosure Statement, the Plan provisions will govern.

The Bankruptcy Code requires a Disclosure Statement to contain "adequate information" concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure Statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. Only after this Disclosure Statement has been approved by the Court may the Debtor solicit votes for the Plan.

1 **C. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

2 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS
3 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE
4 NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS
5 THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND
6 INTEREST HOLDERS IN THIS CASE.
7

1. 8 **Time and Place of the Plan Confirmation Hearing**

9 The hearing where the Court will determine whether or not to confirm the Plan (the
10 “Plan Confirmation Hearing”) will take place on _____, 2016, at __:__ __.m., before the
11 Honorable Dennis Montali, United States Bankruptcy Judge for the Northern District of
12 California, San Francisco Division, in Courtroom 17 located at 450 Golden Gate Ave., 16th
13 Floor, San Francisco, California 94102.
14

2. 15 **Deadline For Voting For or Against the Plan**

16 If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot
17 and return the ballot in the enclosed envelope to Ron Bender, Esq., Levene, Neale, Bender, Yoo
18 & Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, California 90067. You can
19 also email your completed ballot to rb@lnbyb.com. Your ballot must be received by 5:00 p.m.,
20 PST, on _____, 2016 or it will not be counted.
21

3. 22 **Deadline for Objecting to the Confirmation of the Plan**

23 Objections to the confirmation of the Plan must, by _____, 2016, be filed with
24 the Court and served by same day service upon counsel to the Debtor – Ron Bender, Esq.,
25 Levene, Neale, Bender, Yoo & Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los
26 Angeles, California 90067, fax: (310) 229-1244, email: rb@lnbyb.com and upon counsel to the
27 Committee – John D. Fiero, Esq. or Debra I. Grassgreen, Esq., Pachulski Stang Ziehl & Jones
28

1 LLP, 150 California Street, 15th Floor, San Francisco, California 94111, fax (415) 263-7010,
2 email: jfiero@pszjlaw.com; dgrassgreen@pszjlaw.com.

3 **D. Identity of Persons to Contact for More Information Regarding the Plan**

4 Any interested party desiring further information about the Plan should contact counsel
5 to the Debtor – Ron Bender, Esq., Levene, Neale, Bender, Yoo & Brill L.L.P., 10250
6 Constellation Blvd., Suite 1700, Los Angeles, California 90067, fax: (310) 229-1244, email:
7 rb@lnbyb.com or counsel to the Committee - John D. Fiero, Esq. or Debra I. Grassgreen, Esq.,
8 Pachulski Stang Ziehl & Jones LLP, 150 California Street, 15th Floor, San Francisco, California
9 94111, fax (415) 263-7010, email: jfiero@pszjlaw.com; dgrassgreen@pszjlaw.com.
10

11 **II. BACKGROUND**

12 **A. Description and History of the Debtor's Business and the Debtor's Sale Process**
13 **which Led to the Filing of the Debtor's Chapter 11 Case**
14

15 The Debtor commenced its bankruptcy case by filing a voluntary petition under Chapter
16 11 of the Bankruptcy Code on November 16, 2015 (the "Petition Date"). The Debtor continues
17 to manage its financial affairs and bankruptcy estate as a debtor in possession pursuant to
18 sections 1107 and 1108 of the Bankruptcy Code.

19 The Debtor was founded in 2008 as a digital music service. The Debtor's business
20 operations were launched in 2010 after the Debtor secured requisite licenses from the applicable
21 holders of music rights. Since that time, the Debtor grew into a worldwide music service,
22 ultimately operating in 86 countries.
23

24 One of the primary services the Debtor provided was an unlimited, on demand music
25 streaming service where, for \$9.99 per month in the U.S., the user had access to an entire library
26 of songs with access to them through a computer, mobile device, etc. In other words, the
27 Debtor's primary business model was based upon a monthly recurring subscription for full
28

1 access to its content rather than on an owned a la carte download model. The Debtor also made
2 available other subscription tiers at lower costs per month with varying service offerings or
3 functionality (e.g., a family tier, a student tier, and a select tier with alternative functionality) as
4 well as a “free to the user” advertising supported Internet radio service. Prior to the Debtor’s
5 bankruptcy filing, the Debtor was generating approximately \$1.5 million of U.S. monthly
6 revenue from its monthly subscription service. While the Debtor’s monthly subscription service
7 provided the Debtor with its historical primary revenue source, prior to the Debtor’s bankruptcy
8 filing, the Debtor was also generating approximately \$100,000-\$150,000 of monthly revenue
9 from advertisers who advertised in the Debtor’s advertising-based service offerings. The
10 Debtor’s primary assets consisted of the Debtor’s (i) owned technology (e.g., website, mobile
11 apps, content ingestion technology, reporting technology, software, databases, etc.), (ii) content
12 license agreements, (iii) subscribers, (iv) employee talent pool, and (v) goodwill.
13
14

15 Under its pre-petition operating business model, the Debtor was incurring monthly
16 operating expenses of approximately \$3.5-\$4.0 million, comprised primarily of payroll for the
17 Debtor’s approximately U.S. 140 employees (much of which represented costs of retaining high
18 caliber Silicon Valley engineering talent), payment to the owners of music rights, costs of
19 maintaining the service, rent, marketing costs, business development costs, technology
20 maintenance costs, and foreign administrative expenses. With average monthly total revenue of
21 approximately \$1.6-\$1.65 million and average monthly operating expenses of \$3.5-\$4.0 million,
22 the Debtor’s pre-petition business operations under its pre-petition operating business model
23 resulted in operating losses of approximately \$1.85-\$2.4 million per month, and the Debtor
24 ultimately no longer had the economic means of continuing to fund its significant operating
25 losses.
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1 The Debtor has approximately \$188,500,000 of secured debt (although such debt
2 remains subject to a potential challenge by the Committee). In addition, the Debtor scheduled
3 (i) approximately \$273,909 of pre-petition wage related priority claims; (ii) approximately
4 \$130,326 of pre-petition priority tax claims; and (iii) approximately \$25,771,863 of non-priority
5 general unsecured debt (recognizing that this figure does not take into account any disputed,
6 unliquidated or contingent unsecured debt, any claims asserted in filed proofs of claim, or any
7 debt which may arise as a result of the Debtor's rejection of unexpired leases or executory
8 contracts or breaches or terminations of license agreements). The Debtor is continuing to
9 review its books and records, its bankruptcy schedules and filed proofs of claim. The Debtor
10 will file amended bankruptcy schedules and update this Disclosure Statement as appropriate.
11

12 Despite the investment of several hundred million dollars and years of efforts to build its
13 subscriber base (and to attract meaningful advertising dollars), the Debtor was unable to achieve
14 profitability – or even to reduce its operating losses to tolerable levels.
15

16 No streaming music service the Debtor is aware of is currently profitable, and the
17 Debtor believes that collective losses to date from streaming music companies totals over \$1
18 billion. In fact, the Debtor understands that almost all streaming music companies are losing
19 more money than the Debtor lost. This is documented in a recent article in Music Business
20 Worldwide. (see <http://www.musicbusinessworldwide.com/the-great-music-biz-money-pit-how-streaming-services-lost-1bn/>).
21
22

23 In contrast, the Debtor believes that music label revenues from streaming music are at
24 all time highs and increasing rapidly. The Debtor believes that music labels generate
25 substantial profits from the revenues they receive from streaming music companies, while the
26 on demand music streaming segment, apart from services that rely on user uploaded content, all
27 lose money. The Debtor further believes that streaming music services are obligated to pay
28

1 approximately 70% of their subscription revenues in recorded music and music publishing
2 royalties and a per stream royalty for ad supported services that is in many cases higher than the
3 total revenues... e.g., royalties of over 100%.

4 Sony: (see [https://www.themusicnetwork.com/news/streaming-now-makes-up-24-of-](https://www.themusicnetwork.com/news/streaming-now-makes-up-24-of-sony-music-revenue)
5 [sony-music-revenue](https://www.themusicnetwork.com/news/streaming-now-makes-up-24-of-sony-music-revenue)). Executives at Japan's Sony Corp are citing the growth of its streaming
6 revenue as an example that its music division's bleak days are starting to see light. Sony Corp
7 Executive Deputy President and CFO Kenichiro Yoshida said that the "significant momentum
8 in music streaming" showed that the 15-year decline of the music industry was "finally
9 bottoming out." He added, "We're very positive [about] the growth in the streaming market. To
10 some extent, it's replacing the download business, but the growth is positive. "We expect it to
11 keep going and accelerate... we expect [Sony's] Music business to be on the rise again."

12 Warner: Streaming music has become Warner Music's biggest business. The company
13 announced that money from services like Spotify and Apple Music was the single biggest
14 source of recorded music revenue in the first quarter of the year, surpassing both physical sales
15 and sales of digital downloads.

16 Universal: (see [http://www.musicbusinessworldwide.com/universal-is-musics-first-](http://www.musicbusinessworldwide.com/universal-is-musics-first-billion-dollar-streaming-record-company/)
17 [billion-dollar-streaming-record-company/](http://www.musicbusinessworldwide.com/universal-is-musics-first-billion-dollar-streaming-record-company/)). UMG has become the first recorded music business
18 to generate a billion dollars of revenue from streaming services in a calendar year. According to
19 the Q4 results of its French parent Vivendi, the major's streaming income was up 43.2% at
20 constant currency in 2015 to €54m.

21 As a result of these perceived challenges, the Debtor's majority shareholder, Pulser
22 Media, Inc. ("Pulser"), employed a highly qualified investment bank in Moelis & Company
23 ("Moelis") in the fall of 2014, initially with the goal of attempting to raise new equity capital.
24 Despite extensive efforts by Moelis, however, the prospects for raising new debt or equity
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1 capital were not promising at the time. At that point, Pulser extended the Moelis mandate to
2 including seeking a buyer or merger partner because the Debtor was not going to be able to
3 continue to fund such significant operating losses indefinitely.

4 By June 2015, Pandora Media, Inc. ("Pandora") was emerging as the most interested
5 party and the party most likely to present the best offer and to close a sale. Pandora submitted a
6 signed preliminary letter of intent ("the Initial LOI") on July 8, 2015, which was never counter-
7 signed by the Debtor. Concurrent with the continuing negotiations with Pandora regarding the
8 Initial LOI, Moelis continued its marketing efforts, and, over the subsequent three months, the
9 Debtor's management and Moelis continued discussions with other interested parties that had
10 been identified. The negotiations with Pandora were long and intensive. Pandora advised the
11 Debtor that it had approximately 125 people working on this transaction. Negotiations broke
12 down several times. After substantial negotiation of the Initial LOI and several subsequent
13 versions, and additional due diligence by Pandora, the parties executed a non-binding LOI on
14 September 29, 2015 (the "Executed Non-Binding LOI").

17 Following the execution of the Executed Non-Binding LOI, Pandora continued its due
18 diligence and the parties commenced negotiations on the terms of a definitive transaction. Those
19 negotiations were also very intense and extended. The Executed Non-Binding LOI provided
20 that upon the election of Pandora, the Debtor's asset sale to Pandora would be conducted as part
21 of a Chapter 11 bankruptcy process and an asset purchase pursuant to a sale under 11 U.S.C. §
22 363. After the Executed Non-Binding LOI, the Debtor and Pandora held several discussions
23 regarding potential alternatives to a chapter 11 bankruptcy process, and the Debtor pursued
24 financing transactions with other parties. Negotiations between the Debtor and Pandora
25 continued all the way until the definitive Asset Purchase Agreement between the Debtor and
26 Pandora was executed on November 16, 2015 (the "APA"). Pursuant to the APA, Pandora
27
28

1 required that its asset purchase be consummated through a chapter 11 bankruptcy process by the
2 Debtor and an asset sale under 11 U.S.C. § 363.

3 Throughout the entire negotiation between the Debtor and Pandora until shortly before
4 the parties executed the APA, it was anticipated that Pandora would acquire the Debtor's assets
5 in a manner that would allow Pandora to continue to operate the Debtor's business as a going
6 concern. Until the Court approved the Debtor's asset sale to Pandora at the hearing on
7 December 21, 2015, the Debtor continued to operate its business in the ordinary course and in
8 accordance with the APA, so that the required overbid process could be pursued and other
9 potential acquirers had an opportunity to acquire the Debtor's business and continue to operate
10 the service. Several interested parties engaged in due diligence, one of which invested
11 significant time and resource in due diligence prior to deciding not to bid.
12

13 Ultimately, Pandora decided that it would not purchase the Debtor's business as a going
14 concern, but would acquire only certain assets, consisting primarily of the Debtor's core
15 technology and related engineering and production/design staff. Pursuant to the APA, Pandora
16 paid a base purchase price of \$75.0 million, subject to adjustment as provided in the APA.
17 Pandora also agreed to enter into a Master Services Agreement, which provided for a payment
18 of \$2.5 million to the Debtor and which was approved by the Court at a hearing held on
19 November 23, 2015. The Debtor never understood the logic of Pandora's decision to close the
20 Rdio service, and was never sure whether Pandora might not ultimately change its mind again
21 before the sale closed. Rdio's service operated in 86 countries, its app was well received and
22 favorably regarded when reviewed against the apps of Spotify, Apple and Google, included
23 both a paid subscription service and a free internet radio service modeled after Pandora, enabled
24 via direct licenses with rights holders globally and a licensed catalog of over 40 million tracks.
25 The Debtor believes that duplicating this footprint would have ultimately in all likelihood cost
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1 Pandora hundreds of millions of dollars and have taken 24-36 months. All Pandora would have
2 to do is seek and obtain certain rights holder consents for the transfer of certain of the Debtor's
3 existing recorded music and music publishing licenses.

4 The APA provided for the Debtor's assumption and assignment to Pandora of certain
5 executory contracts and unexpired leases, the rejection of others, and a post-closing sale period
6 during which Pandora was permitted to supplement the list of executory contracts and
7 unexpired leases to be assumed and assigned to Pandora.

8
9 The APA provided that 15% of the Aggregate Consideration (as defined in the APA)
10 would be deposited into an escrow account to backstop the Debtor's indemnification obligations
11 to Pandora. The APA also required secured creditor Iconical Investments II LP ("Iconical II")
12 to provide a guarantee of the Debtor's indemnification obligations under the APA, subject to
13 various limitations and conditions. The APA provided for the possibility of certain downward
14 price adjustments and walk away rights, fortunately none of which came to fruition due to
15 effective efforts by the Debtor to ensure that over 80% of employees receiving offers from
16 Pandora accepted, which included incentive bonuses paid for with the consent of the Prepetition
17 Secured Creditors out of their collateral.

18
19 Pandora's obligations under the APA were subject to the Debtor meeting certain
20 deadlines all of which were achieved. The Debtor's management worked diligently through the
21 sale closing to ensure that all conditions of the APA were met, despite the fact that only one
22 member of the Debtor's executive staff received an offer to join Pandora. The APA required
23 the filing of a motion for an order approving bid and sale procedures (the "Bidding Procedures
24 Order") within one day of the Petition Date. The Debtor was also required to use commercially
25 reasonable efforts to obtain the Bankruptcy Court's entry of the Bidding Procedures Order on or
26 prior to December 1, 2015; and obtain the Bankruptcy Court's entry of the order approving the
27
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1 sale (the “Sale Order”) on or prior to December 23, 2015. Pandora had the right to terminate
2 the APA if any such deadlines were not met. Fortunately, all required deadlines were met.

3 The Debtor was also required to seek and obtain approval of a Master Services
4 Agreement (“Services Agreement”) pursuant to which the Debtor agreed to provide the services
5 of its employees to Pandora in order to advance the sale process, and Pandora agreed to
6 compensate the Debtor for such services (the “Service Fees”), in the aggregate amount of \$2.5
7 million, payable in installments. Pandora’s agreement to make the payments under the Services
8 Agreement allowed the Debtor to fund a substantial portion of its employee costs through the
9 sale closing. The APA also required that the Debtor file a motion for approval of the Services
10 Agreement within one day following the Petition Date. The Court approved the Services
11 Agreement at a hearing held on November 23, 2015.
12

13 Pursuant to the APA, Pandora required that its purchase of the Debtor’s assets be
14 conducted through a chapter 11 bankruptcy process. However, Pandora agreed that the Debtor
15 could and should market Pandora’s offer for overbid to ensure that the highest and best price
16 was paid for the Debtor’s assets. The Debtor retained Moelis for the purpose of marketing the
17 Debtor’s assets for overbid and to assist the Debtor to conduct an auction process in the event of
18 any successful overbids – recognizing that the Debtor had only a limited amount of time
19 available to consummate a sale (and to conduct the auction sale process). Not only did the
20 Debtor not have the financial means with which to continue to fund its operating losses on any
21 long-term basis, as a result of the business uncertainty created by the Debtor’s bankruptcy
22 filing, particularly with regard to the potential loss of its very valuable employee talent, the
23 continuing desirability and value of the Debtor’s assets and business were clearly jeopardized
24 by delay. Pandora understandably required a prompt sale process.
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1 In the APA, certain bidding procedures (“Bidding Procedures”) were agreed to by the
2 Debtor and Pandora, all of which the Debtor believed to be reasonable and appropriate under
3 the circumstances of this case and in compliance with the law. At a continued hearing held on
4 November 23, 2015, the Court granted the Debtor’s motion filed on November 16, 2015, for
5 approval of the Bidding Procedures. On November 24, 2015, the Court entered the Bidding
6 Procedures Order. The Bidding Procedures Order explained to prospective overbidders how a
7 prospective overbidder would become qualified to participate in the auction sale (“Auction”).
8

9 The timing of the sale process was critical as Pandora conditioned its offer on the Debtor
10 obtaining an entered Sale Order on or prior to December 23, 2015. The Court scheduled the
11 sale hearing to be held on December 21, 2015, and the Auction was scheduled to be held (in the
12 event that one or more qualified overbidders elected to participate in the Auction) on December
13 18, 2015. The Debtor was assured by Moelis that this was a sufficient amount of time for
14 Moelis to conduct an overbid process, particularly given the breadth of Moelis’ pre-bankruptcy
15 marketing process and Moelis’ in-depth knowledge of the Debtor’s industry and marketplace
16 and prospective overbidders, to insure that the highest and best price was obtained from the sale
17 of the Debtor’s assets.
18

19 Although the Debtor and Pandora had both been operating in the internet radio business
20 for an extended period of time, the differences in their particular business models, and the way
21 they had developed, made Pandora a particularly suitable buyer for the Debtor’s assets. As
22 compared to Pandora’s music service, the Debtor’s service involved more specific
23 (personalized) customer choice and a tiered-priced subscription service. The Debtor’s digital
24 music service provided both internet radio and subscription on-demand listening experiences.
25 The Debtor secured extensive IP licensing agreements with music labels and publishers,
26 allowing it to offer a comprehensive library of over 35 million songs. While Pandora ultimately
27
28

1 decided, to the Debtor's surprise, that it would not be continuing the Debtor's existing
2 streaming music service, the Debtor's technology was of great benefit to Pandora in providing
3 this type of service in the future. These aspects of the Debtor's business are complimentary and
4 offered opportunities for Pandora to expand its business model which appeared attractive in the
5 then-present marketplace.

6
7 With the assistance of Moelis, the Debtor had been engaged for over one year in an
8 active marketing process involving contacts with over 110 financially significant potential
9 investors or purchasers, which included substantial discussions with a number of different
10 prospective buyers over many months prior to the Petition Date. The negotiations with Pandora
11 alone continued for over three months from the time Pandora delivered its initial draft of the
12 LOI. Moelis continued with its efforts to attempt to solicit overbids during the overbid process.
13 While a number of prospective overbidders signed confidentiality agreements and spent
14 significant time in the Debtor's data room conducting due diligence, ultimately no party
15 submitted any overbid to Pandora's offer.
16

17 The Court approved the Debtor's asset sale to Pandora at a hearing held on December
18 21, 2015, and the Debtor's asset sale to Pandora closed two days later on December 23, 2015.

19 **B. Relationships Between Debtor, Pulser Media, Iconical II And Related Entities and**
20 **Parties**

21
22 Pulser is the majority equity holder of the Debtor. In turn, the majority stockholder of
23 Pulser is Iconical Investments LP ("Iconical LP"), a limited partnership that is associated with
24 Janus Friis Degnbol ("Janus Friis"). Pulser and the Debtor have been primarily funded by
25 companies associated with Janus Friis. Iconical II, which has made substantial loans to the
26 Debtor and Pulser, is also a limited partnership that is associated with Janus Friis.

27 Iconical II and Iconical LP and their respective affiliated entities (collectively, the
28

1 “Iconical Entities”) are funds engaged in making investments in innovative businesses and are
2 primarily managed by the following directors: Mark Dyne, Janus Friis, and Murray Markiles.
3 Prior to the Petition Date, the Debtor had four members on its Board of Directors - Mark Dyne,
4 Janus Friis, Anthony Bay and Andrew Larner - however, on October 30, 2015, Mark Dyne and
5 Janus Friis resigned from the Debtor’s Board of Directors (and from the Board of Directors of
6 Pulser).
7

8 The Debtor’s Board of Directors sought to add and appoint an independent member to
9 the Board. Accordingly, on or about November 2, 2015, Peter Kravitz was appointed to the
10 Debtor’s Board of Directors, joining the other two remaining members of the Board of
11 Directors (Anthony Bay and Andrew Larner). Prior to joining the Debtor’s Board of Directors,
12 Peter Kravitz had no prior affiliation, relationship, connection, or business dealings with the
13 Debtor, Pulser, or any of the Iconical Entities.
14

15 From approximately late 2009 until November 2013, Andrew Larner served as the Chief
16 Executive Officer of the Debtor. From the middle of 2014 until early 2015, Andrew Larner was
17 a partner and operating employee of an investment and incubation company, The Factory LP,
18 which was financed by Iconical II. Europlay Capital Advisors, LLC (“ECA”) provides advisory
19 services and back-office services to Iconical LP and Iconical II. ECA, directly and acting on
20 behalf of Iconical LP and Iconical II, has provided various support and business advisory
21 services to the Debtor and Pulser. Joseph Miller, a member of ECA and an authorized bank
22 signatory for Iconical LP and Iconical II, acting on behalf of Iconical LP and Iconical II and
23 their respective interests, has been directly involved in all of the financing and strategic
24 discussions involving Pulser and the Debtor, the Debtor’s bankruptcy case and the proposed
25 asset sale to Pandora.
26
27
28

1 **C. Significant Events Which Have Occurred During the Bankruptcy Case**

2 The following is a list of significant events which have occurred during the Debtor's
3 chapter 11 case:

4 **1. Formation of the Committee**

5 The United States Trustee (the "UST") formed the Committee at the very outset of this
6 case to represent the interests of general unsecured creditors. The Committee was originally
7 composed of the following seven members: Roku, Inc.; Sony Music Entertainment; AXS
8 Digital LLC; Shazam Media Services; Warner Music Group Corp.; UMG Recordings, Inc.; and
9 Mosaic Networx LLC. Sony Music Entertainment, UMG Recordings, Inc., and Warner Music
10 Group Corp. have since resigned from the Committee. The Committee is currently comprised
11 of the remaining four members. The Committee is represented by Pachulski Stang Ziehl &
12 Jones LLP ("PSZJ").
13
14

15 **2. Operational Issues**

16 **i. Use of Cash Collateral and Post-Petition Borrowing**

17 In order for the Debtor to continue to operate its business and manage this bankruptcy
18 estate through the closing of the pending sale to Pandora or an overbidder, the Debtor had to be
19 able to use its cash and post-petition operating revenue, and the Debtor had to be able to borrow
20 additional money to fund its projected post-petition cash flow shortfalls. Fortunately, both of
21 the Debtor's pre-petition secured creditors, Pulser and Iconical (collectively, the "Prepetition
22 Secured Creditors"), agreed to consent to the Debtor's use of their cash collateral, and Iconical
23 agreed to lend the Debtor up to \$3 million on a post-petition senior lien basis. The Debtor had
24 negotiated a pre-petition cash collateral and post-petition financing stipulation with Pulser and
25 Iconical. The Committee negotiated certain changes to that stipulation post-petition. The Court
26 held an initial emergency hearing on the motion on November 18, 2015, and then the Court held
27
28

1 a continued hearing on the motion on November 23, 2015. At the continued hearing, the Court
2 granted the motion on an interim basis (subject to certain changes agreed to by the parties)
3 pending a final hearing to be held on December 10, 2015. With the consent of the parties, the
4 Court granted the motion and approved the agreed upon stipulation on a final basis at the
5 hearing held on December 10, 2015. Iconical agreed to lend the Debtor \$1.8 million of the \$3.0
6 million following interim Court approval, and Iconical agreed to lend the Debtor the \$1.2
7 million balance following the Court's final approval. The Debtor would not have been able to
8 continue operating or to consummate its asset sale to Pandora if not for Iconical's post-petition
9 loan to the Debtor. The Debtor has been managing this bankruptcy estate in accordance with
10 various budgets which have been approved by the Debtor, Pulser, Iconical and the Committee.
11 The stipulation provided the Committee with the standing to challenge the validity, priority and
12 allowability of the claims and liens of Iconical and Pulser. With the consent of all parties and
13 approved by the Court, the deadline of the Committee to file any such action against Iconical
14 and/or Pulser (the "Challenge Deadline") was extended through and including April 4, 2016,
15 recognizing that, with the consent of the Committee, certain releases of Iconical, Pulser and
16 their principals were already provided and approved by the Court in the Court approved
17 stipulation.
18
19

20 **ii. Emergency Motion to Pay the Debtor's Pre-Petition Priority Wages**

21 At the commencement of this case, the Debtor filed an emergency motion for authority
22 to pay the Debtor's pre-petition priority wages and related benefits in the ordinary course of
23 business to avoid the disruption to the Debtor's business from failing to do so. The Court
24 granted the Debtor's emergency wage motion at a hearing held on November 18, 2015.
25
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1 iii. **Emergency Motion to Provide Adequate Assurance of Payment to**
2 **the Debtor's Utilities**

3 At the commencement of this case, the Debtor filed an emergency motion for an order
4 authorizing the Debtor to provide adequate assurance of future payment to certain utility
5 companies pursuant to Section 366(c) of the Bankruptcy Code. The Court granted the Debtor's
6 emergency utilities motion at a hearing held on November 18, 2015.
7

8 iv. **Emergency Motion to Maintain Cash Management Systems.**

9 At the commencement of this case, the Debtor filed an emergency motion for authority
10 to maintain its cash management systems, which was imperative to avoid significant disruption
11 to the Debtor's business operations. The Court granted the Debtor's emergency utilities motion
12 at a hearing held on November 18, 2015.
13

14 v. **Motion to Honor Pre-Petition Employee Bonus Incentive Agreements**

15 At the commencement of this case, the Debtor filed an emergency motion for authority
16 to honor the Debtor's various employee bonus incentive agreements. This was critically
17 important to the Debtor's ability to maintain its key employees pending the sale closing to
18 Pandora or to a successful overbidder, both because the Debtor needed the services of those
19 employees to enable the Debtor to consummate the sale and because Pandora had the ability to
20 reduce its purchase price or even cancel the sale altogether if a requisite number of employees
21 did not agree to go to work for Pandora. The Court granted the Debtor's emergency motion
22 over the UST's objection at a hearing held on November 18, 2015. The UST subsequently filed
23 a motion in which the UST requested the Court to reconsider its ruling, but the Court denied
24 that motion.
25

26 vi. **Motion for Approval of Master Services Agreement with Pandora**

27 At the commencement of this case, the Debtor filed an emergency motion for approval
28

1 of the Services Agreement between the Debtor and Pandora. The Court granted the Debtor's
2 emergency motion at a continued hearing held on November 23, 2015.

3 **3. Administrative Matters**

4 The Debtor was required to address the various administrative matters attendant to the
5 commencement of this bankruptcy case, which required an extensive amount of work by the
6 Debtor's employees and its bankruptcy counsel, Levene, Neale, Bender, Yoo & Brill L.L.P.
7 ("LNBYB"). These matters included the preparation of the Debtor's Schedules of Assets and
8 Liabilities and Statement of Financial Affairs, and the UST compliance package. The Debtor
9 has made every effort to comply with its duties under 11 U.S.C. Sections 521, 1106 and 1107
10 and all applicable UST guidelines, including the filing of the Debtor's monthly operating
11 reports. The Debtor also attended the organizational meeting of creditors conducted by the
12 UST, which ultimately resulted in the appointment of the Committee by the UST, and the
13 Debtor attended its initial interview with the UST and the meeting of creditors required under
14 11 U.S.C. § 341(a). The Court approved the Debtor's designation of Elliott Peters as the
15 designated responsible individual for this case.
16
17

18 **4. Employment of Professionals**

19 The Debtor has employed two professionals: LNBYB as its bankruptcy counsel and
20 Moelis as its financial advisor to assist the Debtor in the sale process. The Debtor is also in the
21 process of seeking to employ Winston & Strawn LLP ("WS") special litigation counsel as more
22 discussed below. The Committee has employed two professionals: PSZJ as its bankruptcy
23 counsel and FTI Consulting as its financial advisor.
24

25 **5. Sale Transaction**

26 The Court entered the sale order and related findings of fact and conclusions of law on
27 December 22, 2015, and the Debtor's sale to Pandora closed on December 23, 2015. Pandora's
28

1 base purchase price was \$75.0 million. After taking into account the deposit of \$11,250,000
2 which was paid into escrow (the “Escrowed Funds”) as was required by Pandora to protect
3 Pandora against any claims made against Pandora by creditors of the Debtor, the total net sum
4 of \$63,750,000 was delivered to the Debtor at the sale closing, which the Debtor deposited into
5 its general operating account. After adding to this figure to the Debtor’s cash on hand as of the
6 sale closing and deducting from this figure repayment of the post-petition loan to Iconical and
7 all of the Debtor’s paid expenses pursuant to the approved budgets and other Court orders, as of
8 April 29, 2016, the Debtor was holding a total of approximately \$54.4 million (exclusive of the
9 \$11.25 million of Escrowed Funds) (the “Estate Funds”). The Debtor will continue to pay the
10 estate’s expenses in accordance with approved budgets out of the Estate Funds. The remaining
11 balance of Estate Funds together with all funds ultimately paid to the Debtor from the Escrowed
12 Funds and any and all recoveries obtained by the Debtor from the pursuit of any causes of
13 action will serve as the source of funding for all payments required to be made under the Plan.
14
15

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

17 In connection with the Debtor’s asset sale to Pandora, Pandora was given the right to
18 designate which executory contracts and unexpired leases Pandora desired to have assigned to it
19 at the closing, and Pandora had the right to wait up to thirty days to designate any others that
20 Pandora desired to have assigned to it after the sale closing. Pandora ultimately decided not to
21 take an assignment of any additional executory contracts or unexpired leases other than the
22 initial ones that were assumed by the Debtor and assigned to Pandora at the sale closing. The
23 Debtor therefore took all of the required steps to reject nearly all of its remaining executory
24 contracts and unexpired leases which were not assigned to Pandora, with such rejection
25 effective as of the sale closing date of December 23, 2015.
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1 **7. Plan Exclusivity**

2 The Debtor filed a timely motion to extend its plan exclusivity periods. The Committee
3 filed an objection to the Debtor's motion and requested the Court to terminate the Debtor's plan
4 exclusivity. With the consent of the Debtor, the Committee, Iconical and Pulser, the Debtor's
5 exclusive periods to file and solicit acceptances of a chapter 11 plan were extended through and
6 including April 4, 2016 and June 3, 2016, respectively. These extensions were without
7 prejudice to the rights of the Debtor to seek further extensions of these plan exclusivity
8 deadlines, which rights were expressly preserved. The Committee reserved all rights to oppose
9 any request of the Debtor to seek further extensions of these plan exclusivity deadlines, but the
10 Committee waived the right to seek to terminate the Debtor's extended exclusivity periods
11 provided above. The hearing on the Debtor's plan exclusivity motion, which was originally
12 scheduled for February 26, 2016, was, with the consent of the Debtor, the Committee and the
13 Prepetition Secured Creditors, continued to April 1, 2016, and then continued again to May 10,
14 2016. As part of that agreement, Iconical and Pulser agreed that they would not initiate any
15 contested matter or adversary proceeding seeking to recover any of the Pandora sale proceeds
16 on or before April 4, 2016 (except as otherwise already authorized by the final financing order
17 or the Sale Order).

18
19
20 **8. The Committee's Challenge Deadline**

21 As explained above, as part of the final cash collateral and post-petition financing
22 stipulation approved in this case, the Committee negotiated for the standing necessary to
23 challenge the validity, priority and allowability of the pre-petition claims and liens of the
24 Prepetition Secured Creditors. With the consent of all parties and approved by the Court, the
25 deadline of the Committee to file any such action against the Prepetition Secured Creditors (the
26 "Challenge Deadline") has been extended on multiple occasions to provide the Debtor, the
27
28

1 Committee and the Prepetition Secured Creditors with the opportunity to attempt to negotiate
2 the terms of a fully consensual plan of reorganization, recognizing that, with the consent of the
3 Committee, certain releases of Iconical, Pulser and their principals were already provided and
4 approved by the Court in the Court approved cash collateral and post-petition financing
5 stipulation.¹ Such challenge rights have not been bargained away, and in the event the Plan or
6 another plan acceptable to the Committee is not confirmed, the challenge rights are preserved
7 for the Committee or any successor chapter 7 trustee.
8

9 **9. The Recommendation of the Debtor and the Committee that All General**
10 **Unsecured Creditors Vote to Accept the Plan**

11 Settlement discussions among the Debtor, the Committee, and the Prepetition Secured
12 Creditors have resulted in an agreement on the terms of a fully consensual plan of
13 reorganization, the terms of which are contained in the Plan and are described in detail in this
14 Disclosure Statement. In summary, the settlement results in (i) the Prepetition Secured
15 Creditors, who hold a perfected lien against all of the Estate Funds, permitting \$8 million of the
16 Estate Funds (the “Unsecured Creditors Fund”) to be used solely for the payment of the allowed
17 claims of general unsecured creditors in the manner described in detail below and the payment
18 of the allowed fees and expenses of the professionals retained by the Committee which are
19 incurred on or after March 1, 2016 and the fees and expenses of the professionals employed by
20 the Liquidating Trust (defined below) (collectively, “Committee Professional Fees”), (ii) the
21 Prepetition Secured Creditors obtaining a full and complete release from this estate, and (iii) the
22 Committee waiving any right to file any lawsuit against the Prepetition Secured Creditors
23
24
25

26
27 ¹ On March 31, 2016, the Debtor filed its initial plan of reorganization and disclosure statement,
28 which were opposed by the Committee. The Plan and this Disclosure Statement supersede and
replace the Debtor’s initial plan of reorganization and disclosure statement in their entirety.

1 “challenging” the claims and liens of the Prepetition Secured Creditors (subject to the condition
2 subsequent that the Plan be confirmed and become effective). The Debtor and the Committee
3 both believe that this resolution is a very fortunate development for this case and is in the best
4 interests of creditors and this estate.

5 The Debtor believes that the Plan terms are fair under the circumstances of this case and
6 that the Plan provides a fair economic result for all creditors. As explained in more detail
7 below, the Debtor believes that if each of the Labels accepts the settlement offer made to them
8 under the Plan or has their claims disallowed or subordinated (which the Labels believe would
9 not occur) and the Committee Professional Fees do not exceed \$500,000, the Debtor estimates
10 that the non-Label general unsecured creditors will receive under the Plan a cash payment
11 shortly after Plan confirmation equal to approximately 20%-31% of the amounts of their
12 allowed general unsecured claims depending upon the ultimate final amount of allowed general
13 unsecured claims in this case. In comparison, the Debtor believes that Pulser, which the Debtor
14 believes is owed (and therefore lost) several multiples more money than all of the other
15 creditors combined and which is secured by a perfected lien against all or substantially all of the
16 assets of this bankruptcy estate, will be receiving under the Plan a recovery on its secured claim
17 which is likely not to be substantially higher than the recovery that will be received by general
18 unsecured creditors. The Debtor projects that if all of the Escrowed Funds are ultimately
19 returned to the Debtor and then paid to Pulser, there are no allowed administrative claims in this
20 case other than the allowed fees and expenses of the employed professionals, there are no
21 allowed Indemnity Claims (defined below), the expenses of special litigation counsel do not
22 exceed \$250,000, and the Plan Effective Date occurs by August 31, 2016, Pulser’s ultimate
23 recovery will be approximately 26.2%, recognizing that much of which will only be received by
24 Pulser at the end of the escrow period at some point in 2017. If any indemnity claims are
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1 asserted against the Escrowed Funds by Pandora, there ends up being any allowed
2 administrative claims in this case other than the allowed fees and expenses of the employed
3 professionals, there end up being any allowed Indemnity Claims, or the expenses of special
4 litigation counsel exceed \$250,000, then the ultimate recovery for Pulser will be reduced by the
5 same amount.

6
7 The Debtor already knows that claims traders have offered general unsecured creditors
8 substantially less than general unsecured creditors will be receiving under the Plan, and that
9 some creditors have already sold their claims to claims traders.

10 The Committee advised the Debtor that had the Committee not been able to reach a
11 settlement agreement with the Prepetition Secured Creditors, the Committee would have filed a
12 “Challenge” lawsuit against the Prepetition Secured Creditors. The Committee further advised
13 the Debtor that in the “Challenge” lawsuit, the Committee would have sought to recharacterize
14 Pulser’s secured debt as equity, with the Committee’s primary theory being that the advances
15 that Pulser made to the Debtor were characterized as loans but were disguised equity
16 investments. The Debtor and Pulser believe that there is no merit to the Committee’s legal
17 theory in this regard and that, if litigated, the Committee would lose this component of the
18 “Challenge” lawsuit. The Committee further advised the Debtor that in the “Challenge”
19 lawsuit, the Committee would have sought to equitably subordinate Pulser’s secured debt, with
20 the Committee’s primary theory being that as Debtor’s controlling shareholder, Pulser exercised
21 control over the Debtor. The Debtor and Pulser believe that there is no merit to the
22 Committee’s legal theory in this regard and that, if litigated, the Committee would lose this
23 component of the “Challenge” lawsuit. The Committee further advised the Debtor that in the
24 “Challenge” lawsuit, the Committee would have asserted that certain directors and officers
25 breached their fiduciary duties, with the Committee’s primary theory being an allegation of a
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1 conflict of interest and divided loyalties. As with the other two theories above, the Debtor and
2 Pulser believe that there is no merit to the Committee's legal theory in this regard and that, if
3 litigated, the Committee would lose this component of the "Challenge" lawsuit.

4 The Committee concluded that general unsecured creditors are better off with the
5 treatment afforded them under the Plan than they would have been with "rolling the dice" with
6 pursuing a "Challenge" lawsuit against the Prepetition Secured Creditors. While pursuing a
7 "Challenge" lawsuit against the Prepetition Secured Creditors may ultimately result in a greater
8 recovery for general unsecured creditors, including the potential of payment in full, the
9 Committee recognizes that any such "Challenge" lawsuit against the Prepetition Secured
10 Creditors will be vigorously opposed by the Prepetition Secured Creditors. The Committee
11 understands that it will likely take more than one year for any such "Challenge" lawsuit to
12 conclude if it goes to trial, and if the Committee loses its "Challenge" lawsuit, general
13 unsecured creditors will receive none of the Estate Funds and likely receive no distribution
14 whatsoever from this estate. The Committee further understands that even if the Committee
15 wins its "Challenge" lawsuit, general unsecured creditors are likely not to receive any
16 distribution from this estate until 2017 at the earliest. The Committee further understands that
17 the only way that general unsecured creditors have any chance of obtaining a higher recovery as
18 a result of the Committee pursuing a "Challenge" lawsuit is if the Committee wins the lawsuit
19 and is successful in recharacterizing the entirety of Pulser's \$184 million secured claim as
20 equity or equitably subordinating the entirety of Pulser's \$184 million secured claim – both of
21 which, in the Debtor's view, constitutes extremely difficult and highly speculative litigation.
22 Given the sheer magnitude of Pulser's \$184 million secured claim, the Committee recognizes
23 that if the Committee is only successful in avoiding Pulser's liens but not recharacterizing or
24 equitably subordinating Pulser's claims, then Pulser would be entitled to share pro rata in the
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1 Estate Funds which are distributed to general unsecured creditors in which case Pulser would
2 receive the vast majority of the Estate Funds and the economic result for general unsecured
3 creditors would likely be worse than is being offered under the Plan.

4 When taking into account the costs, risks and delays that would be associated with the
5 Committee's pursuit of a "Challenge" lawsuit against the Prepetition Secured Creditors, the
6 Debtor and the Committee believe that the best interests of general unsecured creditors are
7 served by voting to accept the Plan. The Debtor and the Committee therefore recommend that
8 all creditors vote to accept the Plan.
9

10 A detailed discussion of the Committee's investigation of claims against Pulser and
11 Iconical (the "Analysis"), which has been prepared by counsel to the Committee, is set forth
12 below. For the reasons described and as set forth below, the Committee believes that the
13 settlement embodied by the terms of the Plan is in the best interests of general unsecured
14 creditors.
15

16 **A. Standard for Approval of Compromise Under Bankruptcy Rule 9019**

17 Bankruptcy Rule 9019(a) provides in relevant part that "[o]n motion by the trustee and
18 after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr.
19 P. 9019(a). In reviewing proposed settlements, the standard that courts applied under the
20 former Bankruptcy Act also applies under the Bankruptcy Code. *See In re Carla Leather, Inc.*,
21 44 B.R. 457, 466 (Bankr. S.D.N.Y. 1984), *aff'd*, 50 B.R. 764 (S.D.N.Y. 1985). The U.S.
22 Supreme Court stated in *Protective Committee v. Anderson*, 390 U.S. 414 (1968), that in order
23 to approve a proposed settlement under the Bankruptcy Act, a court must have found that the
24 settlement was "fair and equitable" based on an "educated estimate of the complexity, expense,
25 and likely duration of . . . litigation, the possible difficulties of collecting on any judgment
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1 which might be obtained and all other factors relevant to a full and fair assessment of the
2 wisdom of the proposed compromise.” *Carla Leather*, 44 B.R. at 466.

3 A court, however, should not substitute its own judgment for the judgment of a trustee
4 or a debtor. *Id.* at 465. In reviewing a proposed settlement, a court is not “to decide the
5 numerous questions of law and fact . . . but rather to canvass the issues and see whether the
6 settlement falls below the lowest point in the range of reasonableness.” *In re W.T. Grant & Co.*,
7 699 F.2d 599, 608 (2d Cir. 1983). “When assessing a compromise, courts need not rule upon
8 disputed facts and questions of law, but rather only canvass the issues. A mini trial on the
9 merits is not required.” *In re Schmitt*, 215 B.R. 417, 423 (B.A.P. 9th Cir. 1997) (citations
10 omitted).

11
12 The Ninth Circuit has held that in considering a proposed compromise, the Court must
13 evaluate the following factors: (i) the probability of success; (ii) the difficulties, if any, of
14 collection; (iii) the complexity of litigation involved, and the expense, inconvenience and delay
15 in necessarily attending to it; and (iv) the paramount interests of creditors. *In re Woodson*, 839
16 F.2d 610, 620 (9th Cir. 1988) (quoting *In re A & C Properties*, 784 F.2d 1377, 1381 (9th Cir.
17 1986), *cert. denied sub nom*). Those factors are discussed below.

18
19 **B. The Probability of Success Factor Favors a Compromise**

20 The proposed settlement discussed above (the “Secured Creditor Settlement”) is the
21 result of the Committee’s investigation of claims against Pulser and Iconical. As discussed in
22 the Analysis, the estate’s claims against Pulser and Iconical involve complex issues of fact,
23 unsettled issues of law and somewhat vague legal standards that make the outcome of litigation
24 with Pulser and Iconical unpredictable. Although the Committee believes that \$87 million of
25 Pulser’s total claim in excess of \$180 million is more vulnerable to recharacterization than the
26 remainder, there is significant risk that the Committee will not prevail on its recharacterization
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1 claim against Pulser and its other causes of action against Pulser and Iconical. Moreover, even
2 if the Committee successfully recharacterized the most vulnerable \$87 million portion, Pulser
3 would still have a secured claim of over \$90 million, leaving general unsecured creditors
4 entirely out of the money. In this case, the benefit of securing a prompt, meaningful recovery
5 to unsecured creditors without incurring additional administrative expenses significantly
6 outweighs the risk and costs of prosecuting highly speculative litigation involving unsettled law
7 and uncertain legal standards. Accordingly, the Committee submits that the first element of the
8 traditional test under *A & C Properties* supports approval of the compromise reflected in the
9 Plan.
10

11 **C. The Difficulties of Collection are Addressed by the Plan**

12 The second element of the *A & C Properties* test is satisfied. If the Committee pursued
13 its challenge lawsuit against the Prepetition Secured Creditors and did not prevail, the Debtor's
14 estate would be saddled with significant administrative claims for professional fees and costs
15 without the means of satisfying such claims. Moreover, if the Committee pursued litigation, the
16 Debtor would likely spend several additional months, or longer, in bankruptcy developing a
17 new plan of reorganization or possibly face conversion to chapter 7 in the event that the
18 Prepetition Secured Creditors decided not to consent to the use of additional cash collateral. In
19 contrast, the Plan guarantees a swift exit from bankruptcy and a prompt distribution to the
20 Debtor's general unsecured creditors. In addition, the Plan provides certainty of payment of
21 administrative and priority claims.
22
23

24 **D. The Expense, Inconvenience, and Delay of Further Litigation**

25 The third prong of the test under *A & C Properties* is the complexity of litigation
26 involved, and the expense, inconvenience, and attendant delay. As discussed above regarding
27 the probability of success, the implementation of the Plan will avoid the expense of protracted
28

1 litigation. The Committee has already incurred well over \$100,000 of fees investigating the
2 claims against the Prepetition Secured Creditors. The Committee believes that just the costs of
3 litigating such claims would exceed \$1 million. In addition, the contingency fee could amount
4 to 33% to 40% of any recovery ultimately obtained through a subsequent settlement or
5 judgment. Inevitable appeals would add further delay and uncertainty even if a favorable
6 judgment was obtained.
7

8 **E. The Settlement Serves the Interests of Creditors**

9 Finally, as explained above, the settlement embodied in the Plan serves the interests of
10 creditors. For example, the settlement provides for the payment of administrative claims,
11 provides a meaningful recovery to general unsecured creditors, and avoids highly speculative
12 and protracted litigation that would otherwise delay a distribution (if any) to unsecured creditors
13 by months and likely years. Accordingly, the settlement embodied in the Plan serves the best
14 interests of creditors.
15

16 **F. Discussion of Committee's Investigation of Potential Claims and Defenses**
17 **Against Pulser and Iconical**

18
19 The Plan provides for the release of the Debtor's claims against Pulser and Iconical in
20 exchange for, among other things, payment by Pulser to the estate in the amount of \$8 million
21 for the benefit of holders of allowed general unsecured claims, and Pulser's waiver of any right
22 to share in any distribution of such funds on account of Pulser's Allowed Class 4 Claim (the
23 "Secured Creditor Settlement"). In addition, as part of the Secured Creditor Settlement, any net
24 recovery by the estate from the pursuit of any causes of action other than avoidance causes of
25 action (after payment of all related fees and expenses) shall be distributed to all holders of class
26 4 allowed claims on a pro rata basis, including Pulser on account of the Pulser Allowed Class 4
27 Claim, but shall be reallocated by Pulser to all holders of class 4 allowed claims who do not
28

1 become Opt-Out Class 4 Creditors on a pro rata basis. In addition, as part of the Secured
2 Creditor Settlement, Pulser will not be entitled to share in any recovery obtained from the
3 pursuit of any Label Actions. Further, a component of the settlement discussions between the
4 Debtor, the Committee, and the Prepetition Secured Creditors which resulted in an agreement
5 on the terms of a fully consensual plan of reorganization was the joint decision not to pursue
6 any avoidance causes of action. The Committee did not conduct an investigation concerning
7 the viability of any such claims. Nor did the Committee investigate whether any fraudulent
8 conveyance claims exist. On the Effective Date, all rights of the Debtor or its estate to pursue
9 any avoidance causes of action shall be permanently waived.
10

11
12 The Committee supports the Secured Creditor Settlement. The Committee's counsel
13 and its financial advisors evaluated the potential claims and defenses that might be asserted
14 against Pulser and Iconical in an effort to recharacterize as equity contributions or equitably
15 subordinate the claims of Pulser and Iconical to the claims of unsecured creditors. The
16 Committee compared the risks, costs and benefits of pursuing such litigation to the Secured
17 Creditor Settlement and concluded that the proposed Secured Creditor Settlement is in the best
18 interests of the estate and its creditors.
19

20 The following analysis discusses the basis for the Secured Creditor Settlement. It is
21 based upon information gained from a review by the Committee's counsel and financial
22 advisors of the transactional documents underlying the claims of Pulser and Iconical, the
23 Debtor's books and records produced to the Committee and other information and documents
24 provided by the Debtor, Pulser, and Iconical. Although litigation has not been commenced and
25 formal discovery has not been undertaken, the Committee has reviewed thousands of pages of
26 documents requested from and provided voluntarily by the Debtor, Pulser, and Iconical. The
27
28

1 documents produced consist primarily of loan and security documents, various financial
2 records, board minutes and materials reviewed by the boards of Pulser and the Debtor. The
3 Debtor, Pulser, and Iconical have not produced any emails relating to the Committee's analysis,
4 contending that that producing such emails is cost prohibitive. The Committee's investigation
5 of the Challenge claims began in early December, 2015 and was largely concluded by mid-
6 February, 2016. The Committee devoted more than 234 attorney hours and incurred \$164,290 in
7 legal fees conducting the investigation. During its investigation, the Committee interviewed (i)
8 Elliott Peters, the general counsel of the Debtor, (ii) Anthony Bay, the Chief Executive Officer
9 and a Director of the Debtor, and (iii) Maikao Grare, the Senior Vice President of Finance of the
10 Debtor.
11

12
13 After reviewing the documents and information provided by the Debtor, Pulser, and
14 Iconical, the Committee's counsel and financial advisors are not aware of any basis to question
15 the accuracy of the facts that are material to the analysis below and to the conclusion that the
16 Secured Creditor Settlement is prudent and in the best interests of the general unsecured
17 creditors.
18

19 **Facts**

20 **A. The Pulser Note**

21
22 Beginning in September 2012, Pulser advanced money to Rdio pursuant to a secured
23 promissory note dated September 21, 2012 (the "Pulser Note") issued by Rdio, as borrower, in
24 favor of Mdio, Inc. (n/k/a Pulser), as lender. The Pulser Note was signed by Andrew Larner as
25 CEO for both Rdio as borrower and Pulser as lender. Pursuant to the Pulser Note, Pulser agreed
26 to advance, at its sole discretion, up to \$26.2 million at an interest rate of 6% per annum (the
27
28

1 “Interest Rate”), with all principal and accrued interest due on September 21, 2015 (the
2 “Maturity Date”). Under the Pulser Note and each amendment, discussed below, Pulser
3 retained discretion, and was never required, to make any advances to Rdio. In addition, the
4 Pulser Note does not contain any financial covenants that are typically required by a
5 commercial lender (e.g., maintaining a certain level of working capital or maintaining a
6 specified debt to equity ratio). The Pulser Note, by its express terms, is governed and construed
7 under California law.
8

9 The obligations under the Pulser Note were secured by a second priority blanket security
10 interest in Rdio’s assets, subordinate to a security interest held by Rdio Investment Holdings
11 Limited, a company formed under the laws of the British Virgin Islands (“RIHL”), discussed
12 below. The security interest was granted in the note itself rather than by a separate security
13 agreement and this was the case with the subsequent amendments discussed below. Under the
14 terms of the Pulser Note, any remedy taken with respect to the collateral required prior written
15 consent by RIHL. Pulser perfected its security interest in Rdio’s personal property by filing a
16 financing statement on December 27, 2013, approximately fifteen months after the Pulser Note
17 was executed.
18
19

20 The Pulser Note was amended over the next three years as follows:
21

22 On January 8, 2013, the Pulser Note was amended (the “First Amended Note”) to permit
23 advances up to a maximum of \$48,750,010. The First Amended Note was signed by Andrew
24 Lerner on behalf of both Rdio as the borrower and Pulser as the lender. The Maturity Date and
25 Interest Rate remained the same, and the liens securing the First Amended Note continued to be
26 subordinate to the liens held by RIHL. Sometime in late April 2013, Pulser’s advances under
27 the First Amended Note exceeded the maximum stated amount of \$48,750,010. Pulser
28

1 continued to make advances of over \$87 million before the First Amended Note was amended
2 in December 2014 to authorize these additional amounts.

3
4 On December 17, 2014, the First Amended Note was amended (the “Second Amended
5 Note”) to permit advances up to a maximum of \$178,000,000 and to capture the \$87 million in
6 advances that had been made over the maximum amount of the First Amended Note since April
7 2013. The Maturity Date remained the same under the Second Amended Note, but the Interest
8 Rate was reduced to 0.95% per annum. The Second Amended Note states that Pulser holds a
9 “continuing second priority security interest” in Rdio’s assets, but there is no reference to RIHL
10 or the need for prior written consent by Pulser to exercise any rights or remedies. The Second
11 Amended Note was executed by Maikao Grare, as SVP of Finance for Rdio, and by Anthony
12 Bay, as CEO of Pulser.
13

14
15 On July 10, 2015, the Second Amended Note was amended (the “Third Amended
16 Note”) to permit advances up to a maximum amount of \$208,000,000. The Maturity Date was
17 extended by more than three years to December 31, 2018. The Interest Rate remained at 0.95%
18 per annum. The Third Amended Note states that Pulser holds a continuing first-priority security
19 interest in Rdio’s assets. Anthony Bay signed the Third Amended Note on behalf of both the
20 borrower and lender. As of July 10, 2015, Pulser had advanced \$176,196,410 to Rdio.
21

22 Pulser and Rdio did not appear to follow corporate formalities in connection with the
23 loan documents or advances. They were unable to produce any board minutes or other
24 documents evidencing that board approvals were obtained on either side of the transactions,
25 despite requests to do so. The Committee understands based on information provided by the
26 Debtor that the Pulser advances were used to fund operations.
27
28

1 **B. The Iconical Note**

2
3 On October 19, 2015, Rdio issued a secured promissory note in favor of Iconical, as a
4 purchaser and collateral agent (the “Iconical Note”) up to a maximum amount of \$5 million.
5 The Iconical Note was issued pursuant to, and concurrent with, a note purchase agreement
6 (“Iconical Note Purchase Agreement”) of the same date between Rdio and Iconical, described
7 below. The Iconical Note bears an interest rate of 12% per annum, and all interest and principal
8 became due upon the earliest of: (i) any event of default; (ii) any merger, reorganization, or sale;
9 or (iii) November 25, 2015. The Iconical Note Purchase Agreement is signed by Anthony Bay
10 on behalf of Rdio, and by Murray Markiles on behalf of Iconical. Advances under the Iconical
11 Note were subject to Iconical’s sole discretion. In connection with the Iconical Note and
12 Iconical Note Purchase Agreement, Rdio also entered into a security agreement, patent security
13 agreement, and trademark security agreement. Iconical immediately filed a financing statement
14 to perfect its security interests.
15
16

17 The Iconical Note Purchase Agreement recites that it was entered “solely to fund payroll
18 obligations and general operating expenses” of Rdio. The Iconical Note does not contain any
19 financial covenants by Rdio. Under the Note Purchase Agreement, Iconical acted as collateral
20 agent for itself and other potential lenders, who apparently never materialized. On the same day
21 that the Iconical Note was issued by Rdio, Iconical delivered a letter to Pulser and Rdio,
22 captioned, “Notice of Events of Default and Reservation of Rights.” Iconical advised that,
23 subject to its reservation of rights, it would, and did, continue to advance money under the
24 Iconical Note. Documents produced informally by the lenders indicate that, as of the Petition
25 Date, Iconical advanced \$4,335,860.30 to Rdio under the Iconical Note.
26
27
28

1 On October 19, 2015, Pulser guaranteed Rdio's obligations under the Iconical Note in
2 favor of Iconical. On the same day, Iconical and Pulser entered an intercreditor agreement
3 ("Intercreditor Agreement") pursuant to which Pulser's security interest in Rdio's assets under
4 the Third Amended Note were subordinated to Iconical's security interest.
5

6 On October 19, 2015, Rdio, as borrower, and Pulser, as lender, agreed to Amendment
7 No. 1 to Third Amended and Restated Secured Promissory Note ("Amendment No. 1 to Pulser
8 Note"), which generally amended and restated the terms of default to include cross default
9 provisions, and made the Intercreditor Agreement between Pulser and Iconical controlling
10 notwithstanding other terms of the Third Amended Note.
11

12 Based on the postpetition maturity dates of the Third Amended Note and the Iconical
13 Note, as well as available documents from Rdio, Pulser and Iconical, the Committee believes
14 that no principal or interest was paid to either Pulser or Iconical.
15

16 **C. Rdio's Financial Condition and the Sale Process**
17

18 Based on the Committee's investigation, it appears that the advances by Pulser and
19 Iconical made under the Pulser Note, as amended, and the Iconical Note (collectively, the
20 "Notes") were the only form of financing available to the Debtor and that Rdio was unable to
21 repay the Notes from its operating cash flow.
22

23 According to Elliott Peters' declaration in support of the first-day motions ("Peters'
24 Decl."), in the fall of 2014, Pulser hired an investment bank, Moelis & Company ("Moelis") to
25 raise new equity capital. When it became clear that they could not raise new equity, Moelis was
26 directed to find a substantial outside investor, buyer, or merger partner. The Committee
27 believes that the sale process commenced in earnest in March or April, 2015. Moelis conducted
28

1 a “broad marketing process” and identified Pandora Media, Inc. (“Pandora”) as a potential
2 purchaser. Rdio’s assets were ultimately acquired by Pandora in an asset sale pursuant to
3 section 363 of the Bankruptcy Code. The July 8, 2015 Letter of Intent (“LOI”) from Pandora to
4 Pulser shows that Pandora initially intended to acquire Rdio as a going concern, free of debt,
5 through a stock acquisition at a price of \$100 million in Pandora common stock. Subsequent
6 LOI’s continued to provide for the same overall purchase price (\$100 million) and the same
7 overall structure until Pandora changed its proposal to an asset sale in the September 29, 2015
8 LOI, which was signed by the parties. That LOI permitted Pandora, upon its election, to conduct
9 the asset sale under section 363 of the Bankruptcy Code but the Debtor contends the parties
10 continued to explore other transaction structures outside of bankruptcy until a short time prior to
11 the signing of their Asset Purchase Agreement. Only shortly prior to signing the Asset Purchase
12 Agreement, the transaction price was reduced to \$75 million in cash and was determined to be a
13 purchase of only specified assets and liabilities under section 363 of the Bankruptcy Code.
14 Between December 2012 and June 2015, the monthly accounts payable only exceeded \$7
15 million twice, and were typically between \$4-6 million. During the sale process, Rdio’s
16 monthly accounts payable spiked. They went from \$8.4 million in July 2015 to \$13.4 million in
17 October 2015 and to \$17.6 million in November.

21 **D. The Relationship Between Pulser, Iconical, and the Debtor**

22 Pulser owns seventy-nine percent of the equity of Rdio and is its controlling shareholder.
23 According to the Peters’ Decl., an affiliate of Iconical -- Iconical Investments LP is the majority
24 shareholder of Pulser although the documents show it as owning only 47.4% of Pulser’s equity.
25 We understand that Iconical, Iconical Investments LP, and their affiliates (the “Iconical
26 Entities”) are investment funds associated with Janus Friis (the co-creator of Skype) and are
27
28

1 primarily managed by the following directors: Mark Dyne, Janus Friis, and Murray Markiles.
2 According to the Peters' Decl., Pulser and Rdio have been primarily funded by companies
3 associated with Mr. Friis. Anthony Bay, Andrew Lerner, Janus Friis, and Mark Dyne all were
4 board members of Rdio and Pulser at the time the advances were made under the Notes. Janus
5 Friis and Mark Dyne resigned from Rdio's board and Pulser's board shortly prior to the Petition
6 Date.
7

8 Rdio and Pulser shared the same mailing address, which was the physical office space
9 occupied by Rdio. Anthony Bay served as CEO and President of Pulser and Rdio from
10 November 18, 2013 and currently serves in that capacity for Rdio. He resigned as CEO and
11 President of Pulser on November 2, 2015. Maikao Grare is the current secretary of Rdio and
12 served as the secretary of Pulser from May 10, 2013 through November 2, 2015. Andrew
13 Lerner served as CEO of Rdio until November 2013. He signed the Pulser Note and First
14 Amended Note in his dual capacities as CEO of Rdio and Pulser. Peters served as general
15 counsel for Rdio. The Committee understands that individuals who held dual positions at Rdio
16 and Pulser used an Rdio email address.
17
18

19 **Equitable Recharacterization**

20

21 The recharacterization of debt to equity is a legal concept rooted primarily in tax law.
22 *See, e.g., A.R. Lantz Co. v. United States*, 424 F.2d 1330, 1331 (9th Cir. 1970) ("This action
23 deals with the oft-litigated tax issue of whether certain advances made to a corporation created
24 debt, or constituted capital contributions."). No provision of the Bankruptcy Code expressly
25 authorizes the recharacterization of debt to equity. Most circuits that have addressed this issue,
26 however, have held that a bankruptcy court may properly order the recharacterization of debt to
27
28

1 equity under the broad authority afforded by section 105(a) of the Bankruptcy Code.² These
2 courts have held that recharacterization is well within the broad powers afforded a bankruptcy
3 court by section 105(a). The Bankruptcy Code establishes a system in which contributions to
4 capital receive a lower priority than loans because the essential nature of a capital interest is a
5 fund contributed to meet the obligations of a business and which is to be repaid only after all
6 other obligations have been satisfied. *Fairchild Dornier GMBH v. Official Comm. (In re*
7 *Dornier Aviation, Inc.)*, 453 F.3d 225 (4th Cir.2006) (citing *Cohen v. KB Mezzanine (In re*
8 *SubMicron Sys. Corp.)*, 432 F.3d 448 (3d Cir. 2006)); *see also Redmond v. Jenkins (In re*
9 *Alternate Fuels, Inc.)*, 789 F.3d 1139, 1148 (10th Cir. 2015).

11
12 These courts apply a multi-factor test that is similar to the eleven-factor
13 recharacterization test enunciated by the Sixth Circuit in *Bayer Corp. v. MascoTech Inc. (In re*
14 *AutoStyle Plastics, Inc.)*, 269 F.3d 726 (6th Cir.2001). Under *AutoStyle*, bankruptcy courts look
15 to the following eleven factors to determine whether recharacterization is warranted:

- 17 1. the names given to the instruments, if any, evidencing the indebtedness;
- 18 2. the presence or absence of a fixed maturity date and schedule of payments;
- 19 3. the presence or absence of a fixed rate of interest and interest payments;
- 20 4. the source of repayments;
- 21 5. the adequacy or inadequacy of capitalization;
- 22 6. the identity of interest between the creditor and the stockholder;
- 23 7. the security, if any, for the advances;

25
26 ² The [bankruptcy] court may issue any order, process, or judgment that is necessary or appropriate to
27 carry out the provisions of this title. No provision of this title providing for the raising of an issue by a
28 party in interest shall be construed to preclude the court from, *sua sponte*, taking any action or making
any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent
an abuse of process.” 11 U.S.C. § 105(a).

- 1 8. the corporation's ability to obtain financing from outside lending institutions;
- 2 9. the extent to which the advances were subordinated to the claims of outside
- 3 creditors;
- 4 10. the extent to which the advances were used to acquire capital assets; and
- 5 11. the presence or absence of a sinking fund to provide repayments.
- 6

7 269 F.3d at 749-50.

8
9 The factors are slightly modified by some courts, which may also consider whether
10 voting rights are granted with the transaction and whether corporate formalities such as board
11 meetings and minutes support the approval of the loan agreements, as well as other relevant
12 considerations. *See, e.g., Friedman's Liquidating Trust v. Goldman Sachs Credit Partners, L.P.*
13 (*In re Friedman's Inc.*), 452 B.R. 512, 520 (Bankr. D. Del. 2011); *Autobacs Strauss, Inc. v.*
14 *Autobacs Seven Co. (In re Autobacs Strauss, Inc.)*, 473 B.R. 525,581 (Bankr. D. Del. 2012). No
15 one factor is controlling or decisive. The factors must be considered within the particular
16 circumstances of each case. *AutoStyle*, 269 F.3d at 750.

17
18
19 While the Ninth Circuit has held that a court has the authority to recharacterize claims in
20 a bankruptcy proceeding, it has flatly rejected reliance on section 105(a) as a source of authority
21 to do so. Instead, it has held that a request to recharacterize a claim is construed as a request to
22 disallow the claim under section 502(b)(1) of the Bankruptcy Code applying state law to
23 "determine whether that obligation gives the holder of the obligation a 'right to payment' under
24 state law." *Official Comm. v. Hancock Park Capital II (In re Fitness Holdings Int'l)*, 714 F.3d
25 1141, 1148–49 (9th Cir.2013); *see also Grossman v. Lothian (In re Lothian Oil, Inc.)*, 650 F.3d
26 539, 542–44 (5th Cir.2011).

1 Therefore, federal courts within the Ninth Circuit are not bound to apply the eleven-
2 factor *AutoStyle* test. Moreover, because California courts have not yet articulated a test under
3 state law, it is not clear what the proper test is.³ Other state courts have imported a similar
4 multi-factor test from federal tax law. *Arch Petroleum, Inc. v. Sharp*, 958 S.W.2d 475, 477 n.3
5 (Tex. Ct. App. 1997) (“For an oft-cited discussion of the distinction between debt and equity,
6 including a list of sixteen distinguishing factors, see *Fin Hay Realty Co. v. United States*, 398
7 F.2d 694, 696 (3d Cir.1968).”). The *AutoStyle* factors were derived from a tax case, *Roth Steel*
8 *Tube Co. v. Comm’r of Internal Revenue*, 800 F.2d 625, 630 (6th Cir.1986). *AutoStyle*, 269
9 F.3d at 748. In the tax context, the Ninth Circuit has also identified an eleven-factor test very
10 similar to the *AutoStyle* factors. *Hardman v. United States*, 827 F.2d 1409, 1411 (9th Cir.
11 1987).⁴

14 The most recent Circuit level authority on recharacterization is *Redmond v. Jenkins (In*
15 *re Alternate Fuels, Inc.)*, 789 F.3d 1139 (10th Cir. 2015). It is notable as an example of how
16 difficult it is for a plaintiff to succeed in recharacterization litigation even where the factors
17 appear to justify it. The Bankruptcy Court and BAP had both found that the debt at issue should
18 be recharacterized and the Tenth Circuit reversed. In a 2 to 1 split decision, the Tenth Circuit
19

21 ³ Prior to the *Fitness Holdings* decision, the Central District of California applied the *AutoStyle* factors,
22 using its purported authority under section 105(a) in declining to recharacterize. *Daewoo Motor Am.*
23 *Inc. v. Daewoo Motor Co. (In re Daewoo Motor Am., Inc.)*, 471 B.R. 721, 733-34 (C.D. Cal. 2012),
aff’d, 554 F. App’x 638 (9th Cir. 2014).

24 ⁴ These factors are: (1) the names given to the certificates evidencing the indebtedness; (2) the presence
25 or absence of a maturity date; (3) the source of the payments; (4) the right to enforce payment of
26 principal and interest; (5) participation and management; (6) a status equal to or inferior to that of regular
27 corporate creditors; (7) the intent of the parties; (8) “thin” or adequate capitalization; (9) identity of
28 interest between creditor and stockholder; (10) payment of interest only out of “dividend” money; (11)
the ability of the corporation to obtain loans from outside lending institutions. *Hardman v. United*
States, 827 F.2d 1409, 1411-12 (9th Cir. 1987).

1 ultimately determined that neither equitable subordination, which it deemed “an extraordinary
2 remedy to be employed by courts sparingly,” nor recharacterization, after application of its own
3 13-factor test, were appropriate. As a policy consideration, the court refused to overemphasize
4 the undercapitalization and financial condition of the debtor company because it would
5 discourage lenders, including insider/ owners, to provide rescue financing in similar situations.
6 The court also pointed out that the promissory notes in question were not found to be invalid or
7 unenforceable under applicable state law and that sufficient consideration was exchanged under
8 state law.
9

10
11 The Committee believes that the outcome of litigation to recharacterize the Pulser
12 advances from debt to equity is extremely uncertain based on the foregoing.

13 **Equitable Subordination**

14
15 The Ninth Circuit has adopted the widely applied three-factor test for equitable
16 subordination under section 510 (c) of the Bankruptcy Code:
17

- 18 (i) the subordinated creditor must have engaged in inequitable misconduct;
19
20 (ii) the inequitable conduct must have resulted in injury to other creditors or
21 conferred an unfair advantage on the creditor to be subordinated; and
22
23 (iii) equitable subordination of the claim must not be inconsistent with the other
24 provisions of the bankruptcy laws.

25 *Henry v. Lehman Commercial Paper, Inc. (In re First Alliance Mortgage Co.)*, 471 F.3d 977,
26 1006 (9th Cir. 2006).
27
28

1 The objecting party has the initial burden of coming forward with material evidence to
2 overcome the prima facie validity accorded to proofs of claim. The burden shifts to the
3 claimant to demonstrate the fairness of its conduct. The burden on the claimant is not only to
4 prove the good faith of the parties to the transaction, but also to show the inherent fairness from
5 the point of view of the debtor corporation and those with interests therein. *United States v.*
6 *State St. Bank & Trust Co.*, 520 B.R. at 80.
7

8 For non-insider claimants, egregious conduct must be established to justify equitable
9 subordination. *See Friedman v. Sheila Plotsky Brokers, Inc. (In re Friedman)*, 126 B.R. 63, 71
10 (BAP 9th Cir. 1991) (finding that for non-insider claimants, the objecting party must prove that
11 the claimant is guilty of gross misconduct tantamount to fraud, overreaching, or spoliation to the
12 detriment of others). However, the standard is lower for insiders. ““Courts have generally
13 recognized three categories of misconduct that may constitute inequitable conduct for insiders:
14 (1) fraud, illegality, and breach of fiduciary duties; (2) undercapitalization; or (3) claimant’s use
15 of the debtor as a mere instrumentality or alter ego.”” *United States v. State St. Bank & Trust*
16 *Co.*, 520 B.R. at 82 (quoting *In re Mid-American Waste Systems*, 284 B.R. 53, 70 (Bankr. D.
17 Del (2002)). Undercapitalization of the debtor alone will not justify equitable subordination.
18 *Wood v. Richmond (In re Branding Iron Steak House)*, 536 F.2d 299, 302 (9th Cir 1976)
19 (“subordination requires some showing of suspicious, inequitable conduct beyond mere initial
20 undercapitalization of the enterprise”).
21
22
23

24 The Bankruptcy Code defines an “insider” of a corporate debtor as including (i) director
25 of the debtor; (ii) officer of the debtor; (iii) person in control of the debtor; (iv) partnership in
26 which the debtor is a general partner; (v) general partner of the debtor; or (vi) relative of a
27 general partner, director, officer, or person in control of the debtor. 11 U.S.C. § 101(31)(B).
28

1 Thus, Pulser is a statutory insider by virtue of its controlling equity interest and the fact that all
2 four of Rdio board members also served on Pulser's board.

3
4 The making of a secured loan by a controlling shareholder clearly does not constitute
5 inequitable conduct standing alone. *Sinclair v. Burr (In re Mid-Town Produce Terminal)*, 599
6 F.2d 389, 392 (10th Cir. 1979) ("We are unwilling to find a dominant shareholder may not loan
7 money to a corporation in which he is the principal owner and himself become a secured
8 creditor. To hold the debt may be subordinated on that basis alone would discourage owners
9 from trying to salvage a business, and require all contributions to be made in the form of equity
10 capital. We do not think that is desirable as social policy, nor required by the cases."").
11 However, where the lien is granted for the purpose of improperly gaining an advantage over
12 other creditors, courts have held that may be inequitable, depending on the other facts and
13 circumstances surrounding the extension of the secured debt. *Fabricators, Inc. v. Technical*
14 *Fabricators, Inc. (In re Fabricators)*, 926 F.2d 1458, 1467 (5th Cir.1991) (finding the insider
15 claimant's secured loan was not an isolated act, but was one step interconnected with a series of
16 actions to gain an advantage over the position of other creditors); see *In re EMB Assoc.*, 92 B.R.
17 9, 17 (Bankr. D.R.I. 1988) (finding insider committed egregious conduct by demanding liens on
18 the debtor's property while allowing past and future creditors to continue investing money in
19 the insolvent debtor); *State St. Bank & Trust Co.*, 520 B.R. at 84 (equitably subordinating
20 insider claims where unsecured debt was subsequently converted to secured debt).

21
22
23
24 **D. Limits on the Scope of the Remedy**

25 Equitable subordination is remedial, not penal, and is applied only to the extent
26 necessary to offset the specific harm caused by the inequitable conduct. *Stoombus v Kilimnik*,
27 988 F.2d 949, 960 (9th Cir. 1993) (court should have looked at harm to each of the relevant
28

creditors to determine whether insider's claim should be subordinated to their claims and, if so, to what extent). Courts will subordinate a claim "only to the claims of creditors whom the inequitable conduct has disadvantaged." *Unsecured Cred. Comm v. Banque Paribas (In re Heartland Chems., Inc.)*, 136 B.R. 503 (Bankr. C.D. Ill. 1992) (actual harm suffered by debtor's trade creditors could only be measured by amount of inventory actually shipped by trade creditors in reliance on secured creditor's purported misrepresentations); *Enron Corp. v. Avenue Special Sit. Fund (In re Enron Corp.)*, 333 B.R. 205 (Bankr. S.D. N.Y. 2005) (court may subordinate a claim only to the extent necessary to offset the harm suffered by the debtor and its creditors on account of that harmful conduct); *Cosoff v. Rodman (In re W.T. Grant Co.)*, 699 F.2d 599 (2d Cir. 1983) (court must consider less drastic alternatives).

The Committee has not discovered facts showing that Iconical engaged in inequitable conduct with respect to Rdio's creditors and does not believe it will prevail on a claim to equitably subordinate the debt owed to Iconical. The equitable subordination claims against Pulser are stronger but subject to much uncertainty with respect to the extent to which unsecured creditors were harmed by Pulser's conduct.

Claims against the Debtor's Officers and Directors

Any claims the Debtor may have against its officers and directors based on their roles in serving both Pulser and the Debtor would be based under breaches of their fiduciary duties of care and loyalty under Delaware law. The Committee believes the claims are subject to the same uncertainties as the equitable subordination claims.

Preferences

The fact that Pulser's advances under the First Amended Note exceeded the maximum

1 face amount of the note, *may* have resulted in a preferential transfer that was not entirely offset
2 by new value when those advances were incorporated into the Second Amended Note and
3 additional security was granted. To a large extent, this analysis depends on collateral values in
4 December 2014.

5
6 However, regardless of the collateral values in December 2014, the Secured Creditor
7 Settlement is in the best interests of the general unsecured creditors for three reasons. First, the
8 preference analysis is irrelevant if the debt is recharacterized; it only matters if Pulser prevails
9 on the recharacterization claim. Second, any preference received by Pulser would be largely, if
10 not entirely, offset by subsequent advances. Third, Pulser would share in any preference
11 recovery and would likely receive most of it based on its very substantial deficiency claim.
12

13 Conclusion

14 All of the foregoing claims as well as any other claims are released under the Secured
15 Creditor Settlement and the terms of the Plan. Litigation of the foregoing claims is highly
16 speculative and fact intensive. Moreover, the Committee expects Pulser and Iconical to
17 vigorously defend the litigation, ensuring that it will be protracted and expensive. While it is
18 possible the Committee may ultimately – after years of litigation and appeals – succeed on
19 certain of the foregoing claims, and although a fee agreement was not executed, the Committee
20 had determined that a well-regarded law firm was willing to prosecute the Challenge Claim on a
21 contingency fee basis and advance costs, there is significant risk that it will not result in a better
22 recovery for unsecured creditors than the Secured Creditor Settlement because for this to occur
23 the Committee would need to be successful in recharacterizing or subordinating nearly \$150
24 million of Pulser's secured claim to have any meaningful impact on recoveries to general
25 unsecured creditors.
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1 Accordingly, the Committee believes that the Secured Creditor Settlement embodied in
2 the Plan will provide an immediate and substantial distribution to general unsecured creditors,
3 resolve complex and potentially cost prohibitive litigation, and is ultimately in the best interests
4 of general unsecured creditors.
5

6 **Attached hereto as Exhibit “7” is the Committee’s letter in support of confirmation**
7 **of the Plan.**

8 **10. Sony’s Lawsuit**
9

10 On April 4, 2016, Sony filed an action in the United States District Court for the
11 Southern District of New York asserting fraudulent inducement and unjust enrichment claims
12 against Anthony Bay, Elliott Peters, and Jim Rondinelli, the Debtor’s current CEO, the Debtor’s
13 General Counsel and the Debtor’s Senior Vice President and Head of Licensing and Catalog,
14 respectively. *Sony Music Entertainment vs. Anthony Bay et al.*, Index No. 16 Civ. 02505 (RJS)
15 (S.D.N.Y.). The complaint alleges that each of the Debtor’s executives induced Sony to extend
16 its content agreement and defer substantial payments totaling more than \$5.5 million, even
17 though Sony contends that each of the executives knew that the Debtor had no intention of
18 performing under the agreement, that the Debtor would be filing for bankruptcy protection and
19 ceasing operations, and that the Debtor would be selling substantially all of its assets to
20 Pandora. The Debtor believes that the Sony lawsuit has absolutely no merit and was simply a
21 vindictive act by Sony in an effort to attempt to intimidate the Debtor and its executives. The
22 Debtor believes that if the Sony lawsuit is not dismissed or settled and proceeds to trial, the
23 Debtor’s executives will prevail. Sony’s lawsuit, and any other lawsuit brought against any of
24 the Debtor’s officers and/or directors, could result in the allowance of indemnity claims brought
25 against the Debtor (“Indemnity Claims”). As explained below, subject to the confirmation of
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1 the Plan, the holders of any such Indemnity Claims will not be permitted to receive any
2 distributions from the Unsecured Creditors Fund on account of any such Indemnity Claims.

3 **Claims.**

4 **a. Secured Claims**

5 As explained above, the Debtor believes that it has two pre-petition secured creditors
6 consisting of \$184,000,000 owing to Pulser and approximately \$4,500,000 to Iconical. The
7 Debtor believes that both secured claims are secured by a lien against all or substantially all of
8 the Debtor's assets, with Iconical's lien having priority over Pulser's lien. The full amount of
9 the Iconical post-petition loan was paid in full at the time of the Pandora sale closing.
10

11 **b. Administrative Claims**

12 The Debtor does not believe that it has any outstanding post-petition debt other than the
13 outstanding fees and expenses of the professionals employed by the Debtor and the
14 professionals employed by the Committee. The treatment of these fees and expenses is
15 discussed below. SoundExchange has asserted that it is entitled to an administrative claim for
16 amounts to be remitted to SoundExchange on account of royalties for the digital performance
17 and reproduction of recordings. The Debtor is in discussions with SoundExchange in an effort
18 to provide SoundExchange with certain requested information and to determine whether
19 SoundExchange is entitled to an administrative claim. SoundExchange contends that it is
20 entitled to an administrative claim in the amount of \$14,033.82 on account of its Direct License
21 Documents. Roku, Inc. ("Roku") has asserted an administrative claim in the amount of
22 \$785,398 for alleged post-petition sales of its remote control associated with its hardware
23 devices that feature an Rdio button. The Debtor and the Committee are attempting to obtain
24 additional information from Roku to determine the extent and validity of Roku's asserted claim
25 and to determine whether any portion of Roku's claim is entitled to administrative claim status.
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1 Universal has informed the Debtor that there may be amounts owed for postpetition services
2 provided by Universal to the Debtor. Universal's agreements with the Debtor terminated by
3 their own terms on November 30, 2015, and, at the request of the Debtor, Universal extended its
4 agreements until December 23, 2015. Universal has received certain payments for the
5 postpetition period but has not received a reconciliation of amounts due. The Debtor has agreed
6 to work with Universal to determine whether there are any additional amounts due for the
7 postpetition period.
8

9 **c. Pre-Petition Priority Wage Claims**

10 As explained above, the Debtor paid all of the priority wage related claims of those
11 employees who were still employed by the Debtor as of the Petition Date. As set forth in the
12 Debtor's bankruptcy schedules, the Debtor believes that it owes a total of approximately
13 \$273,909 to former employees which amounts are entitled to priority under 11 U.S.C. § 507(a)
14 (4). A chart setting forth the identities of each of these individuals and the amounts of their
15 claims that the Debtor believes are entitled to priority is set forth in exhibit "1" to this
16 Disclosure Statement (the "Priority Wage Claims Chart"). The claims bar date in this case was
17 March 21, 2016. The Debtor is continuing with its review of the scheduled and filed priority
18 wage related claims. The Debtor will file objections to any filed priority wage related claims
19 which the Debtor believes are not valid. The Priority Wage Claims Chart also indicates all
20 additional priority wage claims which were asserted in timely filed proofs of claim.
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22

23 **d. Pre-Petition Priority Tax Claims**

24 As set forth in the Debtor's bankruptcy schedules, the Debtor believes that it owed as of
25 the Petition Date a total of approximately \$130,326 to taxing agencies, which amounts are
26 entitled to priority under 11 U.S.C. § 507(a)(8). A chart setting forth the identities of each of
27 these taxing agencies and the amounts of their priority tax claims is set forth in exhibit "2" to
28

1 this Disclosure Statement (the “Priority Tax Claims Chart”). The Debtor is continuing with its
2 review of the scheduled and filed priority tax claims. The Debtor will file objections to any
3 filed tax claims which the Debtor believes are not valid. The Priority Tax Claims Chart also
4 indicates all additional priority tax claims which were asserted in timely filed proofs of claim.

5 **e. General Unsecured Claims**

6
7 As set forth in the Debtor’s bankruptcy schedules, the Debtor believed that it owed as of
8 the Petition Date a total of approximately \$25,771,863 of non-priority general unsecured debt.
9 This figure did not take into account any disputed, unliquidated or contingent unsecured debt,
10 any claims asserted in filed proofs of claim, or any debt which may arise as a result of the
11 Debtor’s rejection of unexpired leases or executory contracts or breaches or terminations of
12 license agreements. This figure also did not take into account the claims the Debtor believes it
13 has against the Labels, which claims are disputed by the Labels. As explained below, the
14 Debtor has separated general unsecured claims into two classes – one which includes all general
15 unsecured claims excluding the claims of the Labels (i.e., class 4), and one which includes just
16 the general unsecured claims of the Labels (i.e., class 5). A chart detailing all of the Debtor’s
17 scheduled non-priority general unsecured debt as well as all non-priority general unsecured debt
18 asserted in timely filed proofs of claim, excluding any claims of the Labels, is attached as
19 Exhibit “3” to this Disclosure Statement (the “Class 4 Claims Chart”). The Debtor is continuing
20 with its review of the scheduled and filed general unsecured claims. The Class 4 Claims Chart
21 also indicates all additional general unsecured claims (excluding any claims of the Labels)
22 which were asserted in timely filed proofs of claim. The Class 4 Claims Chart does not include
23 any claims which were filed after the claims bar date. The Debtor is investigating those claims
24 and will update the Class 4 Claims Chart and/or file objections to the late filed claims as
25 appropriate. SoundExchange contends that it is entitled to a class 4 claim in the amount of
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1 \$19,422.69 on account of its Statutory Licenses and a class 4 claim in the amount of \$27,364.88
2 on account of its Direct License Documents. A chart detailing all of the Debtor's scheduled
3 non-priority general unsecured debt of the Labels as well as all non-priority general unsecured
4 debt asserted in timely filed proofs of claim by the Labels is attached as Exhibit "4" to this
5 Disclosure Statement other than the unliquidated claims asserted by Universal (the "Class 5
6 Claims Chart").

8 **III. PLAN SUMMARY**

9 The Plan will be funded entirely by the balance of Estate Funds remaining after payment
10 by the Debtor of all expenses in accordance with approved budgets together with all funds
11 ultimately paid to the Debtor from the Escrowed Funds and any and all recoveries obtained by
12 the Debtor from the pursuit of any causes of action other than avoidance causes of action.
13 Below is a summary of the composition of each of the classes under the Plan and the treatment
14 of the members of each class.

16 Administrative Claims. Administrative claims are not classified in accordance with the
17 Bankruptcy Code. Except as otherwise provided in the Plan, all allowed administrative claims,
18 except for the Committee Professional Fees and the potential contingency fee of WS, will be
19 paid in full out of the Estate Funds within the later of (i) five days following the Effective Date;
20 (ii) five days following the date of entry of an order of the Court allowing such administrative
21 claim; and (iii) the date such claims become due and payable (or as soon as reasonably
22 practicable thereafter). The source of payment of the fees and expenses incurred by the
23 professionals employed in this case is explained below.

25 Priority Tax Claims. Priority tax claims are not classified in accordance with the
26 Bankruptcy Code. All allowed priority tax claims will be paid in full out of the Estate Funds
27 within the later of (i) thirty days following the Effective Date; (ii) thirty days following the date
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1 of entry of an order of the Court allowing such priority tax claim; and (iii) the date such claims
2 become due and payable (or as soon as reasonably practicable thereafter).

3 Class 1 is comprised of the allowed secured claim of Iconical which, to the extent not
4 already paid, will be paid in full out of the Estate Funds on the Effective Date.

5 Class 2 is comprised of the allowed secured claim of Pulser. On account of its class 2
6 claim, Pulser will be treated in the manner described below. In consideration of the Prepetition
7 Secured Creditors permitting the Debtor to use cash collateral during the chapter 11 case and to
8 use the Estate Funds to fund the Plan (including, but not limited to the establishment of the
9 "Unsecured Creditors Fund", all of which constitutes the collateral of the Prepetition Secured
10 Creditors), on the Effective Date (i) the Debtor and the Debtor's bankruptcy estate will be
11 permanently deemed to have released the "Lender Released Parties" (as defined below) from
12 any and all claims or causes of action that the Debtor or the Debtor's bankruptcy estate (or any
13 representative of the Debtor's bankruptcy estate, including the Committee and any subsequently
14 appointed trustee) may have against Pulser or any of the Pulser Affiliates; and (ii) all claims and
15 liens of the Prepetition Secured Creditors shall be deemed permanently valid and allowed.

16 Class 3 is comprised of all non-tax priority claims. As indicated above, the Debtor
17 scheduled a total of approximately \$273,909 of non-tax priority claims, consisting of employee
18 wage related priority claims. All class 3 allowed claims will be paid in full out of the Estate
19 Funds within the later of (i) thirty days following the Effective Date; (ii) thirty days following
20 the date of entry of an order of the Court allowing such claim; and (iii) the date such claim
21 becomes due and payable (or as soon as reasonably practicable thereafter).

22 Class 4 is comprised of all non-priority general unsecured claims that were not eligible
23 to elect to be treated in class 5 and the non-priority general unsecured claims of the Labels who
24 do not elect to be treated in class 5.

1 Each holder of a class 4 allowed claim will receive a payment from the Unsecured
2 Creditors Fund equal to its pro rata share of the Unsecured Creditors Fund remaining after
3 satisfaction of allowed class 5 claims and payment of the Committee Professional Fees, which
4 the Debtor estimates will result in a payment equal to approximately 5% of the amount of their
5 class 4 allowed claim. In addition, each holder of a class 4 allowed claim who does not
6 affirmatively opt out and who has an allowed claim or whose claim has been allowed within
7 sixty days following the “Claims Objection Bar Date” (defined below) (“Eligible Class 4 Claim
8 Holders”) will receive an additional payment from the Unsecured Creditors Fund equal to its
9 pro rata share of the “Pulser Allocation Amount” as defined below, which the Debtor estimates
10 would result in each of the Eligible Class 4 Claim Holders receiving as much as 15%-25% more
11 on account of its class 4 allowed claim.
12

13 The additional significant distribution available is the result of Pulser agreeing to assign
14 the distribution that Pulser would otherwise receive to Eligible Class 4 Claim Holders in
15 exchange for a full and complete release by such creditor of any claim against (i) any of the
16 “Debtor Affiliates” (defined below), (ii) the Lender Released Parties, and (iii) Pandora (with
17 such release of Pandora limited to any claim such creditor has against Pandora resulting from or
18 related to any claim such creditor has against the Debtor or any of the Debtor Affiliates). The
19 reason for the release of the Debtor Affiliates is to avoid claims that the Debtor Affiliates will
20 likely assert against the Debtor and/or the Lender Released Parties if they are sued. The reason
21 for the release of Pandora is to avoid the depletion of the Escrowed Funds, which are part of the
22 funds that will be paid to Pulser on account of Pulser’s class 2 allowed claim.
23

24 Any class 4 claim holder who does not timely opt out (by timely and affirmatively
25 making such opt out election in its plan ballot) will be automatically deemed to have agreed to
26 (i) a full and complete release of any claim against any of the Debtor Affiliates, and (ii) a full
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1 and complete release of any claim against the Lender Released Parties and Pandora (with such
2 release of Pandora limited to any claim such creditor has against Pandora resulting from or
3 related to any claim such creditor has against the Debtor or any of the Debtor Affiliates).

4 The Pulser Unsecured Claim is at least several times larger than all of the other general
5 unsecured claims combined – entitling Pulser to receive the vast majority of any funds which
6 are ultimately distributed to general unsecured creditors in this case. However, as described in
7 detail below, as part of the Secured Creditor Settlement, Pulser has agreed to assign to each
8 Eligible Class 4 claim holder (i.e., one who does not affirmatively opt out and who has an
9 allowed claim within sixty days following the Claims Objection Bar Date) a proportional share
10 of the distribution that Pulser would otherwise be entitled to receive from the Unsecured
11 Creditors Fund, which will significantly increase the distribution that will be received by each
12 such Eligible Class 4 Claim Holder. Eligible Class 4 Claim Holders may not receive more than
13 100% of the amount of their class 4 allowed claims. Once Eligible Class 4 Claim Holders have
14 been paid 100% of the amount of their class 4 allowed claims, any additional funds that would
15 otherwise be paid to Eligible Class 4 Claim Holders will be paid to Pulser.

16 Each holder of a class 4 allowed claim who either (a) affirmatively opts out by electing
17 to do so on its timely-cast ballot or (b) does not have an allowed claim within sixty days
18 following the Claims Objection Bar Date (i.e., an “Opt-Out Class 4 Creditor”) will receive a
19 payment from the Unsecured Creditors Fund equal to its pro rata share of the Unsecured
20 Creditors Fund remaining after satisfaction of allowed class 5 claims and payment of certain
21 Committee Professional Fees and a potential contingency fee payment to WS and will not be
22 deemed to have released and will retain all claims such creditor may have against the Debtor
23 Affiliates, the Lender Released Parties and Pandora (such claims, the “Retained Claims”);
24 provided, however, that the Retained Claims shall not include (a) any claim of the Debtor or its
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1 estate asserted derivatively by such Opt-Out Class 4 Creditor or (b) any claim that has been
2 released pursuant to paragraph 20 of the Final DIP Order, and recognizing that the Debtor does
3 not believe that any of the Retained Claims have any validity. However, Opt-Out Class 4
4 Creditors will not receive any of the funds that would be due on account of the Pulser
5 Allocation Amount.

6
7 The distribution to holders of class 4 allowed claims will be made within the latest of (i)
8 thirty days following the Effective Date; (ii) thirty days following the date of entry of an order
9 of the Court allowing such class 4 claim; and (iii) thirty days after the final disputed class 4
10 claim is resolved by final order (or as soon as reasonably practicable thereafter). The Creditors
11 Trustee reserves the right to seek an order of the Court authorizing the Creditors Trustee to
12 make an initial interim distribution to holders of class 4 allowed claims.

13
14 In addition to each class 4 claim holder's receipt of its distribution from the Unsecured
15 Creditors Funds, any net recovery by the estate from the pursuit of any causes of action other
16 than avoidance causes of action and other than from claims against any of the Labels that don't
17 accept the settlement offer under the Plan – "Non-Accepting Labels" - (after payment of all
18 related fees and expenses) shall be distributed to all holders of class 4 allowed claims on a pro
19 rata basis, excluding Pulser. Any net recoveries by the estate from the pursuit of any claims
20 against the Non-Accepting Labels shall be used first to repay Pulser for all advances made from
21 the Estate Funds related to such claims (including any payments made to WS and to pay for
22 third party expenses) and all payments made to professionals employed in this case
23 (collectively, "Previously Advanced Funds"), and second to be distributed to all holders of class
24 4 allowed claims (other than Pulser) on a pro rata basis. Pulser shall receive any remaining net
25 proceeds from the pursuit of such causes of action after all other holders of class 4 allowed
26 claims have been paid in full.
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1 Class 5 is comprised of the holders of the non-priority general unsecured claims of Sony
2 Music Entertainment and any affiliates (“Sony”); Warner Music Group Corp. and any affiliates
3 (“Warner”); and UMG Recordings, Inc. and any affiliates (“Universal”) who voluntarily elect
4 treatment in class 5. Sony, Warner and Universal are collectively defined herein as the
5 “Labels”. The Debtor scheduled Sony as having a royalty claim in the amount of \$147,403.76
6 and a contract claim of \$2,599,232.82 for a total claim of \$2,746,636.58. The Debtor scheduled
7 Orchard Enterprises, Inc. as having a claim of \$493,945.89. Sony filed a proof of claim for
8 Sony Music Entertainment asserting a claim in the amount of \$12,419,314.00 for Service Fees
9 plus various other claims. Orchard Enterprises, Inc. filed a proof of claim asserting a claim in
10 the amount of \$4,583,096.96. The Debtor understands that Sony and Orchard Enterprises, Inc.
11 are affiliates or that Sony owns Orchard Enterprises, Inc. The Debtor scheduled Warner as
12 having a royalty claim in the amount of \$137,500 and a contract claim of \$432,909.22 for a total
13 claim of \$570,409.22. Warner has filed a proof of claim asserting a claim in the amount of
14 \$619,796.62. The Debtor scheduled Universal as having a royalty claim in the amount of
15 \$219,267.65 and a contract claim of \$590,724.06 for a total claim of \$809,991.71. Universal
16 filed three proofs of claim asserting a claim in the amount of \$482,496.68 for Universal
17 International Music B.V., a claim in the amount of \$629,374.16 for UMG Recordings, Inc., and
18 a claim in the amount of \$189,305 for Universal Music Canada, Inc. (for total claims of
19 \$1,301,175.84). The Debtor scheduled Universal Music Group Distribution as having a claim
20 in the amount of \$590,724.06. That specific Universal entity did not file any proof of claim, but
21 the Debtor assumes that this claim is subsumed in the three claims filed by Universal. As
22 outlined in more detail below, the Debtor believes that it has substantial and valuable claims
23 against the Labels as a result of wrongful conduct by the Labels, which, when pursued, will
24 result in a substantial affirmative recovery by the Debtor. The Debtor believes that the pursuit
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1 of these claims against the Labels will result in the complete disallowance of the class 5 claims
2 of the Labels or, at a minimum, the complete equitable subordination of the class 5 claims of the
3 Labels to all other allowed claims. The Labels do not believe that the Debtor has valuable
4 claims against them, deny that they have engaged in any wrongful conduct, believe that if
5 pursued, the Debtor will lose any litigation against them, that there will be no recovery against
6 them, and that their claims will not be disallowed or equitably subordinated. In order to avoid
7 the delay and expense of litigating the class 5 claims of the Labels, the Debtor is offering each
8 of the Labels a settlement under the Plan. The settlement offer is for each of the Labels to
9 receive a payment from the Unsecured Creditors Fund in the following amounts: \$775,000 total
10 cash to Sony and Orchard Enterprises, Inc.; \$100,000.00 cash to Warner; and \$125,000.00 cash
11 to Universal. If any Label accepts the above settlement offer, then except as otherwise
12 provided in the Plan, such payment will (i) be in full settlement and satisfaction of any claim
13 that the Label has against the Debtor, and (ii) constitute a full and complete release by the Label
14 (x) of the Debtor Affiliates to the extent and subject to the terms provided in Section 11(b) of
15 the Plan, (y) of the Lender Released Parties to the extent and subject to the terms provided in
16 Section 10(e) of the Plan, and (z) of Pandora to the extent and subject to the terms provided in
17 Section 11(b) of the Plan. Without limiting the generality of the foregoing, the release by any
18 Opt-In Class 5 Creditor (as defined below) (i) of the Debtor Affiliates or the Lender Released
19 Parties is conditioned upon the Class 5 Released Parties (as defined below) receiving from
20 Iconical and Pulser the same release that the Debtor is providing to such Class 5 Released
21 Parties as set forth in Section 10(c) of the Plan, and (ii) of Pandora is conditioned upon such
22 Class 5 Released Parties receiving from Pandora the same release that the Debtor is providing to
23 such Class 5 Released Parties as set forth in Section 10(c) of the Plan. Each Label that accepts
24 this settlement offer from the Debtor each, an "Opt-In Class 5 Creditor") will receive the
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1 aforesaid treatment for Class 5, be deemed to accept the Plan and, on the Effective Date (i) the
2 Debtor and the Debtor's bankruptcy estate will be permanently deemed to have released each
3 Opt-In Class 5 Creditor and the other Class 5 Released Parties from any and all claims or causes
4 of action that the Debtor or the Debtor's bankruptcy estate (or any representative of the Debtor's
5 bankruptcy estate, including the Committee and any subsequently appointed trustee) has or may
6 have against such Opt-In Class 5 Creditor or any other Class 5 Released Parties, including as set
7 forth in Section 10(c) of the Plan. Each Opt-In Class 5 Creditor will receive its settlement
8 payment from the Unsecured Creditors Fund in the amount described above within five days
9 following the Effective Date. Each Label who does not timely vote on the Plan shall be deemed
10 to be an Opt-In Class 5 Creditor and shall be treated in the identical manner as if the Label had
11 affirmatively accepted this settlement offer.
12

13
14 The Debtor (and its successor under the Plan, the Creditors Trustee) reserves all of its
15 right to pursue any and all claims and remedies against each such Label who does not timely
16 accept this settlement offer, including, without limitation, by, seeking (i) an affirmative
17 recovery from the Label, (ii) to disallow any claim of the Label in its entirety, and (iii) to
18 equitably subordinate any claim of the Label to all other claims. For the avoidance of doubt, in
19 the event that any Label does not timely accept this settlement offer, the claims of such Label
20 will be classified and treated in class 4, and any allowed claim against the Debtor (or the
21 Creditors Trust) which is not equitably subordinated following litigation and any related appeals
22 (which the Debtor believes is very unlikely to ever occur, and the Labels believe is likely to
23 occur), such Label will receive the treatment afforded to holders of class 4 allowed claims, as
24 summarized above and described in further detail below. The Debtor understands that the
25 Labels deny any wrongdoing and believe that they have no liability to the Debtor or this estate.
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1 The Debtor further understands that the Labels intend to vigorously oppose any claims or
2 actions brought against them.

3 With respect to Universal, the Debtor and Universal are in the process of negotiating a
4 settlement agreement. The Debtor anticipates that the Universal settlement agreement will be
5 signed by the Debtor, Pulser and Iconical, the Debtor's subsidiaries, and possibly by Pandora,
6 and anticipate having it finalized shortly ("Universal Settlement Agreement"). Notwithstanding
7 the foregoing, if there is a conflict between the terms of the Universal Settlement Agreement
8 and the terms of the Plan, the terms of the Universal Settlement Agreement shall govern and
9 control.

10 Similarly, with respect to Warner, the Debtor and Warner are in the process of
11 negotiating a settlement agreement. The Debtor anticipates that the Warner settlement
12 agreement will be signed by the Debtor, Pulser and Iconical, the Debtor's subsidiaries, and
13 possibly by Pandora, and anticipate having it finalized shortly ("Warner Settlement
14 Agreement"). Notwithstanding the foregoing, if there is a conflict between the terms of the
15 Warner Settlement Agreement and the terms of the Plan, the terms of the Warner Settlement
16 Agreement shall govern and control.

17 For purposes of the Plan, timely acceptance means either entering into a settlement
18 agreement or acceptance of the Plan.

19 Class 6 is comprised of all equity interests in the Debtor. Holders of class 6 equity
20 interests will not receive any of the Estate Funds or other distribution from this estate on
21 account of their class 6 equity interests. All equity interests in the Debtor will be deemed
22 cancelled and extinguished on the Effective Date.

23 **IV. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

24 **A. What Creditors and Interest Holders Will Receive Under the Plan**

25 As required by the Bankruptcy Code, the Plan classifies claims and interests in various
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1 classes according to their right to priority. The Plan states whether each class of claims or
2 interests is impaired or unimpaired. The Plan sets out the treatment each class will receive.

3 **B. Unclassified Claims**

4 Certain types of claims are not placed into voting classes; instead they are unclassified.
5 They are not considered impaired and they do not vote on the Plan because they are
6 automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such,
7 the Debtor has not placed the following claims in a class.
8

9 **1. Administrative Expenses**

10 Administrative expenses are claims for costs or expenses of administering the Debtor's
11 chapter 11 case which are allowed under Bankruptcy Code Section 507(a)(2). The Bankruptcy
12 Code requires that all administrative claims be paid in full on the Effective Date unless a
13 particular claimant agrees to a different treatment.
14

15 The following chart lists all of the Debtor's § 507(a)(2) administrative claims and their
16 treatment under the Plan.

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<u>Name</u>	<u>Amount Owed</u>	<u>Treatment</u>
Clerk's Office Fees	\$0	Paid in full on the Effective Date out of the Estate Funds
Office of the U.S. Trustee Fees	\$0	Paid in full on the Effective Date out of the Estate Funds
Levene, Neale, Bender, Yoo & Brill L.L.P. (" <u>LNBYB</u> "), bankruptcy counsel to the Debtor	\$750,000.00 (est.), which would be in addition to the post-petition fees and expenses paid to LNBYB by the Debtor	Paid in full (or in such other amount as agreed among LNBYB, the Debtor, and the Prepetition Secured Creditors) out of the Estate Funds within the later of (i) five days following the Effective Date and (ii) five days

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		following the date of entry of an order of the Court allowing such fees and expenses
Winston & Strawn LLP, special litigation counsel to the Debtor	The Debtor intends to pay a post-petition retainer to WS out of the Estate Funds following the Court's approval of the Debtor's employment of special litigation counsel. The balance of any fees earned by special litigation counsel will be paid in the manner described in the Debtor's amended application to employ to WS (filed as docket number 305). The hearing on the Debtor's application to employ WS is scheduled to be held on June 3, 2016.	Treatment will be as described in the Debtor's amended application to employ WS (filed as docket number 305).
Moelis & Company ("Moelis"), financial advisor to the Debtor	\$0 (est.) as Moelis has already been paid the full amount of its allowed fees and expenses	N/A
Pachulski Stang Ziehl & Jones LLP ("PSZJ"), bankruptcy counsel to the Committee	\$500,000.00 (est.), which would be in addition to the post-petition fees and expenses already paid to PSZJ by the Debtor	Paid in full within the later of (i) five days following the Effective Date and (ii) five days following the date of entry of an order of the Court allowing such fees and expenses out of the Unsecured Creditor Funds and the Estate Funds as explained below
FTI Consulting ("FTI"), financial advisor to the Committee	\$150,000.00 (est.), which would be in addition to the post-petition fees and expenses already paid to FTI by the Debtor	Paid in full within the later of (i) five days following the Effective Date and (ii) five days following the date of entry of an order of the Court allowing such fees and expenses out of the Unsecured Creditor

		Funds and the Estate Funds as explained below
Post-Petition Non- Professional Fee Administrative Claims	\$0 (est.) as the Debtor expects that all such administrative claims will have been paid in full prior to Plan confirmation	Paid in full (or in such other amount as agreed among the administrative claimant, the Debtor, and the Prepetition Secured Creditors) out of the Estate Funds within the later of (i) five days following the Effective Date or (ii) if the Debtor and other parties disagree about the amount owed, five days following the date of entry of an order of the Court allowing such administrative claim
TOTAL	\$1,400,000.00 est.	Paid in the manner described above

Court Approval of Professional Fees and Expenses Required and Source of Funding

Payment:

The Court must approve all professional fees and expenses listed in this chart before they may be paid. For all professional fees and expenses except fees owing to the Clerk of the Bankruptcy Court and fees owing to the UST, the professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees and expenses allowed by the Court (or such other amount as agreed among the Debtor, the Prepetition Secured Creditors, and the professional) will be required to be paid under the Plan. The administrative claim amounts set forth above simply represent the Debtor's best estimate as to the amounts of allowed administrative claims in this case for the Debtor's professionals and the Committee's best estimate as to the amounts of allowed administrative claims in this case for the Committee's professionals. The actual administrative claims through the Effective Date may be higher or lower than the figures set forth above. Much of whether the actual

1 administrative claims for professionals exceed the estimates set forth above will be dependent
2 upon whether the Debtor and its counsel are required to engage in any substantial litigation
3 regarding the confirmation of the Plan, objecting to claims or any other matter, including
4 continuing with post-Effective Date litigation with those Labels, if any, who decline the
5 settlement offer described above. To the extent the Debtor and its counsel are required to
6 engage in any such substantial litigation, LNBYB and any other professionals who will be
7 employed by the Debtor are likely to incur professional fees and expenses in excess (and
8 possibly substantially in excess) of the estimated figures set forth above. By voting to accept
9 the Plan, creditors are not acknowledging the validity of, or consenting to the amount of, any of
10 these administrative claims, and creditors are not waiving any of their rights to object to the
11 allowance of any of these administrative claims. Similarly, professionals who have been
12 employed in this case are not being deemed to have agreed that the figures set forth above
13 represent any ceiling on the amount of fees and expenses that they have incurred or are entitled
14 to seek to be paid pursuant to Court order as such fees and expenses are just estimates provided
15 at the time of the preparation of the Plan.
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18 At a hearing held on April 1, 2016, the Court awarded (i) LNBYB fees and expenses of
19 \$907,034.56 through February 29, 2016; (ii) PSZJ fees and expenses of \$422,714.74 through
20 February 29, 2016; and (iii) FTI fees of \$262,631 through February 29, 2016. Of the
21 \$1,380,000 which the Debtor had deposited into a segregated account for the benefit of these
22 professionals pursuant to previously agreed upon Court orders and budgets (the “Professional
23 Fee Account”), the Court authorized payment of (i) \$861,410.72 to LNBYB – leaving an unpaid
24 balance of \$45,623.84 through February 29, 2016; (ii) \$269,168.62 to PSZJ – leaving an unpaid
25 balance of \$153,546.12 through February 29, 2016; and (iii) \$249,420.66 to FTI – leaving an
26 unpaid balance of \$13,210.34 through February 29, 2016. These unpaid balances through
27
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1 February 29, 2016 total \$212,380.30. With the agreement of the Debtor, the Prepetition
2 Secured Creditors and the Committee, this total unpaid balance of \$212,380.30 incurred through
3 February 29, 2016, which has already been allowed by the Court, will be paid out of the Estate
4 Funds (inclusive of any funds which have been deposited into the Professional Fee Account
5 after April 1, 2016). The unpaid balance of \$153,546.12 owing to PSZJ and the unpaid balance
6 of \$13,210.34 owing to FTI through February 29, 2016 are collectively referred to herein as the
7 “Committee Professionals Unpaid Balances”. All fees and expenses incurred by PSZJ and FTI
8 from March 1, 2016 through the Plan Effective Date, which are allowed by the Court, will be
9 paid out of the Unsecured Creditors Fund. All fees and expenses incurred by LNBYB through
10 the Plan Effective Date, which are allowed by the Court, will be paid out of the Estate Funds.
11 Fees and expenses incurred by professionals after the Plan Effective Date will be paid in the
12 manner set forth below in the section of this Disclosure Statement entitled “Means of
13 Effectuating the Plan and Implementation of the Plan”. The \$100,000 post-petition retainer that
14 the Debtor expects to pay to WS and the expenses incurred by special litigation counsel will be
15 paid out of the Estate Funds. All further fees to be paid to WS will be paid out of the Estate
16 Funds or out of the Unsecured Creditors Fund depending upon the outcome of litigation against
17 Non-Accepting Labels computed in the manner described in the Debtor’s amended application
18 to employ WS (filed as docket number 305).
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22 **2. Priority Tax Claims**

23 Priority tax claims include certain unsecured income, employment and other taxes
24 described by Section 507(a)(8) of the Bankruptcy Code. Section 1129(a)(9)(C) of the
25 Bankruptcy Code requires that each holder of such a Section 507(a)(8) priority tax claim receive
26 regular installment payments of a total value, as of the Effective Date, equal to the allowed
27 amount of such allowed tax claims, over a period ending not later than five years after the
28

Petition Date. As set forth in the Debtor's bankruptcy schedules and as summarized in the Priority Tax Claims Chart, the Debtor believes that it owes a total of approximately \$130,326 to taxing agencies, which amounts are entitled to priority under 11 U.S.C. § 507(a)(8). The Priority Tax Claims Chart also indicates all additional priority tax claims which were asserted in timely filed proofs of claim. The Debtor has included such filed tax claims in the Priority Tax Claims Chart for information purposes only. The Debtor is not agreeing to the allowance of any such filed tax claims, and the Debtor reserves all rights to file and prosecute objections to any such filed tax claims. The Debtor will pay allowed priority tax claims in full out of the Estate Funds within the later of (i) thirty days following the Effective Date; (ii) thirty days following the date of entry of an order of the Court allowing such priority tax claim; and (iii) the date such claim becomes due and payable (or as soon as reasonably practicable thereafter).

C. Classified Claims and Interests

1. Classes of Secured Claims

Secured claims are claims secured by liens on property of the Debtor's estate. The following charts identify the Plan's treatment of the classes containing all of the Debtor's known secured claims:

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
1	Class 1 is comprised of the pre-petition secured claim of Iconical and shall be deemed allowed in the amount of \$4,220,833, plus all accrued interest, fees, and other amounts due and payable thereunder (with the final class 1 allowed claim estimated to be	Not Impaired; allowed claim in this class is not entitled to vote on the Plan.	The class 1 allowed claim will be paid in full in cash from the Estate Funds on the Effective Date.

	approximately \$4,500,000). The class 1 claim is secured by a first priority lien against all or substantially all of the assets of the Debtor's estate.		
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<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
2	<p>Class 2 is comprised of the pre-petition secured claim of Pulser. Pursuant to the settlement embodied in the Plan, the total claim of Pulser shall be deemed allowed in the amount of \$184,000,000, which is inclusive of all accrued interest, fees, and other amounts due and payable thereunder through the Petition Date.</p> <p>The class 2 secured claim of Pulser is secured by a second priority lien (junior only to the lien of Iconical) against all or substantially all of the assets of the Debtor's estate.</p> <p>Pulser's class 2 allowed claim will be equal to all Estate Funds + all future recoveries by the</p>	Impaired; allowed claim in this class is entitled to vote on the Plan.	On account of its class 2 secured claim, Pulser will receive all of the Estate Funds + all future recoveries by the Debtor or its bankruptcy estate from the Escrowed Funds + reimbursement of all Previously Advanced Funds out of any affirmative recoveries obtained from the pursuit of claims against the Non-Accepting Labels which are remaining after (i) all non-professional fees/expenses allowed administrative claims have been paid in full (and all disputed administrative claims have been resolved to final order or an adequate reserve has been maintained by the Debtor to fund any such disputed administrative claims in the event they are ultimately allowed by final order); (ii) the allowed fees and expenses of the Debtor's professionals and the Committee Professionals Unpaid Balances have been paid in full; (iii) the Plan Reserve has been fully funded; (iv) all allowed priority tax claims have been paid in full (and all disputed priority tax claims have been resolved to

1	Debtor or its	final order or an adequate
2	bankruptcy estate	reserve has been maintained by
3	from the Escrowed	the Debtor to fund any such
4	Funds +	disputed priority tax claims in
5	reimbursement of all	the event they are ultimately
6	Previously Advanced	allowed by final order); (v) the
7	Funds out of any	class 1 allowed claim has been
8	affirmative	paid in full; (vi) all class 3
9	recoveries obtained	allowed claims have been paid in
10	from the pursuit of	full (and all disputed class 3
11	claims against the	claims have been resolved by
12	Non-Accepting	final order or an adequate
13	Labels which are	reserve has been maintained by
14		the Debtor to fund any such
15	remaining after (i) all	disputed class 3 claims in the
16	non-professional	event they are ultimately allowed
17	fees/expenses	by final order); and (vii) the
18	allowed	Unsecured Creditors Fund has
19	administrative claims	been fully funded.
20	have been paid in full	
21	(and all disputed	In consideration of the Prepetition
22	administrative claims	Secured Creditors permitting the
23	have been resolved to	Debtor to use cash collateral
24	final order or an	during the chapter 11 case and to
25	adequate reserve has	use the remaining Estate Funds,
26	been maintained by	which constitutes Pulser's
27	the Debtor to fund	collateral, to fund all payment
28	any such disputed	obligations under the Plan, on the
	administrative claims	Effective Date (i) the Debtor and
	in the event they are	the Debtor's bankruptcy estate
	ultimately allowed by	will be permanently deemed to
	final order); (ii) the	have released Pulser and all
	allowed fees and	Pulser Affiliates from any and all
	expenses of the	claims or causes of action that the
	Debtor's	Debtor or the Debtor's
	professionals and the	bankruptcy estate (or any
	Committee	representative of the Debtor's
	Professionals Unpaid	bankruptcy estate, including the
	Balances have been	Committee and any subsequently
	paid in full; (iii) the	appointed trustee) may have
	Plan Reserve has	against Pulser or any of the Pulser
	been fully funded;	Affiliates; (ii) the class 2 secured
	(iv) all allowed	claim of Pulser and the liens
	priority tax claims	which secure Pulser's class 2
	have been paid in full	claim shall be deemed
	(and all disputed	permanently valid and allowed;
	priority tax claims	(iii) the Debtor and the Debtor's

	<p>have been resolved to final order or an adequate reserve has been maintained by the Debtor to fund any such disputed priority tax claims in the event they are ultimately allowed by final order); (v) the class 1 allowed claim has been paid in full; (vi) all class 3 allowed claims have been paid in full (and all disputed class 3 claims have been resolved by final order or an adequate reserve has been maintained by the Debtor to fund any such disputed class 3 claims in the event they are ultimately allowed by final order); and (vii) the Unsecured Creditors Fund has been fully funded. The class 2 secured claim of Pulser is estimated to be in the amount of approximately \$48,214,153 if Pulser is ultimately paid the full amount of the Escrowed Funds and none of the Previously Advanced Funds are recovered.⁵</p> <p>The balance of</p>		<p>bankruptcy estate will be permanently deemed to have released Iconical and all Iconical Affiliates from any and all claims or causes of action that the Debtor or the Debtor's bankruptcy estate (or any representative of the Debtor's bankruptcy estate, including the Committee and any subsequently appointed trustee) may have against Iconical or any of the Iconical Affiliates; and (iv) the class 1 claim of Iconical and the liens which secure Iconical's class 1 claim shall be deemed permanently valid and allowed.</p>
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⁵ Attached as Exhibit "6" to this Disclosure Statement is a computation setting forth the estimated amount of the class 2 secured claim of Pulser.

	Pulser's allowed claim, estimated to be in the amount of approximately \$135,785,847 (the " <u>Pulser Unsecured Claim</u> "), will be included in class 4 as a class 4 allowed claim which will be treated in the manner described below.		
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2. Class of Priority Unsecured Claims

Certain priority claims that are referred to in Bankruptcy Code Sections 507(a)(3), (4), (5), (6), and (7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Bankruptcy Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claim. As indicated above and as detailed in the Priority Wage Claims Chart, the Debtor scheduled a total of approximately \$273,909 of non-tax priority claims, consisting of employee wage related priority claims to former employees of the Debtor which the Debtor believes are entitled to priority under 11 U.S.C. § 507(a) (4). All allowed non-tax priority claims will be treated as class 3 claims under the Plan. Each class 3 allowed claim will be paid in full out of the Estate Funds within the later of (i) thirty days following the Effective Date; (ii) thirty days following the date of entry of an order of the Court allowing such class 3 claim; and (iii) the date such claim becomes due and payable (or as soon as reasonably practicable thereafter).

3. **Classes of General Unsecured Claims**

General unsecured claims are pre-petition unsecured claims which are not entitled to priority under Bankruptcy Code Section 507(a). The following charts identify the Plan's treatment of the classes containing all of the Debtor's non-priority general unsecured claims:

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
4	<p>Class 4 is comprised of all non-priority general unsecured claims who were not eligible to elect to be treated in class 5 (including the Pulser Unsecured Claim) and the non-priority general unsecured claims of the Labels who do not elect to be treated in class 5.</p> <p>The Class 4 Claims Chart attached as Exhibit "3" to this Disclosure Statement contains the details of all of the Debtor's scheduled class 4 claims as well as all class 4 claims asserted in timely filed proofs of claim, excluding the Pulser Unsecured Claim.⁶</p> <p>As set forth in the Class 4 Claims Chart, exclusive of the Pulser</p>	Impaired; allowed claims in this class are entitled to vote on the Plan.	<p>Each holder of a class 4 allowed claim will receive a payment from the Unsecured Creditors Fund equal to its pro rata share of the Unsecured Creditors Fund remaining after (i) satisfaction of class 5 claims, (ii) payment of the Committee Professional Fees, and (iii) payment of any WS contingency fee which is required to be paid out of the Unsecured Creditors Fund, which the Debtor estimates will result in a payment equal to approximately 5% of the amount of their class 4 allowed claim.</p> <p>In addition, each Eligible Class 4 Claim Holder will receive an additional payment from the Unsecured Creditors Fund equal to its pro rata share of the "<u>Pulser Allocation Amount</u>" as defined below), which the Debtor estimates would result in each of the Eligible Class 4 Claim Holders receiving as much as 15%-25% more on account of its class 4 allowed claim.</p>

⁶ The Class 4 Claims Chart does not include certain unliquidated claims, including an unliquidated claim asserted by SoundExchange.

	<p>Unsecured Claim, the Debtor estimates a preliminary low case estimate that there are approximately \$20,967,085 of class 4 claims (if no filed proofs of claim are allowed in amounts which are higher than scheduled by the Debtor), and the Debtor estimates a preliminary high case estimate that there are approximately \$32,824,372 of class 4 claims (if every timely filed proof of claim is allowed in the amount which is higher than scheduled by the Debtor)⁷</p> <p>The Debtor is continuing with its review of the scheduled and filed class 4 claims and will update the Class 4 Claims Chart as appropriate. By including a claim in the Class 4 Claims Chart is not an acknowledgement by the Debtor of the validity of any class 4 claim. The Debtor reserves all rights to object to any class 4 claim at any time, and the rights of all other parties in interest to</p>		<p><u>Pulser Allocation Amount:</u></p> <p>As part of the Secured Creditor Settlement which is incorporated into the Plan which was negotiated between the Debtor, Pulser and the Committee, the parties have agreed that the Pulser Unsecured Claim shall be deemed allowed in the reduced amount of \$100 million (the “<u>Pulser Allowed Class 4 Claim</u>”), amounting to a reduction of an estimated amount of approximately \$35,785,847. As part of the Secured Creditor Settlement, Pulser has agreed to assign to each Eligible Class 4 Claim Holder a proportional share of the distribution that Pulser would otherwise be entitled to receive from the Unsecured Creditors Fund on account of the Pulser Allowed Class 4 Claim computed as (i) the allowed amount of the class 4 claim of the Eligible Class 4 Claim Holder divided by the total amount of all class 4 allowed claims of all Eligible Class 4 Claim Holders and then multiplied by the distribution that Pulser would be entitled to receive from the Unsecured Creditors Fund on account of the Pulser Allowed Class 4 Claim if not for this assignment (the “<u>Pulser Allocation Amount</u>”).</p> <p>The additional significant distribution available is the result of Pulser agreeing to assign the distribution that Pulser would otherwise receive to Eligible Class 4 Claim Holders in</p>
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⁷ The claims bar date in this case was March 21, 2016 and has therefore passed.

1	object to any class 4	exchange for a full and complete
2	claim (other than the	release by such creditor of any
3	Pulser Unsecured	claim against (i) any of the
4	Claim) at any time are	Debtor Affiliates, (ii) the Lender
5	strictly preserved.	Released Parties, and (iii)
6		Pandora (with such release of
7		Pandora limited to any claim
8		such creditor has against
9		Pandora resulting from or related
10		to any claim such creditor has
11		against the Debtor or any of the
12		Debtor Affiliates). The reasons
13		for the releases are explained
14		above.
15		Each holder of a class 4 allowed
16		claim has the right to elect not to
17		grant such release by
18		affirmatively making such
19		election in its plan ballot (a
20		<u>“Class 4 Opt-Out Election”</u>), in
21		which case the class 4 claim
22		holder (each, an <u>“Opt-Out Class</u>
23		<u>4 Creditor”</u>). Each Opt-Out
24		Class 4 Creditor will receive its
25		pro rata distribution from the
26		Unsecured Creditors Fund
27		without any Pulser Allocation
28		Amount but will retain all claims
		such creditor may have against
		the Debtor Affiliates, the Lender
		Released Parties and Pandora
		(such claims, the <u>“Retained</u>
		<u>Claims”</u>); provided, however,
		that the Retained Claims shall
		not include (a) any claim of the
		Debtor or its estate asserted
		derivatively by such Opt-Out
		Class 4 Creditor or (b) any claim
		that has been released pursuant
		to paragraph 20 of the Final DIP
		Order, and recognizing that the
		Debtor does not believe that any
		of the Retained Claims have any
		validity.
		Any class 4 claim holder who

1 does not timely make a Class 4
2 Opt-Out Election (by timely and
3 affirmatively making such Class
4 4 Opt-Out Election in its plan
5 ballot) will be automatically
6 deemed to have agreed to (i)
7 accept its Plan payment in full
8 settlement and satisfaction of its
9 class 4 claim, (ii) a full and
10 complete release of any claim
11 against any of the Debtor
12 Affiliates, and (iii) a full and
13 complete release of any claim
14 against the Lender Released
15 Parties and Pandora (with such
16 release of Pandora limited to any
17 claim such creditor has against
18 Pandora resulting from or related
19 to any claim such creditor has
20 against the Debtor or any of the
21 Debtor Affiliates).

22 Eligible Class 4 Claim Holders
23 may not receive more than 100%
24 of the amount of their class 4
25 allowed claims. Once Eligible
26 Class 4 Claim Holders have been
27 paid 100% of the amount of their
28 class 4 allowed claims, any
additional funds that would
otherwise be paid to Eligible
Class 4 Claim Holders will be
paid to Pulser.

Illustrative Recoveries:

If (i) the total amount of class 4
allowed claims ends up at the
midpoint of the range between
scheduled amounts and timely
filed proofs of claim (for total
class 4 allowed claims of
\$26,895,729), (ii) each of the
Labels accepts the settlement
offer made to them under the Plan
or has their claims disallowed or
subordinated, (iii) there are no

			<p>Opt-Out Class 4 Creditors, and (iv) the Committee Professional Fees end up being \$500,000, then each holder of a class 4 allowed claim will receive a payment equal to approximately 24% of the amount of its class 4 allowed claim.</p> <p>If every class 4 claim filed is allowed in the amount asserted by the Debtor in its bankruptcy schedules (for total class 4 allowed claims of \$20,967,085), (ii) each of the Labels accepts the settlement offer made to them under the Plan or has their claims disallowed or subordinated, (iii) there are no Opt-Out Class 4 Creditors, and (iv) the Committee Professional Fees end up being \$500,000, then each holder of a class 4 allowed claim will receive a payment equal to approximately 31% of the amount of its class 4 allowed claim.</p> <p>If every timely filed class 4 claim filed is allowed in the amount asserted by the class 4 claim holders (for total class 4 allowed claims of \$32,824,372 - which the Debtor believes is highly unlikely to be the case), (ii) each of the Labels accepts the settlement offer made to them under the Plan or has their claims disallowed or subordinated, (iii) there are no Opt-Out Class 4 Creditors, and (iv) the Committee Professional Fees end up being \$500,000, then each holder of a class 4 allowed claim will receive a payment equal to approximately 20% of the amount of its class 4 allowed claim.</p>
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1 If (i) every timely filed class 4
2 claim filed is allowed in the
3 amount asserted by the class 4
4 claim holders, (ii) none of the
5 Labels accepts the settlement
6 offer made to them under the
7 Plan, and each of the Labels ends
8 up with a class 4 allowed claim
9 in the amount asserted by the
10 Label within sixty days
11 following the following the
12 Claims Objection Bar Date, (iii)
13 there are no Opt-Out Class 4
14 Creditors, and (iv) the
15 Committee Professional Fees
16 end up being \$500,000, then
17 each holder of a class 4 allowed
18 claim will receive a payment
19 equal to approximately 14.5% of
20 the amount of its class 4 allowed
21 claim.

22 With the Pulser Allowed Class 4
23 Claim in the amount of \$100
24 million, this amounts to
25 approximately 75%-83% of the
26 estimated total amount of class 4
27 allowed claims (excluding any
28 class 4 claims of the Labels who
do not accept the class 5
settlement offer). The Debtor
therefore estimates that all Opt-
Out Class 4 Creditors will
receive approximately 75%-83%
less than they would otherwise
receive from the Unsecured
Creditors Fund if they do not
make the Class 4 Opt-Out
Election, and the Debtor firmly
believes that making the Class 4
Opt-Out Election would make no
sense for any class 4 claim
holder because the Debtor firmly
believes that the Retained
Claims have no value.

The distribution to holders of

class 4 allowed claims will be made within the latest of (i) thirty days following the Effective Date; (ii) thirty days following the date of entry of an order of the Court allowing such class 4 claim; and (iii) thirty days after the final disputed class 4 claim is resolved by final order (or as soon as reasonably practicable thereafter). The Creditors Trustee reserves the right to seek an order of the Court authorizing the Creditors Trustee to make an initial interim distribution to holders of class 4 allowed claims.

In addition to each class 4 claim holder's receipt of its distribution from the Unsecured Creditors Funds, any net recovery by the estate from the pursuit of any causes of action other than avoidance causes of action and other than from claims against any of the Non-Accepting Labels (after payment of all related fees and expenses) shall be distributed to all holders of class 4 allowed claims on a pro rata basis, excluding Pulser. Any net recoveries by the estate from the pursuit of any claims against the Non-Accepting Labels shall be used first to repay Pulser for all Previously Advanced Funds, and second to be distributed to all holders of class 4 allowed claims (excluding Pulser) on a pro rata basis. Pulser shall receive any remaining net proceeds from the pursuit of such causes of action after all other holders of class 4 allowed claims have been paid in full.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
5	<p>Class 5 is comprised of the holders of the non-priority general unsecured claims of Sony, Warner and Universal who voluntarily elect treatment in class 5.</p> <p>The Debtor scheduled Sony as having a royalty claim in the amount of \$147,403.76 and a contract claim of \$2,599,232.82 for a total claim of \$2,746,636.58. The Debtor scheduled Orchard Enterprises, Inc. as having a claim of \$493,945.89. Sony filed a proof of claim for Sony Music Entertainment asserting a claim in the amount of \$12,419,314.00 for Service Fees plus various other claims. Orchard Enterprises, Inc. filed a proof of claim asserting a claim in the amount of \$4,583,096.96. The Debtor understands that Sony and Orchard Enterprises, Inc. are affiliates or that Sony owns Orchard Enterprises, Inc.</p> <p>The Debtor scheduled</p>	<p>Impaired; allowed claims in this class are entitled to vote on the Plan.</p>	<p>As outlined in more detail below, the Debtor believes that it has substantial and valuable claims against the Labels as a result of wrongful conduct by the Labels, which, if pursued, will result in a substantial affirmative recovery by the Debtor. The Debtor believes that the pursuit of these claims against the Labels will result in the complete disallowance of the class 5 claims of the Labels or, at a minimum, the complete equitable subordination of the class 5 claims of the Labels to all other allowed claims. The Labels do not believe that the Debtor has valuable claims against them, deny that they engaged in any wrongful conduct, believe that if pursued, the Debtor will lose any litigation against them, that there will be no recovery against them, and that their claims will not be disallowed or equitably subordinated.</p> <p>In order to avoid the delay and expense of litigating the class 5 claims of the Labels, the Debtor is offering each of the Labels a settlement under the Plan. The settlement offer is for each of the Labels to receive a payment from the Unsecured Creditors Fund in the amounts set forth immediately below (amounting to a total payment of \$775,000 to Sony and Orchard Enterprises, Inc.; a payment of \$100,000.00 to Warner; and a payment of</p>

1	Warner as having a	\$125,000.00 to Universal.
2	royalty claim in the	
3	amount of \$137,500	If any Label accepts the above
4	and a contract claim	settlement offer, then except as
5	of \$432,909.22 for a	otherwise provided in Section 14
6	total claim of	of the Plan, such payment will (i)
7	\$570,409.22. Warner	be in full settlement and
8	has filed a proof of	satisfaction of any claim that the
9	claim asserting a	Label has against the Debtor
10	claim in the amount of	(other than any administrative
11	\$619,796.62.	claim), (ii) constitute a full and
12		complete release by the Label (x)
13	The Debtor scheduled	of the Debtor Affiliates to the
14	Universal as having a	extent and subject to the terms
15	royalty claim in the	provided in Section 11(b) of the
16	amount of	Plan, (y) of the Lender Released
17	\$219,267.65 and a	Parties to the extent and subject
18	contract claim of	to the terms provided in Section
19	\$590,724.06 for a	10(e) of the Plan, and (z) of
20	total claim of	Pandora to the extent and subject
21	\$809,991.71.	to the terms provided in Section
22	Universal filed three	11(b) of the Plan.
23	proofs of claim	
24	asserting a claim in	Without limiting the generality
25	the amount of	of the foregoing, the release by
26	\$482,496.68 for	any Opt-In Class 5 Creditor (as
27	Universal	defined below) (i) of the Debtor
28	International Music	Affiliates or the Lender Released
	B.V., a claim in the	Parties is conditioned upon the
	amount of	Class 5 Released Parties (as
	\$629,374.16 for UMG	defined below) receiving from
	Recordings, Inc., and	Iconical and Pulser the same
	claim in the amount of	release and related agreements
	\$189,305 for	that the Debtor is providing to
	Universal Music	such Class 5 Released Parties as
	Canada, Inc. (for total	set forth in Section 10(c) of the
	claims of	Plan, and (ii) of Pandora is
	\$1,301,175.84). The	conditioned upon such Class 5
	Debtor scheduled	Released Parties receiving from
	Universal Music	Pandora the same release and
	Group Distribution as	related agreements that the
	having a claim in the	Debtor is providing to such Class
	amount of	5 Released Parties as set forth in
	\$590,724.06. That	Section 10(c) of the Plan. Each
	specific Universal	Label that accepts this settlement
	entity did not file any	offer from the Debtor (each, an
	proof of claim, but the	"Opt-In Class 5 Creditor") will

1	Debtor assumes that	receive the aforesaid treatment
2	this claim is subsumed	for Class 5, be deemed to accept
3	in the three claims	the Plan and on the Effective
4	filed by Universal.	Date (i) the Debtor and the
5		Debtor's bankruptcy estate will
6	The Class 5 Claims	be permanently deemed to have
7	Chart attached as	released each Opt-In Class 5
8	Exhibit "4" to this	Creditor and the other Class 5
9	Disclosure Statement	Released Parties from any and
10	contains the details of	all claims or causes of action that
11	all of the Debtor's	the Debtor or the Debtor's
12	scheduled class 5	bankruptcy estate (or any
13	claims as well as all	representative of the Debtor's
14	class 5 claims asserted	bankruptcy estate, including the
15	in timely filed proofs	Committee and any subsequently
16	of claim. By	appointed trustee) has or may
17	including a claim in	have against such Opt-In Class 5
18	the Class 5 Claims	Creditor or any other Class 5
19	Chart is not an	Released Parties, including as set
20	acknowledgement by	forth in Section 10(c) of the
21	the Debtor of the	Plan.
22	validity of any class 5	
23	claim. The Debtor	Each Opt-In Class 5 Creditor
24	reserves all rights to	will receive its settlement
25	object to any class 5	payment from Unsecured
26	claim at any time, and	Creditors Fund in the amount
27	the rights of all other	described above within five days
28	parties in interest to	following the Effective Date.
	object to any class 5	Each Label who does not timely
	claim at any time are	vote on the Plan shall be deemed
	strictly preserved.	to be an Opt-In Class 5 Creditor
		and shall be treated in the
		identical manner as if the Label
		had affirmatively accepted this
		settlement offer.
		The Debtor reserves all of its
		right to pursue any and all claims
		and remedies against each of the
		Labels who does not timely
		accept this settlement offer
		(each, an " <u>Opt-Out Class 5</u>
		<u>Creditor</u> ") in which the Debtor
		will, at a minimum, sue the
		Label seeking (i) an affirmative
		recovery from the Label, (ii) to
		disallow any claim of the Label

1 in its entirety, and (iii) to
2 equitably subordinate any claim
3 of the Label to all other claims.

4 The claims of each Label who is
5 an Opt-Out Class 5 Creditor will
6 be classified in class 4 and be
7 treated in the same manner as all
8 other class 4 claim holders and
9 be provided with the same
10 options as all other class 4
11 claims holders.

12 The Debtor expects to enter into
13 written settlement agreements
14 with Warner and Universal,
15 which will be subject to the
16 approval of the Court. In the
17 event of any inconsistency
18 between the terms of the Plan
19 and the terms of any such written
20 settlement agreements which are
21 entered into with Warner and/or
22 Universal and which are
23 approved by the Court, the terms
24 of such written settlement
25 agreements shall control.

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4. Class of Interest Holders

Interest holders are the parties who hold an ownership interest (i.e., equity interest) in any or all of the Debtor. The following chart identifies the Plan's treatment of the class of interest holders:

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
6	All equity interests in the Debtor	Impaired; holders of class 6 interests are not entitled to vote on the Plan as they are deemed not to have accepted the Plan under 11 U.S.C. §1126(g).	Class 6 interest holders will not receive any of the Estate Funds or other distribution from this estate on account of their class 6 equity interests. All equity interests in the Debtor will be deemed cancelled and extinguished on the Effective Date.

D. Means of Effectuating the Plan and Implementation of the Plan

1. Funding for the Plan

The Plan will be funded from the Estate Funds in the manner described herein and from any recoveries obtained by the Debtor's estate, including from any return of the Escrowed Funds, the pursuit of claims against the Non-Accepting Labels, and from the pursuit of any other causes of action other than avoidance causes of action. Specifically, on the Effective Date, the Debtor shall transfer the sum of \$8,000,000 (the "Unsecured Creditors Fund") to the "Creditors Trust" (defined below) for the purposes of funding (i) the Committee Professional Fees, (ii) all distributions to be made to holders of class 4 allowed claims in accordance with the terms of the Plan, (iii) all distributions to be made to members of class 5 who accept the settlement proposal made by the Debtor under the Plan and thereby become Opt-In Class 5 Creditors, and (iv) a possible contingency fee payment to WS. To the extent there are any cash recoveries from the pursuit of claims against the Non-Accepting Labels, shall be used first to repay Pulser for all Previously Advanced Funds, and second to be distributed to all holders of class 4 allowed claims (other than Pulser) on a pro rata basis.

2. Cessation of Existence of the Debtor Following the Effective Date

The Debtor will cease to exist as a legal entity on the Effective Date.

1 **3. Post-Effective Date Estate Representative**

2 Peter Kravitz (“PK”), the current independent board member, shall serve as the
3 representative of this estate (“Estate Representative”) following the Effective Date pursuant to
4 11 U.S.C. §1123(b)(3)(B). PK shall be compensated on an hourly basis at the rate of \$700 per
5 hour out of the Reserve for serving as the Estate Representative following the Effective Date.
6 Whenever appropriate, PK shall sign documents, pleadings and declarations as the Estate
7 Representative. PK’s role as the Estate Representative shall include taking any and all actions
8 that PK determines to be appropriate in his capacity as the Estate Representative, including
9 overseeing and helping to effectuate or facilitate the wind down and/or dissolution of the
10 Debtor’s many foreign subsidiaries. PK’s role as the Estate Representative shall cease upon the
11 entry of a final decree closing the Debtor’s chapter 11 case. PK shall have the right to employ
12 any employees of the Debtor to assist him in his role as the Estate Representative, and to
13 compensate such employees out of the Reserve. It is anticipated that PK will likely employ
14 certain of the Debtor’s current employees on an hourly or modified compensation basis. The
15 Debtor will file a pleading with the Court at least ten days prior to the Plan confirmation hearing
16 identifying which of the Debtor’s current employees PK intends to hire and the terms of their
17 respective compensation.
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20 **4. Disbursing Agent**

21 The Estate Representative shall serve as the disbursing agent for purposes of making all
22 distributions required to be made under the Plan out of the Estate Funds. The Estate
23 Representative shall have the right to employ any current employee of the Debtor to assist him
24 to make such distributions and to compensate such employees out of the Reserve. As indicated
25 above, the Debtor will file a pleading with the Court at least ten days prior to the Plan
26 confirmation hearing identifying which of the Debtor’s current employees PK intends to hire
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1 and the terms of their respective compensation – recognizing that since such compensation will
2 be funded out of the Reserve, it will have no impact upon the distribution to any creditors of this
3 estate other than Pulser. The Estate Representative will not charge any disbursing agent fee for
4 making such Plan distributions. The Creditors Trustee shall serve as the disbursing agent for
5 purposes of making all distributions required to be made under the Plan out of the Unsecured
6 Creditors Fund.
7

8 **5. Dissolution of the Committee**

9 On the Effective Date, the Committee shall be deemed automatically dissolved, and the
10 members of the Committee shall be discharged of any further duties involving this estate. The
11 members of the Committee shall have the right, but not the obligation, to participate in any role
12 in the Creditors Trust that the Committee and its members deem appropriate.
13

14 **6. Objections to Claims**

15 Following the Effective Date, the Trustee of the Creditors Trust (the “Creditors
16 Trustee”) will file objections (or continue with the prosecution of all pending objections) to any
17 disputed class 4 claims which were not resolved to final order by the Effective Date unless the
18 Creditors Trustee deems the amount in dispute to be insignificant and not warrant further
19 objection. With respect to disputed class 4 claims (other than class 4 claims of any Non-
20 Accepting Labels) which are not resolved prior to the Effective Date, the Creditors Trustee will
21 have the authority, in his/her sole discretion and in the reasonable exercise of his/her business
22 judgment, to settle or compromise any disputed class 4 claim without further Court approval
23 provided notice of such settlement or compromise is filed with the Court. The Creditors Trustee
24 will have the authority to settle or compromise any disputed class 4 claim of any Non-
25 Accepting Labels only with the prior written consent of Pulser (in consideration for Pulser
26 agreeing to the funding of the Unsecured Creditors Fund). If the Creditors Trustee desires to
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1 settle or compromise a disputed class 4 claim of a Non-Accepting Label and Pulser does not
2 provide its written consent, the Creditors Trustee shall have the right to seek the Court's
3 approval of such proposed settlement or compromise and the Estate Representative, Pulser and
4 any other party in interest have the right to object to any such proposed settlement or
5 compromise, with the Court to be the final arbiter of any such dispute determined pursuant to
6 Federal Rule of Bankruptcy Procedure 9019 and the A&C Properties test. The Estate
7 Representative and Pulser reserve the right to file and prosecute objections to any of the claims
8 asserted by any of the Non-Accepting Labels. Following the Effective Date, the Estate
9 Representative will file objections (or continue with the prosecution of all pending objections)
10 to all claims other than class 4 disputed claims which are disputed by Pulser (since Pulser is the
11 only creditor which would be economically affected by the allowance of such claims) and
12 which were not resolved by final order prior to the Effective Date unless Pulser deems the
13 amount in dispute to be insignificant and not warrant further objection. With respect to non-
14 class 4 disputed claims which are not resolved prior to the Effective Date, the Estate
15 Representative will have the authority, in his sole discretion and in the reasonable exercise of
16 his business judgment, to settle or compromise any disputed non-class 4 disputed claim without
17 further Court approval provided Pulser consents to such settlement or compromise and provided
18 notice of such settlement or compromise is filed with the Court. As provided by Section 502(c)
19 of the Bankruptcy Code, the Court may estimate any contingent or unliquidated disputed claim
20 for purposes of Plan confirmation. Both the Creditors Trustee and the Estate Representative, as
21 applicable, shall have the authority to file any objections to claims following Plan confirmation,
22 subject to the limitations described above (wherein class 4 claim objections shall be the sole
23 province of the Creditors Trustee), and the Court shall retain jurisdiction over the Debtor and
24 this case and estate to resolve or adjudicate such objections to claims following Plan
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1 confirmation regardless of whether such objections to claims were first commenced before or
2 after Plan confirmation. Nothing contained in the Plan shall constitute a waiver or release by
3 the Debtor, the Creditors Trustee or the Estate Representative of any rights of setoff or
4 recoupment, or of any defense, the Debtor, the Creditors Trustee or the Estate Representative
5 may have with respect to any claim. The deadline for any objections to be filed to any timely
6 filed claim shall be the date which is thirty days after the Effective Date (the "Claims Objection
7 Bar Date"). Any timely filed claim for which no objection was filed by the Claims Objection
8 Bar Date shall be deemed to constitute an allowed claim.
9

10 **7. Avoidance Actions and Recoveries**

11 The Debtor has done a preliminary analysis of all payments made during the ninety-day
12 preference period for non-insiders and the one-year period for insiders on account of antecedent
13 debt which would or may be avoidable as preference payments. The Debtor preliminarily
14 believes that most of such payments would likely be subject to some form of ordinary course,
15 contemporaneous exchange or new value defense. A schedule showing all such payments made
16 by the Debtor during the ninety-day preference period for non-insiders and the one-year period
17 for insiders is attached as Exhibit "5" to this Disclosure Statement. Also attached as Exhibit "5"
18 is a summary of the Debtor's preliminary analysis of all such payments and potential preference
19 exposure. The Committee played no role in the preparation of this preliminary analysis. The
20 Debtor will continue to analyze these payments made and to determine whether any updates or
21 changes should be made to this schedule. The Debtor is not aware of any fraudulent
22 conveyances which have occurred and which need to be or should be avoided. A component of
23 the settlement discussions between the Debtor, the Committee, and the Prepetition Secured
24 Creditors which resulted in an agreement on the terms of a fully consensual plan of
25 reorganization was the joint decision not to pursue any avoidance causes of action. As a result,
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1 on the Effective Date, all rights of the Debtor or its estate to pursue any avoidance causes of
2 action shall be permanently waived.

3 **8. Non-Avoidance Actions and Recoveries**

4 The Debtor will continue to analyze whether there are any causes of action available this
5 estate other than avoidance actions and other than claims and causes of action against the
6 Labels, which are discussed immediately below – recognizing that at this time the Debtor is not
7 aware of the existence of any such causes of action. If the Debtor determines that it makes
8 economic sense to pursue any such causes of action, and Pulser consents to the use of Estate
9 Funds to pursue such causes actions (unless the Debtor is able to find counsel willing to do so
10 on a full contingency basis), the Debtor will file such causes of action prior to the Effective
11 Date. On the Effective Date, the standing of this estate to commence any such causes of action
12 (or to continue with the pursuit of any such pending causes of actions) shall be automatically
13 deemed assigned and transferred to the Creditors Trust. All fees and expenses incurred by the
14 Creditors Trust in connection with the filing and prosecution of any such causes of action shall
15 be funded solely from the Unsecured Creditors Fund. The Court shall retain jurisdiction over
16 the Debtor, the Creditors Trust, the Creditors Trustee, this case and this estate to resolve or
17 adjudicate any and all such causes of action which are filed regardless of whether such causes of
18 action were first commenced by the Debtor before the Effective Date or first commenced by the
19 Creditors Trustee after the Effective Date. Any net recovery by the estate from the pursuit of
20 any such causes of action (after payment of all related fees and expenses) shall be distributed to
21 all holders of class 4 allowed claims on a pro rata basis, including Pulser on account of the
22 Pulser Allowed Class 4 Claim, but shall be reallocated by Pulser to all holders of class 4
23 allowed claims who do not become Opt-Out Class 4 Creditors on a pro rata basis.
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1 **9. Claims Against the Labels**

2 The Debtor believes that it has very valuable anti-trust claims against the Labels, which
3 claims are disputed by the Labels. The Debtor is in the process of employing counsel (in WS)
4 which specializes in the antitrust area. Following the Debtor's employment of WS as special
5 litigation counsel, the Debtor expects to conduct discovery of the Labels under Fed. R. Bankr.
6 P. 2004 and/or discovery following the filing of lawsuits against the Labels to seek the same
7 information through formal means. As the process unfolds, the Debtor believes that it will be
8 able to further refine and advance its legal theories for claims against the Labels. The Debtor's
9 preliminary antitrust theory against the Labels relates to what are commonly known as Most
10 Favored Nations clauses ("MFNs"). Recently, antitrust enforcement agencies and courts have
11 applied greater scrutiny to MFNs as they have become concerned that the use of MFNs in
12 certain market conditions may result in higher prices and decrease competition. There are two
13 prevailing theories of competitive harm caused by MFNs: (1) collusion (where several sellers in
14 a concentrated market agree with one another—tacitly or explicitly—to not discount prices to
15 their customers through the use of MFNs); and (2) exclusion (where MFNs are used by a
16 dominant firm, or group of firms, to exclude competition from smaller rivals or preserve their
17 market share). The Debtor preliminarily believes that it has very valuable causes of action
18 against the Labels under a collusion theory. The Debtor reserves all rights against the Labels
19 under the Plan (unless the Labels agree to the settlement proposal under the Plan), including all
20 rights to develop and expand upon the Debtor's legal theories and claims against the Labels. In
21 addition, the Debtor believes that all or a substantial portion of the claims of some or all of the
22 Labels may be equitably subordinated to all class 4 allowed claims. The Debtor expects to
23 further refine its legal theories in this regard as the Debtor continues to investigate the claims
24 asserted by the Labels. The Debtor is also investigating whether additional bases exist to object
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1 to the claims of the Labels beyond the theories espoused above. If the Debtor determines that it
2 makes economic sense to pursue any formal discovery and/or lawsuit, complaint for equitable
3 subordination, or objection to the claims of any of the Labels (collectively, "Label Actions"),
4 and Pulser consents to the use of Estate Funds to pursue any such Label Actions (unless the
5 Debtor is able to find counsel willing to do so on a full contingency basis), the Debtor will
6 pursue such Label Actions prior to the Effective Date. On the Effective Date, the standing of
7 this estate to pursue any Label Actions (or to continue with the pursuit of any such pending
8 Label Actions) shall be automatically deemed assigned and transferred to the Creditors Trust.
9 The fees to be paid to WS shall be in accordance with the Debtor's amended application to
10 employ WS (docket number 305), and all expenses incurred by WS and any experts employed
11 in connection with such Label Actions shall be paid for out of the Estate Funds. The Creditors
12 Trust may not agree to any settlement of any Label Action, or enter into any such related
13 settlement agreement, which is pending on the Effective Date or which is commenced after the
14 Effective Date without the prior written consent of Pulser (in consideration for Pulser agreeing
15 to the funding of the Unsecured Creditors Fund). If the Creditors Trustee desires to settle or
16 compromise any Label Action and Pulser does not provide its written consent, the Creditors
17 Trustee shall have the right to seek the Court's approval of such proposed settlement or
18 compromise and the Estate Representative, Pulser and any other party in interest have the right
19 to object to any such proposed settlement or compromise, with the Court to be the final arbiter
20 of any such dispute determined pursuant to Federal Rule of Bankruptcy Procedure 9019 and the
21 A&C Properties test. The Court shall retain jurisdiction over the Debtor, the Creditors Trust,
22 the Creditors Trustee, this case and this estate to resolve or adjudicate any and all such Label
23 Actions which are filed regardless of whether such Label Actions were first commenced by the
24 Debtor before the Effective Date or first commenced by the Creditors Trustee after the Effective
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1 Date. Any net recoveries by the estate from the pursuit of any Label Actions shall be used first
2 to repay Pulser for all Previously Advanced Funds, and second to be distributed to all holders of
3 class 4 allowed claims (other than Pulser) on a pro rata basis. Sony and Universal have
4 advised the Debtor that they deny any wrongdoing and will vigorously oppose any Label
5 Actions asserted against them.
6

7 **10. Release of Pulser, Pulser Affiliates, Iconical and Iconical Affiliates**

8 The Estate Funds (and any ultimate recovery of the Escrowed Funds and any recoveries
9 from the pursuit of Label Actions) are expected to be the primary source of funds to be used to
10 fund and confirm the Plan. Since all of the Estate Funds constitute Pulser's collateral (in the
11 absence of a successful challenge by the Committee), the Debtor would have no ability to
12 confirm the Plan and to make the payments to non-Pulser creditors required to be made under
13 the Plan out of the Estate Funds without Pulser's consent. Pulser has advised the Debtor that
14 subject to all of the terms of the Plan, Pulser will vote to accept the Plan and consent to the
15 Debtor's use of the Estate Funds to make all of the payments to non-Pulser creditors required to
16 be made under the Plan and to fund the other Plan obligations.
17

18 (a) *Release by Debtor of Lender Released Parties.* In consideration of the
19 Prepetition Secured Creditors agreement to permit the use of cash collateral and to permit the
20 Debtor to use the Estate Funds to make all of the payments to creditors required to be made
21 under the Plan and to fund the other Plan obligations, on the Effective Date, the Debtor, on
22 behalf of itself, its estate, affiliates, heirs, executors, administrators, successors, assigns,
23 managers, accountants, attorneys, representatives, consultants, agents, and any and all other
24 persons, parties, or entities claiming under or through them (including, without limitation, the
25 Committee and its members and professionals) (collectively, the "Debtor Releasing Parties"),
26 releases, discharges, and acquits the Prepetition Secured Creditors and each of their respective
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1 present and former predecessors, successors, assigns, affiliates, members, partners, managers,
2 current and former equity holders, officers, agents, employees, attorneys, and affiliates
3 (collectively, the “Lender Released Parties”) from any and all claims, counterclaims, disputes,
4 liabilities, suits, demands, defenses, liens, actions, administrative proceedings, and causes of
5 action of every kind and nature, or for any type or form of relief, and from all damages, injuries,
6 losses, contributions, indemnities, compensation, obligations, costs, attorneys’ fees and
7 expenses, of whatever kind and character, whether past or present, known or unknown,
8 suspected or unsuspected, fixed or contingent, asserted or unasserted, accrued or unaccrued,
9 liquidated or unliquidated, whether in law or equity, whether sounding in tort or contract,
10 whether arising under federal or state statutory or common law, or any other applicable
11 international, foreign, or domestic law, rule, statute, regulation, treaty, right, duty, or
12 requirement, and claims of every kind, nature, and character whatsoever, including avoidance
13 claims, causes of action, and rights of recovery arising under chapter 5 of the Bankruptcy Code
14 and any and all claims based on avoidance powers under any applicable non-bankruptcy law
15 that any such releasing party ever had or claimed to have, or has or claims to have presently or
16 at any future date, against any Lender Released Parties arising from or related in any way
17 whatsoever to the Debtor.
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20 (b) *Incorporation of Final DIP Order.* The admissions, stipulations, and agreements
21 of, and release by, the Debtor set forth in the Final DIP Order⁸ are incorporated herein by
22 reference and shall be irrevocable and binding on the Debtor and all parties in interest in the
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25
26 ⁸ As used herein, “Final DIP Order” means the Final Order: (I) Authorizing Debtor to Obtain
27 Postpetition Financing Pursuant to 11 U.S.C. § 105, 362, 363, and 364; (II) Granting Liens and
28 Superpriority Claims to Postpetition Lender Pursuant to 11 U.S.C. § 364 and 507; (III)
Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363; and (IV) Providing Adequate
Protection to Prepetition Security Parties Pursuant to 11

Debtor's chapter 11 case and shall not be subject to further "Challenge" (as defined in the Final DIP Order) by the Committee or any other party in interest. For the avoidance of doubt, the Retained Claims do not include any claim of any party in interest that has been released pursuant to the Final DIP Order or the right to prosecute any "Challenge" (as defined in the Final DIP Order).

(c) *Release by Debtor of Class 5 Released Parties.* In consideration of the agreement of any Opt-In Class 5 Creditor to accept the settlement amount set forth in the Plan, on the Effective Date, each of the Debtor Releasing Parties, releases, discharges, and acquits the Opt-In Class 5 Creditors and each of their respective present and former predecessors, successors, assigns, affiliates, members, partners, managers, current and former equity holders, officers, agents, employees, attorneys, affiliates, directors, direct and indirect parents, direct and indirect subsidiaries and sister companies (collectively, the "Class 5 Released Parties") from any and all claims, counterclaims, disputes, liabilities, suits, demands, defenses, liens, actions, administrative proceedings, and causes of action of every kind and nature, or for any type or form of relief, and from all damages, injuries, losses, contributions, indemnities, compensation, obligations, costs, attorneys' fees and expenses, of whatever kind and character, whether past or present, known or unknown, suspected or unsuspected, fixed or contingent, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, whether in law or equity, whether sounding in tort or contract, whether arising under federal or state statutory or common law, or any other applicable international, foreign, or domestic law, rule, statute, regulation, treaty, right, duty, or requirement, and claims of every kind, nature, and character whatsoever (collectively "Class 5 Released Claims"), including avoidance claims, causes of action, and rights of recovery arising under chapter 5 of the Bankruptcy Code and any and all claims based on avoidance powers under any applicable non-bankruptcy law that any such releasing party

1 ever had or claimed to have, or has or claims to have presently or at any future date, against any
2 Class 5 Released Parties. The release in this Section 10(c) also includes any and all Class 5
3 Released Claims arising (i) under any antitrust or competition laws or rules, (ii) under any
4 consumer protection or business trade laws, or (iii) out of or relating in any way to “Most
5 Favored Nations” clauses or provisions or practices with similar effect found in any agreement
6 involving or with any of the Class 5 Released Parties. In addition:
7

8 (i) The Debtor Releasing Parties shall not sue any of the Class 5 Released Parties
9 with respect to any Class 5 Released Claim released by the Debtor Releasing Parties
10 herein or to assist any third party in commencing or maintaining any Proceeding
11 (“Proceeding” shall include any lawsuit, litigation, claim, investigation, or other similar
12 activity in which or as a result of which legal or equitable remedies, sanctions, damages
13 or penalties could be sought or imposed) against any of the Class 5 Released Parties
14 related in any way to any claim released by the Debtor Releasing Parties herein.
15

16 (ii) In connection with any possible Class 5 Released Claim that would be a
17 released claim if pursued against a Class 5 Released Party, or that would constitute
18 factual allegations supporting such a Class 5 Released Claim, the Debtor Releasing
19 Parties (a) will not disparage the Class 5 Released Parties; (b) seek any discovery from
20 the Class 5 Released Parties, or (c) assist any third party in commencing or maintaining
21 any Proceeding against any Class 5 Released Parties;
22

23 (iii) The Debtor Releasing Parties will not file any motion(s) pursuant to
24 Bankruptcy Rule 2004, or any similar discovery enabling rule or procedure, seeking any
25 documents or information from any of the Class 5 Released Parties or an examination of
26 any of the Class 5 Released Parties, nor will they join or participate in any such
27 motion(s).
28

1 (d) *Release by Creditors Other Than Opt-In Class 5 Creditors.* In consideration of
2 the Prepetition Secured Creditors agreement to permit the use of cash collateral and to permit
3 the Debtor to use the Estate Funds to make all of the payments to creditors required to be made
4 under the Plan and to fund the other Plan obligations, on the Effective Date, each class 4 claim
5 holder who does not timely make a Class 4 Opt-Out Election and thereby become an Opt-Out
6 Class 4 Creditor shall be deemed on behalf of itself and its estate, affiliates, heirs, executors,
7 administrators, successors, assigns, managers, business managers, accountants, attorneys,
8 representatives, consultants, agents, and any and all other persons or parties claiming under or
9 through them (collectively, the “Third Party Releasing Parties”) release, discharge, and acquit
10 the Lender Released Parties from any and all claims, counterclaims, disputes, liabilities, suits,
11 demands, defenses, liens, actions, administrative proceedings, and causes of action of every
12 kind and nature, or for any type or form of relief, and from all damages, injuries, losses,
13 contributions, indemnities, compensation, obligations, costs, attorneys’ fees, and expenses, of
14 whatever kind and character, whether past or present, known or unknown, suspected or
15 unsuspected, fixed or contingent, asserted or unasserted, accrued or unaccrued, liquidated or
16 unliquidated, whether in law or equity, whether sounding in tort or contract, whether arising
17 under federal or state statutory or common law, or any other applicable international, foreign, or
18 domestic law, rule, statute, regulation, treaty, right, duty, or requirement, and claims of every
19 kind, nature, and character whatsoever, including avoidance claims, causes of action, and rights
20 of recovery arising under chapter 5 of the Bankruptcy Code and any and all claims based on
21 avoidance powers under any applicable non-bankruptcy law that any or all such Third Party
22 Releasing Parties ever had or claimed to have, or has or claims to have presently or at any future
23 date, against any Lender Released Parties arising from or related in any way whatsoever to the
24 Debtor.
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1 (e) *Release by Opt-In Class 5 Creditors.* Subject to, and in consideration of the
2 receipt by the Class 5 Released Parties of an effective release from Iconical and Pulser
3 substantially in the form of the release and related provisions set forth in Section 10(c) of the
4 Plan, each Opt-In Class 5 Creditor (each, a “Releasing Class 5 Creditor”) shall be deemed to
5 release, discharge, and acquit the Lender Released Parties from any and all claims,
6 counterclaims, disputes, liabilities, suits, demands, defenses, liens, actions, administrative
7 proceedings, and causes of action of every kind and nature, or for any type or form of relief, and
8 from all damages, injuries, losses, contributions, indemnities, compensation, obligations, costs,
9 attorneys’ fees, and expenses, of whatever kind and character, whether past or present, known
10 or unknown, suspected or unsuspected, fixed or contingent, asserted or unasserted, accrued or
11 unaccrued, liquidated or unliquidated, whether in law or equity, whether sounding in tort or
12 contract, whether arising under federal or state statutory or common law, or any other applicable
13 international, foreign, or domestic law, rule, statute, regulation, treaty, right, duty, or
14 requirement, and claims of every kind, nature, and character whatsoever, including avoidance
15 claims, causes of action, and rights of recovery arising under chapter 5 of the Bankruptcy Code
16 and any and all claims based on avoidance powers under any applicable non-bankruptcy law
17 that any or all such Releasing Class 5 Creditors ever had or claimed to have, or has or claims to
18 have presently or at any future date, against any Lender Released Parties; provided, that the
19 releases in this Section 10(e) are, in each case, solely to the extent arising out of or relating to,
20 the Debtor, the Bankruptcy Case, or the agreements between the Debtor and any such Releasing
21 Class 5 Creditor.
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25 (f) *Applicability of Releases of Unknown Claims.* On the Effective Date, all rights of
26 the Debtor Releasing Parties, the Third Party Releasing Parties and the Releasing Class 5
27 Creditors (if the Releasing Class 5 Creditors have received the release and related agreements
28

1 from Iconical and Pulser), to challenge the releases set forth herein, whether pursuant to Section
2 1542 of the California Civil Code or otherwise, shall be deemed permanently waived, regardless
3 of whether the Debtor, this estate or any other party in interest discovers or obtains any
4 information in the future pertaining to matters being released herein which they did not know or
5 have as of the Effective Date or any date prior thereto. The releases set forth herein are
6 expressly intended to cover and include a release of any claims, demands or causes of action
7 which arise out of, relate to, are connected with, or are incidental to any such information which
8 may be discovered or obtained in the future. The Debtor Releasing Parties, the Third Party
9 Releasing Parties and the Releasing Class 5 Creditors therefore expressly waive the provisions
10 of Section 1542 of the Civil Code of the State of California which provides as follows:
11

12 **A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH**
13 **THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS**
14 **OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,**
15 **WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY**
16 **AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**
17

18 **11. Release of Debtor Affiliates**

19 *(a) Release By All Class 4 Claim Holders Who Do Not Timely Make a Class 4 Opt-Out*
20 *Election.* On the Effective Date, each class 4 claim holder who does not timely make a Class
21 4 Opt-Out Election and thereby become an Opt-Out Class 4 Creditor shall be deemed to have
22 granted a full and complete release by such creditor of any claim such creditor may have against
23 Pandora and/or against any of the “Debtor Affiliates”, with “Debtor Affiliates” defined to mean
24 any and all of the Debtor’s officers, directors, agents, employees, representatives, affiliates,
25 attorneys, predecessors and successors in interest (collectively, the “Debtor Affiliates”).
26

27 *(b) Release By Releasing Class 5 Creditors.* Subject to the receipt by the Class 5
28

Released Parties of an effective release from Iconical and Pulser substantially in the form of the release and related provisions set forth in Section 10(c) of the Plan, each Releasing Class 5 Creditor shall be deemed to have granted a full and complete release by such creditor of any claim such creditor may have against Pandora and/or against any of the Debtor Affiliates, solely to the extent arising out of or relating to, the Debtor, the Bankruptcy Case, or the agreements between the Debtor and any such Releasing Class 5 Creditor; provided, that with respect to Pandora, the effectiveness of the above release of Pandora is subject to receipt by the Class 5 Released Parties of an effective release from Pandora substantially in the form of the release and related provisions set forth in Section 10(c) of the Plan.

(c) *Applicability of Releases of Unknown Claims.* On the Effective Date, all rights of each class 4 claim holder who does not timely make a Class 4 Opt-Out Election and thereby become an Opt-Out Class 4 Creditor and all rights of each Releasing Class 5 Creditor (if the Releasing Class 5 Creditor has received the release from Iconical and Pulser, and Pandora with respect to the release of Pandora) to challenge its release of Pandora and the Debtor Affiliates, whether pursuant to Section 1542 of the California Civil Code or otherwise, shall be deemed permanently waived, regardless of whether such class 4 claim holder or such Opt-In Class 5 Creditor discovers or obtains any information in the future pertaining to matters being released herein which such class 4 claim holder or such Opt-In Class 5 Creditor did not know or have as of the Effective Date or any date prior thereto. The releases set forth herein are expressly intended to cover and include a release of any claims, demands or causes of action which arise out of, relate to, are connected with, or are incidental to any such information which may be discovered or obtained in the future. On the Effective Date, each such class 4 claim holder and class 5 claim holder shall therefore be deemed to have expressly waived the provisions of Section 1542 of the Civil Code of the State of California which provides as follows:

1 A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH
2 THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS
3 OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,
4 WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY
5 AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.
6

7 **12. Exclusions from Releases.** Notwithstanding anything to the contrary in the
8 Plan, nothing herein shall be deemed as releasing the Debtor or the Debtor's estate, any Lender
9 Released Parties, Pandora or any Debtor Affiliates from any Claims of Universal arising from
10 the breach by any of such persons of the Sale Order, the Transition Services Agreement (as
11 defined in the Sale Order), any obligations to Universal under the Sale Order or the Transition
12 Services Agreement, or any administrative claim of Universal.
13

14 **13. Continuing Confidentiality Obligations.** The confidentiality obligations of the
15 Debtor and the Debtor's estate to Universal as set forth in the agreements between Universal
16 and the Debtor or with any of the Debtor Affiliates survive the Effective Date and remain in full
17 force and effect. The Creditors Trust shall return to Universal all originals and copies of the
18 Universal agreements, and any other reports, information or other documents related to
19 Universal, or destroy them at the option of the Creditors Trustee, within five days after the
20 Effective Date or as otherwise provided in any settlement agreement with Universal.
21

22 **14. Exemption from Transfer Taxes**

23 Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange
24 of a security, or the making or delivery of an instrument of transfer under a plan confirmed
25 under section 1129 of the Bankruptcy Code, may not be taxed under any law imposing a stamp
26 tax or similar tax. Transfers under the Plan that are exempt from taxes under section 1146(c) of
27 the Bankruptcy Code include all transfers by the Debtor after the commencement of its chapter
28

1 11 case in contemplation of the Plan but prior to the Effective Date, and all transfers to and by
2 the Debtor and/or the Estate Representative or the Creditors Trustee as contemplated by the
3 Plan, including all payments made to claim holders in accordance with the terms of the Plan.
4 The taxes from which such transfers are exempt include stamp taxes, recording taxes, sales and
5 use taxes, transfer taxes, and other similar taxes.
6

7 **15. Employment of Professionals By the Estate Representative and Payment of**
8 **Professional Fees and Expenses By the Estate Representative Incurred after the Effective**
9 **Date**

10 The Estate Representative shall have the authority to employ professionals as the Estate
11 Representative deems appropriate and to pay the fees and expenses incurred by such
12 professionals after the Effective Date out of the Reserve without any further order of the Court.
13 The Debtor currently anticipates that the Estate Representative will retain LNBYB as his
14 counsel to assist the Estate Representative to perform all of his functions as the Estate
15 Representative, with the exception of investigating and, if appropriate, pursuing or prosecuting
16 Label Actions, which the Debtor anticipates will be handled by special counsel to be employed
17 by the Debtor (prior to the Effective Date) and by the Creditors Trust (following the Effective
18 Date).
19

20 **16. Establishment of the Reserve**
21

22 On the Effective Date, the Debtor or the Estate Representative (as the case may be) shall
23 deposit the total sum of \$250,000.00 from the Estate Funds into a segregated account (the
24 “Reserve”), with such funds to be used solely to pay for (i) the post-Effective Date fees and
25 expenses of the professionals retained by the Estate Representative, (ii) the post-Effective Date
26 fees and costs owing to the Clerk of the Bankruptcy Court and the UST, and (iii) any post-
27 Effective Date third-party expenses owing by the Estate Representative. The funds shall remain
28

1 in the Reserve until the entry of a final decree closing this bankruptcy case. If the funds in the
2 Reserve ultimately prove to be insufficient to pay all of fees, costs and expenses described
3 above for which the Reserve is being established, Pulser shall have the right to supplement the
4 Reserve with additional Estate Funds, as needed, but only with Pulser's consent in its sole
5 discretion. If any funds remain in the Reserve upon the entry of a final decree closing this
6 bankruptcy case, such excess funds shall be paid to Pulser.
7

8 **17. Formation of the Creditors Trust and Appointment of the Creditors Trustee**

9 On the Effective Date, a trust will be formed (the "Creditors Trust") solely for the
10 benefit of all class 4 claim holders and for the benefit of each Opt-In Class 5 Creditor. As
11 explained above, on the Effective Date, the Debtor shall transfer the sum of \$8,000,000 (i.e., the
12 "Unsecured Creditors Fund") to the Creditors Trust. The Committee will file the form of the
13 Creditors Trust agreement with the Court, and the Committee will identify the person who will
14 serve as the Creditors Trustee, at least ten days prior to the Plan confirmation hearing.
15

16 **18. Employment of Professionals By the Creditors Trustee and Payment of**
17 **Professional Fees and Expenses By the Creditors Trustee Incurred after the Effective Date**

18 The Creditors Trustee shall have the authority to employ professionals as the Creditors
19 Trustee deems appropriate and to pay the fees and expenses incurred by such professionals after
20 the Effective Date out of the Unsecured Creditors Fund without any further order of the Court.
21 The Debtor expects that the Creditors Trustee will retain PSZJ as his/her counsel and FTI as
22 his/her financial advisor to assist the Creditors Trustee to perform all of his/her functions as the
23 Creditors Trustee.
24

25 **19. Distributions to be Made Pursuant to the Plan**

26 All payments to be made under the Plan to class 4 claim holders and to each Opt-In
27 Class 5 Creditor and all payments of Committee Professional Fees shall be made by the
28

1 Creditors Trustee out of the Unsecured Creditors Fund. All other payments to be made under
2 the Plan shall be made by or at the direction of the Estate Representative out of the Estate
3 Funds. Except as otherwise agreed to by the Estate Representative or the Creditors Trustee (as
4 applicable) and the respective creditor in writing, all distributions to be made to holders of
5 allowed claims pursuant to the Plan shall be delivered by or at the direction of the Estate
6 Representative or the Creditors Trustee (as applicable) by regular mail, postage prepaid, to the
7 address shown in the Debtor's bankruptcy schedules, as they may from time to time be amended
8 in accordance with Bankruptcy Rule 1000, or, if a different address is stated in a proof of claim
9 timely filed with the Bankruptcy Court, to such address. Checks issued to pay allowed claims
10 shall be null and void (and may be voided by the Estate Representative or the Creditors Trustee
11 (as applicable)) if not negotiated by the recipient within sixty (60) days after the date of
12 issuance thereof.
13
14

15 **20. Exculpations and Releases**

16 To the maximum extent permitted by law, neither the Debtor, the Committee or its
17 members, the Prepetition Secured Creditors, the Estate Representative nor the Creditors Trustee,
18 nor any of their employees, officers, directors, shareholders, agents, members, representatives,
19 or professionals employed or retained by any of them, shall have or incur liability to any person
20 or entity for any act taken or omission made in good faith in connection with or related to the
21 formulation and implementation of the Plan, or a contract, instrument, release, or other
22 agreement or document created in connection therewith, the solicitation of acceptances for or
23 confirmation of the Plan, or the consummation and implementation of the Plan and the
24 transactions contemplated therein.
25

26 **21. Injunctions**

27 The Plan Confirmation Order shall enjoin the prosecution, whether directly, derivatively
28

1 or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of
2 action, liability or interest released, discharged or terminated pursuant to the Plan. Except as
3 provided in the Plan or the Plan Confirmation Order, as of the Effective Date, all entities that
4 have held, currently hold or may hold a claim or other debt or liability that is discharged or an
5 interest or other right of a creditor or equity security holder that is extinguished pursuant to the
6 terms of the Plan are permanently enjoined from taking any of the following actions against the
7 Debtor, the Committee (or its members), the Estate Representative or the Creditors Trustee, or
8 their property on account of any such discharged claims, debts or liabilities or extinguished
9 interests or rights: (i) commencing or continuing, in any manner or in any place, any action or
10 other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any
11 judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or
12 encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any
13 debt, liability or obligation due to the Debtor; and (v) commencing or continuing any action in
14 any manner, in any place, that does not comply with or is inconsistent with the provisions of the
15 Plan. By accepting a distribution made pursuant to the Plan, each holder of an allowed claim
16 which receives a distribution pursuant to the Plan shall be deemed to have specifically
17 consented to the injunctions set forth in this Section.
18
19

20 **22. Executory Contracts and Unexpired Leases**

21 All of the Debtor's remaining executory contracts and unexpired leases which have not
22 previously been assumed or rejected by the Debtor, if any, shall be deemed to be rejected by the
23 Debtor effective as of 11:59 PST on the Effective Date. The Debtor believes that there are at
24 most only a very limited number of any such remaining executory contracts and unexpired
25 leases. **THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM**
26 **ARISING FROM THE REJECTION OF AN UNEXPIRED LEASE OR EXECUTORY**
27
28

1 **CONTRACT WHICH IS REJECTED ON THE EFFECTIVE DATE WILL BE THIRTY**
2 **DAYS AFTER THE EFFECTIVE DATE.** Any claim based on the rejection of an unexpired
3 lease or executory contract will be barred if the proof of claim is not timely filed, unless the
4 Court orders otherwise.

5 **23 Changes in Rates Subject to Regulatory Commission Approval**

6 The Debtor is not subject to governmental regulatory commission approval of its rates.

7 **24. Retention of Jurisdiction**

8 After confirmation of the Plan and occurrence of the Effective Date, in addition to
9 jurisdiction which exists in any other court, the Court will retain such jurisdiction as is legally
10 permissible including for the following purposes:

11 i. To resolve any and all disputes regarding the operation and interpretation
12 of the Plan and the Plan Confirmation Order;

13 ii. To determine the allowability, classification, or priority of claims and
14 interests upon objection by the Debtor, the Estate Representative, the Creditors Trustee, or by
15 other parties in interest with standing to bring such objection or proceeding and to consider any
16 objection to claim or interest whether such objection is filed before or after the Effective Date;

17 iii. To determine the extent, validity and priority of any lien asserted against
18 property of the Debtor or property of its estate;

19 iv. To construe and take any action to enforce the Plan, the Plan
20 Confirmation Order, and any other order of the Court, issue such orders as may be necessary for
21 the implementation, execution, performance, and consummation of the Plan, the Plan
22 Confirmation Order and all matters referred to in the Plan and the Plan Confirmation Order, and
23 to determine all matters that may be pending before the Court in this case on or before the
24 Effective Date with respect to any person or entity related thereto;

1 v. To determine (to the extent necessary) any and all applications for
2 allowance of compensation and reimbursement of expenses of professionals for the period on or
3 before the Effective Date;

4 vi. To determine any request for payment of administrative expenses;

5 vii. To determine motions for the rejection, assumption, or assignment of
6 executory contracts or unexpired leases filed before the Effective Date and the allowance of any
7 claims resulting therefrom;

8 viii. To determine all applications, motions, adversary proceedings, contested
9 matters, and any other litigated matters instituted during the pendency of this case whether
10 before, on, or after the Effective Date including avoidance causes of action or Label Actions;

11 ix. To determine such other matters and for such other purposes as may be
12 provided in the Plan Confirmation Order;

13 x. To modify the Plan under Section 1127 of the Bankruptcy Code in order
14 to remedy any apparent defect or omission in the Plan or to reconcile any inconsistency in the
15 Plan so as to carry out its intent and purpose;

16 xi. Except as otherwise provided in the Plan or the Plan Confirmation Order,
17 to issue injunctions, to take such other actions or make such other orders as may be necessary or
18 appropriate to restrain interference with the Plan or the Plan Confirmation Order, or the
19 execution or implementation by any person or entity of the Plan or the Plan Confirmation
20 Order;

21 xii. To issue such orders in aid of consummation of the Plan and the Plan
22 Confirmation Order, notwithstanding any otherwise applicable nonbankruptcy law, with respect
23 to any person or entity, to the fullest extent authorized by the Bankruptcy Code or Bankruptcy
24 Rules; and
25
26
27
28

xiii. To enter a final decree closing this chapter 11 case.

25. Indemnity Claims Stipulation.

It shall be a condition precedent to the Effective Date that the Debtor, the Committee, and the Prepetition Secured Creditors shall have entered into a stipulation which has been approved by the Court to the effect that: (a) the Committee shall use good faith efforts to support the stay of claims under applicable nonbankruptcy law against holders of Indemnity Claims; (b) the automatic stay shall be lifted to the extent necessary to allow such holders to access available D&O insurance policies, and (c) subject to the confirmation of the Plan, the holders of Indemnity Claims shall waive any distributions otherwise available in Class 4 and shall not receive any distributions from the Unsecured Creditors Fund.

V. TAX CONSEQUENCES OF THE PLAN

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues the Plan may present to this estate. The Debtor CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all of the tax implications of any action.

The Debtor does not anticipate that confirmation of the Plan will have any significant or materially negative effect on any tax liability of this estate. However, the Debtor does believe that it is possible or even likely that the confirmation of the Plan may serve to reduce or eliminate all or a portion of the Debtor's current net operating loss (NOL). The Debtor has not performed any detailed analysis of the extent to which, if any, the confirmation of the Plan may

1 have on the retention or loss of NOL or ability of any party to use any such NOL in the future.
2 The Debtor does not have the financial wherewithal or funding available to it to employ a
3 bankruptcy tax expert to assist the Debtor in this regard or to analyze the negative impact, if
4 any, of the confirmation of the Plan on any such NOL. Any NOL which may be preserved
5 through Plan confirmation shall be preserved under and by the Plan. The Debtor makes no
6 representations regarding the potential tax consequences to creditors or interest holders from the
7 confirmation of or implementation of the Plan.
8

9 The Debtor is not aware of any tax benefits that either Pulser or Iconical will receive as a
10 result of the confirmation of the Plan.

11 **VI. CONFIRMATION REQUIREMENTS AND PROCEDURES**

12 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN
13 SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON
14 CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following
15 discussion is intended solely for the purpose of alerting readers about basic confirmation issues,
16 which they may wish to consider, as well as certain deadlines for filing claims. The Debtor
17 CANNOT and DOES NOT represent that the discussion contained below is a complete
18 summary of the law on this topic.
19

20 Many requirements must be met before the Court can confirm a plan. Some of the
21 requirements include that the plan must be proposed in good faith, acceptance of the plan,
22 whether the plan pays creditors at least as much as creditors would receive in a chapter 7
23 liquidation, and whether the plan is feasible. These requirements are not the only requirements
24 for confirmation.
25
26
27
28

1 **A. Who May Vote or Object**

2 Any party in interest may object to the confirmation of the Plan, but, as explained below,
3 not everyone is entitled to vote to accept or reject the Plan.

4 **B. Who May Vote to Accept/Reject the Plan**

5 A creditor or interest holder has a right to vote for or against the Plan if that creditor or
6 interest holder has a claim or interest which is both (1) allowed or allowed for voting purposes
7 and (2) classified in an impaired class.

8 **C. What Is an Allowed Claim/Interest**

9 As noted above, a creditor or interest holder must first have an allowed claim or interest
10 to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a
11 party in interest files an objection to the claim or interest. When an objection to a claim or
12 interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless
13 the Court, after notice and hearing, either overrules the objection or allows the claim or interest
14 for voting purposes.

15 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE ON
16 ACCOUNT OF PRE-PETITION CLAIMS WAS MARCH 21, 2016. A creditor or interest
17 holder may have an allowed claim or interest even if a proof of claim or interest was not timely
18 filed. A claim is deemed allowed if (1) it is scheduled on the Debtor's schedules and such claim
19 is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has
20 objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest
21 has objected to the interest.

22 **D. What Is an Impaired Claim/Interest.**

23 As noted above, an allowed claim or interest has the right to vote only if it is in a class
24 that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or
25

1 contractual rights of the members of that class. For example, a class comprised of general
2 unsecured claims is impaired if the Plan fails to pay the members of that class 100% of what
3 they are owed.

4 The Debtor believes that classes 1 and 3 are not impaired and that classes 2, 4, 5 and 6
5 are impaired. Members of classes 2, 4 and 5 are entitled to vote to accept or reject the Plan.
6 Members of class 6 are deemed to have rejected the Plan pursuant to the provisions of 11 U.S.C.
7 §1126(g). Parties who dispute the Debtor's characterization of their claim or interest as being
8 impaired or unimpaired may file an objection to the Plan contending that the Debtor has
9 incorrectly characterized the class.
10

11 **E. Who Is Not Entitled to Vote.**

12 The following four types of claims are not entitled to vote: (1) claims that have been
13 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to
14 Bankruptcy Code Sections 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not
15 receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote
16 because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant
17 to Bankruptcy Code Sections 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such
18 claims are not placed in classes and they are required to receive certain treatment specified by
19 the Bankruptcy Code. Claims in classes that do not receive or retain any value under the Plan
20 do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR
21 CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO
22 OBJECT TO THE CONFIRMATION OF THE PLAN.
23
24

25 **F. Who Can Vote in More Than One Class.**

26 A creditor whose claim has been allowed in part as a secured claim and in part as an
27 unsecured claim is entitled to accept or reject the Plan in both capacities by casting one ballot
28

1 for the secured part of the claim and another ballot for the unsecured claim.

2 **G. Votes Necessary to Confirm the Plan.**

3 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one
4 impaired class has accepted the Plan without counting the votes of any insiders within that class,
5 and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be
6 confirmed by "cramdown" on non-accepting classes, as discussed below.
7

8 **H. Votes Necessary for a Class to Accept the Plan.**

9 A class of claims is considered to have accepted the Plan when more than one-half (1/2)
10 in number and at least two-thirds (2/3) in dollar amount of the claims which actually voted on
11 the plan, voted in favor of the plan. A class of interests is considered to have "accepted" a plan
12 when at least two-thirds (2/3) in amount of the interest-holders of such class which actually
13 voted on the plan, voted to accept the plan.
14

15 **I. Treatment of Non-accepting Classes.**

16 As noted above, even if all impaired classes do not accept the Plan, the Court may
17 nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by
18 the Bankruptcy Code. The process by which non-accepting classes are forced to be bound by
19 the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Code allows the
20 Plan to be "crammed down" on non-accepting classes of claims or interests if it meets all
21 consensual requirements except the voting requirements of 1129(a)(8) and if the Plan does not
22 "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted
23 to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.
24

25 **J. Request for Confirmation Despite Nonacceptance by Impaired Class(es).**

26 The Debtor will ask the Court to confirm the Plan by cramdown on any and all impaired
27 classes that do not vote to accept the Plan.
28

1 **K. Liquidation Analysis.**

2 Another confirmation requirement is the "Best Interest Test", which requires a
3 liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an
4 impaired class and that claimant or interest holder does not vote to accept the Plan, then that
5 claimant or interest holder must receive or retain under the Plan property of a value not less than
6 the amount that such holder would receive or retain if the Debtor was liquidated under chapter 7
7 of the Bankruptcy Code.
8

9 In a chapter 7 case, the Debtor's assets are usually liquidated by a chapter 7 trustee.
10 Secured creditors are paid first from the sales proceeds of properties subject to their lien.
11 Administrative claims are paid next. Next, unsecured creditors are paid from any remaining
12 sales proceeds, according to their rights to priority. Unsecured creditors with the same priority
13 share in proportion to the amount of their allowed claim in relationship to the amount of total
14 allowed unsecured claims. Finally, interest holders receive the balance that remains after all
15 creditors are paid, if any.
16

17 For the Court to be able to confirm the Plan, the Court must find that all creditors and
18 interest holders who do not accept the Plan will receive at least as much under the Plan as such
19 holders would receive under a chapter 7 liquidation of the Debtor. The Debtor maintains that
20 this requirement is clearly met. Simply put, the Debtor believes that all of the Estate Funds and
21 all other assets of this estate, other than avoidance actions, constitute the collateral of Iconical
22 and/or Pulser. As a result, the Debtor believes that in a chapter 7 liquidation of the Debtor,
23 Iconical and Pulser would simply foreclose on the Estate Funds and upon all other assets of this
24 estate and that all claim holders in this estate other than Iconical and Pulser would receive
25 absolutely nothing, unless there were recoveries from the pursuit of avoidance actions where the
26 amount of net recoveries exceeds the total amount of administrative and priority claims in this
27
28

1 case and/or the chapter 7 trustee (as a successor to the Committee) successfully exercised
2 his/her “challenge” rights to challenge the validity, priority and allowability of the claims and
3 liens of Iconical and Pulser. The Debtor believes that there is no merit to any such “challenge”.
4 The Committee’s analysis with respect to any “challenge” rights is described in detail above.
5 The Debtor believes that in a chapter 7 liquidation of the Debtor, a chapter 7 trustee would
6 likely enter into a settlement with the Prepetition Secured Creditors in exchange for less (and
7 likely much less) than the \$8 million that is being provided to the Creditors Trust under the
8 Plan. Moreover, under the Plan, Pulser has agreed to a voluntary reduction of more than \$35
9 million in the amount of the Pulser Unsecured Claim, which Pulser would have no reason to
10 agree to in a chapter 7 liquidation. As a result, the Debtor believes that it is clear that all claim
11 holders other than Iconical and Pulser will receive *more (and substantially more)* under the Plan
12 than they would receive in any chapter 7 liquidation of the Debtor. Even if the chapter 7 trustee
13 was able to enter into the same settlement agreement with the Prepetition Secured Creditors that
14 the Committee was able to negotiate, the Plan avoids the costs of a chapter 7 trustee insuring
15 that holders of class 4 allowed claims will receive at least as much (i.e., not less) under the Plan
16 than they would receive in a chapter 7 liquidation of the Debtor. Moreover, while the Debtor
17 believes that it would make no sense to do so for the reasons explained above, every class 4
18 claim holder has the option under the Plan to make the Class 4 Opt-Out Election and thereby
19 become an Opt-Out Class 4 Creditor and retain the Retained Claims. The Committee has not
20 conducted an investigation into whether individual creditors may have any claims against the
21 Debtor Affiliates, the Lender Released Parties and Pandora.
22
23
24

25 Below is a chart showing that every Class 4 Creditor will receive at least as much (i.e.,
26 not less) under the Plan than they would receive in a chapter 7 liquidation of the Debtor. This
27
28

1 chart assumes that a chapter 7 trustee would be able to negotiate the same \$8 million settlement
2 and claim reduction with Pulser.

3 **Plan Treatment:**

4 \$8,000,000 settlement funds

5 [\$500,000] fees and expenses of Creditors Trustee's professionals

6 \$7,500,000 net settlement funds available for distribution to Class 4 Creditors

7 \$151,747,755 total class 4 claims assuming every timely filed class 4 claim is allowed in the
8 amount asserted by the class 4 claim holders and every claim filed by the Labels is allowed and
9 the Pulser claim is allowed at the settled amount of \$100,000,000

10 4.94% estimated distribution to each Class 4 Creditor before any Pulser Allocation Amount

11 19.94-29.94% estimated distribution to each Class 4 Creditor (other than Opt-Out Class 4
12 Creditors) after the Pulser Allocation Amount

13 **Chapter 7 Liquidation Treatment:**

14 \$8,000,000 settlement funds

15 [\$500,000] fees and expenses of Chapter 7 Trustee's professionals

16 [\$263,250] compensation of Chapter 7 Trustee pursuant to section 326 of the bankruptcy code

17 \$7,236,750 net settlement funds available for distribution to Class 4 Creditors

18 \$151,747,755 total class 4 claims assuming every timely filed class 4 claim is allowed in the
19 amount asserted by the class 4 claim holders and every claim filed by the Labels is allowed and
20 the Pulser claim is allowed at the settled amount of \$100,000,000

21 4.77% distribution to each Class 4 Creditor (and there would not be any Pulser Allocation
22 Amount in a chapter 7 liquidation of the Debtor)

23 Similarly, each class 5 claim holder has the option under the Plan not to accept the
24 settlement proposal and instead to be treated in the same manner as class 4 claim holders. All
25

1 of this ensures that each dissenting class 4 and class 5 claim holder will receive at least as much
2 as they would receive in any chapter 7 liquidation of the Debtor. While class 6 interest holders
3 are receiving nothing under the Plan, they would also receive nothing in a chapter 7 liquidation
4 of the Debtor. As a result, class 6 interest holders are also receiving not less than they would
5 receive in any chapter 7 liquidation of the Debtor. Class 2 has indicated a willingness to vote to
6 accept the Plan (and the Plan could not be confirmed over the dissent of class 2) so the Debtor
7 does not need to satisfy the “best interest of creditors test” with respect to class 2. The Debtor
8 has therefore satisfied the “best interest of creditors test” with respect to members of class 4 and
9 class 5 who do not vote to accept the Plan and with respect to members of class 6. The Debtor
10 submits that the Plan provides fair and equitable treatment of all classes of creditors and the
11 greatest feasible recovery for all creditors.
12

13 **L. Feasibility.**
14

15 Another requirement for confirmation involves the feasibility of the Plan, which means
16 that confirmation of the Plan is not likely to be followed by the liquidation, or the need for
17 further financial reorganization, of the Debtor.

18 There are at least two important aspects of a feasibility analysis. The first aspect
19 considers whether the Debtor will have enough cash on hand on the Effective Date to pay all the
20 claims and expenses which are entitled to be paid on such date. Since the Debtor already has
21 enough cash on hand (through the Estate Funds) to pay all the claims and expenses which are
22 entitled to be paid on the Effective Date and the consent of Pulser to make all such payments
23 out of the Estate Funds, and to fund the Unsecured Creditors Fund, this first aspect of Plan
24 feasibility has clearly been satisfied. The second aspect considers whether the Debtor will have
25 enough cash over the life of the Plan to make the required Plan payments. Since the Plan is a
26 liquidating Plan, where all Estate Funds, the Unsecured Creditors Fund and any other recoveries
27
28

1 by this estate will be distributed to holders of allowed claims, this second aspect of Plan
2 feasibility has, by definition, been satisfied.

3 **VII. RISK FACTORS REGARDING THE PLAN**

4 Since the Plan is a liquidating Plan, where all Estate Funds, the Unsecured Creditors
5 Fund and any other recoveries by this estate will be distributed to holders of allowed claims in
6 accordance with the terms of the Plan, there is no traditional “risk” to the ability of the Debtor
7 to perform under the Plan.
8

9 **VIII. EFFECT OF CONFIRMATION OF THE PLAN**

10 **A. Discharge.**

11 The Debtor will not receive a discharge under the Plan because the requirements of
12 Section 1141 of the Bankruptcy Code necessary for the Debtor to receive a discharge are not
13 present. Notwithstanding the foregoing, all injunctions or stays provided for in this chapter 11
14 case pursuant to section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on
15 the date the Plan Confirmation Order is entered, shall remain in full force and effect until a final
16 decree and order closing the chapter 11 case is entered by the Court.
17

18 **B. Modification of the Plan.**

19 The Debtor reserves the right to modify the Plan at any time before confirmation and
20 seek confirmation of such modified Plan consistent with the Bankruptcy Code and, as
21 appropriate, not resolicit votes on such modified Plan. The Debtor may also seek to modify the
22 Plan at any time after confirmation of the Plan so long as (1) the Plan has not been substantially
23 consummated and (2) the Court authorizes the proposed modifications after notice and a
24 hearing. Notwithstanding the foregoing, any modification of the Plan, whether before or after
25 confirmation, shall require the prior consent of the Prepetition Secured Creditors.
26
27
28

1 **C. Post-Confirmation Status Reports.**

2 Until a final decree closing the Debtor's chapter 11 case is entered, the Estate
3 Representative and/or the Creditors Trustee shall file quarterly status reports with the Court
4 explaining what progress has been made toward consummation of the confirmed Plan.
5

6 **D. Post-Confirmation Conversion/Dismissal.**

7 A creditor or any other party in interest may bring a motion to convert or dismiss this
8 case under Section 1112(b) of the Bankruptcy Code after the Plan is confirmed if there is a
9 default in performing the Plan. If the Court orders this case converted to chapter 7 after the
10 Plan is confirmed, then all property that had been property of this chapter 11 estate, and that has
11 not been disbursed pursuant to the Plan, will revert in the chapter 7 estate, and the automatic
12 stay will be reimposed upon the revested property, but only to the extent that relief from stay
13 was not previously authorized by the Court during this case. The Plan Confirmation Order may
14 also be revoked under very limited circumstances. The Court may revoke the Plan
15 Confirmation Order if it was procured by fraud and if a party in interest brings an adversary
16 proceeding to revoke confirmation within 180 days after the entry of the Plan Confirmation
17 Order.
18

19 **E. Final Decree.**

20 Once this estate has been fully administered as referred to in Bankruptcy Rule 3022, the
21 Estate Representative shall file a motion with the Court to obtain a final decree to close this
22
23
24

25 ///

26 ///

27 ///

chapter 11 case. The Estate Representative shall be responsible for the timely payment of all fees incurred pursuant to 28 U.S.C. Section 1930(a)(6).

Dated: June 1, 2016

Presented By:

LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.

By: /s/ Ron Bender

RON BENDER

PHILIP A. GASTEIER

KRIKOR J. MESHEFEJIAN

Attorneys for Chapter 11

Debtor and Plan Proponent

EXHIBIT "1"

Name	Claim Amount	Priority Amount
Agrait, Raul	\$ 461.00	\$ 461.00
Armenia, Joseph	\$ 7,571.00	\$ 7,571.00
Auffenberg, Ryan	\$ 8,203.00	\$ 8,203.00
Bates, Matthew	\$ 4,104.00	\$ 4,104.00
Bedekar, Rachana	\$ 1,851.00	\$ 1,851.00
Bryan, Alexander	\$ 1,145.00	\$ 1,145.00
Burton, Christopher	\$ 10,090.00	\$ 10,090.00
Carroll, Matthew	\$ 9,597.00	\$ 9,597.00
Chen, John	\$ 715.00	\$ 715.00
Chweh, Connie	\$ 446.00	\$ 446.00
Claghorn, Allan	\$ 8,057.00	\$ 8,057.00
Cohen, Emily	\$ 4,183.00	\$ 4,183.00
Dumont, John	\$ 5,220.00	\$ 5,220.00
Echeverri, Pablo	\$ 275.00	\$ 275.00
Ehrhardt, Kenneth	\$ 2,075.00	\$ 2,075.00
French, Holly	\$ 113.00	\$ 113.00
Gaunt, John	\$ 1,875.00	\$ 1,875.00
Gilgan, Michelle	\$ 1,708.00	\$ 1,708.00
Harris, Rex	\$ 8,460.00	\$ 8,460.00
Harris-Cooper, Jennifer	\$ 404.00	\$ 404.00
Heiman, Jared	\$ 9,805.00	\$ 9,805.00
Hughes, Tiffany	\$ 1,050.00	\$ 1,050.00
Joshi, Siddharth	\$ 240.00	\$ 240.00
Kangas, Gabriel	\$ 3,435.00	\$ 3,435.00
Kapolka, Marek	\$ 4,127.00	\$ 4,127.00
Koops, Geoffrey	\$ 3,944.00	\$ 3,944.00
Libano Monteiro Antas, Maria	\$ 1,159.00	\$ 1,159.00
Long, Nicholas	\$ 11,343.00	\$ 11,343.00
Mao, Elaine	\$ 1,553.00	\$ 1,553.00
Marc Ruxin	\$ 217,829.44	\$ 12,475.00
Masio, Richard	\$ 7,484.00	\$ 7,484.00
Matsuo, Tetsu	\$ 10,906.00	\$ 10,906.00
Millet, Jennifer	\$ 2,627.00	\$ 2,627.00
Murphy, Francis	\$ 6,245.00	\$ 6,245.00
Naber, Rod	\$ 7,300.00	\$ 7,300.00
Nordman, Ryan	\$ 2,055.00	\$ 2,055.00
Norton, Joseph	\$ 2,446.00	\$ 2,446.00
Powers, Dana	\$ 12,038.00	\$ 12,038.00
Rahbar, Yunus	\$ 625.00	\$ 625.00
Rosario, Melissa	\$ 2,389.00	\$ 2,389.00

Name	Claim Amount	Priority Amount
Russell, Jason	\$ 6,227.00	\$ 6,227.00
Sarao, Siddhartha	\$ 2,224.00	\$ 2,224.00
Schleef, David	\$ 8,777.00	\$ 8,777.00
Schory, Matthew	\$ 2,207.00	\$ 2,207.00
Sevilla, Devin	\$ 3,066.00	\$ 3,066.00
Shen, Stephanie	\$ 5,427.00	\$ 5,427.00
Sher, Jeremy	\$ 3,363.00	\$ 3,363.00
Sinclair, Sydney	\$ 450.00	\$ 450.00
Singh, Mohitdeep	\$ 6,525.00	\$ 6,525.00
Smith, Michael	\$ 2,247.00	\$ 2,247.00
Smith, Sean	\$ 15,288.00	\$ 12,475.00
Strack, Elizabeth	\$ 1,280.00	\$ 1,280.00
Stumpf, Emily	\$ 7,763.00	\$ 7,763.00
Tan, Hubert	\$ 2,712.00	\$ 2,712.00
Thomas, Yale	\$ 2,107.00	\$ 2,107.00
Towber, Michael	\$ 680.00	\$ 680.00
Wilson, Brandon	\$ 9,043.00	\$ 9,043.00
Wong, Alison	\$ 4,125.00	\$ 4,125.00
Wu, Ho-Hsiang	\$ 10,401.00	\$ 10,401.00
Yuan, Seward	\$ 340.00	\$ 340.00
Zannantoni, Verena	\$ 168.00	\$ 168.00
Zhang, Serena	\$ 180.00	\$ 180.00
Zhu, Lu	\$ 2,323.00	\$ 2,323.00
TOTAL	\$ 482,076.44	\$ 273,909.00

EXHIBIT "2"

Name	Claim Amount	Priority Amount
San Francisco Tax Collector	\$ 22,743.44	\$ 22,743.44
San Francisco Tax Collector	\$ 84,147.00	\$ 84,147.00
Delaware Secretary of State	\$ 7,811.89	\$ 7,811.89
Delaware Secretary of State	\$ 15,623.78	\$ 15,623.78
Canada Revenue Agency	\$ 22,710.78	\$0.00
TOTAL	\$ 153,036.89	\$ 130,326.11

EXHIBIT "3"

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
(Criteo LTD) AD-X Limited			\$0.00			\$0.00	\$0.00	
12FPS Inc.		\$9,675.00	\$9,000.00			\$9,000.00	\$9,675.00	Late filed claim
360			\$60.00			\$60.00	\$60.00	
807 Broadway Revival			\$0.00			\$0.00	\$0.00	
A-Train Entertainment	13	\$5,363.07	\$4,836.79			\$4,836.79	\$5,363.07	
A-Train Entertainment	15	\$5,363.07				\$0.00	\$5,363.07	
Aaron Gillespie			\$20.00			\$20.00	\$20.00	
Accretive Solutions			\$46,962.50			\$46,962.50	\$46,962.50	
AEG Live SF, LLC			\$2,081.50			\$2,081.50	\$2,081.50	
AEG/AXS			\$1,500,000.00			\$1,500,000.00	\$1,500,000.00	
Agridoce			\$10.00			\$10.00	\$10.00	
Akamai Technologies, Inc.			\$38,456.88			\$38,456.88	\$38,456.88	
Alhambra			\$0.00			\$0.00	\$0.00	
Almah			\$30.00			\$30.00	\$30.00	
Amazon Web Services			\$17,043.00			\$17,043.00	\$17,043.00	
Amazon Web Services LLC			\$91,511.38			\$91,511.38	\$91,511.38	
Amcos	40	\$26,319.14	\$8,693.46			\$8,693.46	\$26,319.14	
Amplifier			\$247.41			\$247.41	\$247.41	
Amplitude			\$30,000.00			\$30,000.00	\$30,000.00	
Ampush LLC			\$701.02			\$701.02	\$701.02	
Ampush Media			\$80,692.10			\$80,692.10	\$80,692.10	
Anderson Tax LLC	23	\$6,250.00	\$6,250.00			\$6,250.00	\$6,250.00	
Ando Media LLC			\$124,433.74			\$124,433.74	\$124,433.74	
Apple Inc.			\$22,192.34			\$22,192.34	\$22,192.34	
Apptree OU			\$51.13			\$51.13	\$51.13	
Apra Australasian Performing Right	39	\$26,319.14	\$9,662.39			\$9,662.39	\$26,319.14	
APRA New Zealand	41	\$1,668.54				\$0.00	\$1,668.54	
APRA New Zealand	42	\$1,668.54				\$0.00	\$1,668.54	
ArcadeFire			\$1,247.52			\$1,247.52	\$1,247.52	
ARIN American Registry for Internet			\$200.00			\$200.00	\$200.00	
Arnaldo Baptista			\$10.00			\$10.00	\$10.00	
Artist First Srl			\$367.54			\$367.54	\$367.54	
ASCAP (Publishing)	34	\$1,200,000.00	\$1,200,000.00			\$1,200,000.00	\$1,200,000.00	
AT&T			\$0.00			\$0.00	\$0.00	
Awal			\$2.56			\$2.56	\$2.56	
AXS Digital LLC	55	\$1,902,329.10	\$1,250,410.00			\$1,250,410.00	\$1,902,329.10	
Bad Religion			\$30.00			\$30.00	\$30.00	
Baker & McKenzie LLP	30	\$85,171.39	\$32,973.14			\$32,973.14	\$85,171.39	
Baker Tilly Virchow Krause, LLP	14	\$10,515.00	\$10,515.00			\$10,515.00	\$10,515.00	
Bank of the West	63							Claim filed as secured claim in amount of \$784,279.15

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Barbara Eugenia			\$10.00			\$10.00	\$10.00	
Basic Corporate			\$0.00			\$0.00	\$0.00	
Bay, Anthony	67	Unliquidated				Unknown	Unknown	Unliquidated Claim
Believe			\$141,530.08			\$141,530.08	\$141,530.08	
Ben Caplan			\$20.00			\$20.00	\$20.00	
Bentata Abogados	21	\$810.20	\$2,887.48			\$810.20	\$810.20	
Benztown			\$55,642.84			\$55,642.84	\$55,642.84	
Benztown Branding USA, LLC	17	\$64,000.00	\$64,000.00			\$64,000.00	\$64,000.00	
bit.ly			\$5,970.00			\$5,970.00	\$5,970.00	
Black Hole			\$591.74			\$591.74	\$591.74	
Sound Stage, LLC	9	\$1,500.00	\$1,500.00			\$1,500.00	\$1,500.00	
Blood on the Dance Floor			\$10.00			\$10.00	\$10.00	
Blueback Global			\$0.00			\$0.00	\$0.00	
BMI (Publishing)	32	\$1,136,000.00	\$1,000,000.00			\$1,000,000.00	\$1,136,000.00	
Bob Weir			\$140.00			\$140.00	\$140.00	
Boss in Drama			\$20.00			\$20.00	\$20.00	
Brandon christison			\$20.00			\$20.00	\$20.00	
Brendan Benson			\$30.00			\$30.00	\$30.00	
CA Dragon Boat			\$5,000.00			\$5,000.00	\$5,000.00	
cadiz			\$139.42			\$139.42	\$139.42	
Camryn			\$20.00			\$20.00	\$20.00	
Canteen Refreshment			\$5,498.78			\$5,498.78	\$5,498.78	
Canteen Refreshment			\$2,000.00			\$2,000.00	\$2,000.00	
Carlos Carega			\$10.00			\$10.00	\$10.00	
Carrillo & Asociados	36	\$3,000.00	\$3,000.00			\$3,000.00	\$3,000.00	
Casete Upload SA de CV			\$293.19			\$293.19	\$293.19	
Catapult Reservatory, LLC	16	\$3,269.64	\$3,269.64			\$3,269.64	\$3,269.64	
CD Baby	25	\$70,490.78	\$70,490.78			\$70,490.78	\$70,490.78	
CDW, LLC	1	\$2,107.79	\$2,107.79			\$2,107.79	\$2,107.79	
Cecilia Bernardes			\$10.00			\$10.00	\$10.00	
Cee Lo			\$80.00			\$80.00	\$80.00	
Chambers Art & Desi			\$0.00			\$0.00	\$0.00	
Chef Software Inc.			\$9,600.00			\$9,600.00	\$9,600.00	
China Basin Ballpark Company LLC			\$125,000.00			\$125,000.00	\$125,000.00	
Chriscom			\$1,640.89			\$1,640.89	\$1,640.89	
Christopher Norman			\$10.00			\$10.00	\$10.00	
Chromeo			\$10.00			\$10.00	\$10.00	
Cimoroni & Company			\$10,791.22			\$10,791.22	\$10,791.22	
Cine			\$30.00			\$30.00	\$30.00	
Cinq Music Group			\$272.21			\$272.21	\$272.21	
CMRRA-SODRAC, Inc.	60	\$1,776,739.07				\$0.00	\$1,776,739.07	
cobalt			\$268.08			\$268.08	\$268.08	
CodePath	10	\$50,000.00	\$50,000.00			\$50,000.00	\$50,000.00	
Cold Busted Record Company			\$29.83			\$29.83	\$29.83	
Comcast			\$0.00			\$0.00	\$0.00	
COMPAS Technology			\$5,400.00			\$5,400.00	\$5,400.00	
Concur Technologies, Inc.	38	\$3,395.25	\$1,697.63			\$1,697.63	\$3,395.25	
Consolidated Independent Ltd.			\$60,000.00			\$60,000.00	\$60,000.00	
Corporate Tax Incentives			\$24,367.14			\$24,367.14	\$24,367.14	
Corporation Services Company			\$150.30			\$150.30	\$150.30	
Cravath, Swaine & Moore LLP			\$143,235.99			\$143,235.99	\$143,235.99	
Creation Road Radio Show			\$30.00			\$30.00	\$30.00	

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
CroCo-Deal			\$97.83			\$97.83	\$97.83	
CSC			\$1,341.52			\$1,341.52	\$1,341.52	
CSI (Publishing)			\$1,434,942.23			\$1,434,942.23	\$1,434,942.23	
CTI			\$77,014.25			\$77,014.25	\$77,014.25	
Cybersource			\$42,753.30			\$42,753.30	\$42,753.30	
CyberSource Corporation			\$14,641.68			\$14,641.68	\$14,641.68	
Dan Carlevaro			\$0.00			\$0.00	\$0.00	
Dan Mangan			\$50.00			\$50.00	\$50.00	
Dani Gurgel			\$10.00			\$10.00	\$10.00	
Daniella Alcarpe			\$10.00			\$10.00	\$10.00	
Dannemann Siemens Bigler & IpanemaMoreir			\$2,685.74			\$2,685.74	\$2,685.74	
Daredo (Rdio Inc.)			\$550.89			\$550.89	\$550.89	
DashGo (Rdio Inc.)			\$5,050.38			\$5,050.38	\$5,050.38	
Dave Godowsky			\$10.00			\$10.00	\$10.00	
Deacons			\$12,370.31			\$12,370.31	\$12,370.31	
Deaf Services of Palo Alto, Inc			\$328.88			\$328.88	\$328.88	
Deckdisc (Rdio Inc)			\$47.31			\$47.31	\$47.31	
Delaware Secretary of State			\$15,623.78			\$15,623.78	\$15,623.78	
Dell Financial Services			\$599,647.84			\$599,647.84	\$599,647.84	
digiplug			\$47.74			\$47.74	\$47.74	
Digital Realty Trust LP/Digital 720 2nd, LLC	43	\$52,898.61	\$190,889.63			\$52,898.61	\$52,898.61	
Digitalpressure			\$155.32			\$155.32	\$155.32	
Dirty Ghosts			\$20.00			\$20.00	\$10.00	
Disques Passeport	2	\$284.75	\$284.60			\$284.60	\$284.75	
DistroKid			\$19,353.44			\$19,353.44	\$19,353.44	
Divergent Language Solutions, LLC			\$939.54			\$939.54	\$939.54	
DLA Piper LLP			\$3,453.24			\$3,453.24	\$3,453.24	
Do512, LLC			\$3,500.00			\$3,500.00	\$3,500.00	
DP 1550 Bryant LLC			\$111,549.15			\$111,549.15	\$111,549.15	
Dr. Shlomo Cohen & Co	12	\$1,347.00	\$1,347.00			\$1,347.00	\$1,347.00	
Dreddro			\$10.00			\$10.00	\$10.00	
Duncan/Channon, Inc.	29	\$74,328.90	\$74,328.90			\$74,328.90	\$74,328.90	
Dynamic Network Services			\$0.00			\$0.00	\$0.00	
Dyne, Mark	74	Unliquidated				Unknown	Unknown	Unliquidated Claim
E3 Media			\$0.38			\$0.38	\$0.38	
EdgeCast Networks Inc.	56	\$40,914.70	\$79,777.18			\$40,914.70	\$40,914.70	
Edmonton Block Heater			\$30.00			\$30.00	\$30.00	
EMI Music Distribution			\$87.94			\$87.94	\$87.94	
Emma-Lee			\$10.00			\$10.00	\$10.00	
Empire			\$14,964.94			\$14,964.94	\$14,964.94	
emuzyka			\$791.16			\$791.16	\$791.16	
Environics Communications Inc.	3	\$50,422.69	\$36,422.69			\$36,422.69	\$50,422.69	
EPM (Rdio)			\$3,783.03			\$3,783.03	\$3,783.03	
Estudio Carey Ltda			\$1,900.00			\$1,900.00	\$1,900.00	
Europlay Capital Advisors, LLC	78	\$52,875.70	\$52,831.88			\$52,831.88	\$52,875.70	
Evernote Corporation			\$960.00			\$960.00	\$960.00	
Facebook, Inc			\$2,228.07			\$2,228.07	\$2,228.07	
Facebook.com Ads			\$495,548.90			\$495,548.90	\$495,548.90	
Faro Latino			\$313.47			\$313.47	\$313.47	
FDMS			\$194.75			\$194.75	\$194.75	
FineTunes (Rdio Inc.)			\$6,680.56			\$6,680.56	\$6,680.56	
Firestarter			\$47.58			\$47.58	\$47.58	

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Flatiron Capital	31	\$670.00	\$1,940.05			\$670.00	\$5,820.00	Worst case scenario is premised upon secured portion of filed claim (\$5,150) being allowed as general unsecured claim
Forcedexposure			\$54.73			\$54.73	\$54.73	
Fortis Partners, LLC	57	\$38,000.00	\$38,000.00			\$38,000.00	\$38,000.00	
Foundation			\$1,396.62			\$1,396.62	\$1,396.62	
Frank Hannon			\$10.00			\$10.00	\$10.00	
FreddieRecords			\$1,438.07			\$1,438.07	\$1,438.07	
Friis, Janus	75	Unliquidated				Unknown	Unknown	Unliquidated Claim
Gema Nada Pertiwi (GNP)			\$0.78			\$0.78	\$0.78	
Genga & Associates, PC			\$9,094.00			\$9,094.00	\$9,094.00	
Global App Testing			\$4,950.00			\$4,950.00	\$4,950.00	
Golden Dynamic			\$124.27			\$124.27	\$124.27	
good to go			\$5,183.30			\$5,183.30	\$5,183.30	
Gourmet Catering Bay Area			\$5,952.52			\$5,952.52	\$5,952.52	
Goyal Music (Rdio, Inc.)			\$2.63			\$2.63	\$2.63	
Grare, Maikao	65	Unliquidated				Unknown	Unknown	Unliquidated Claim
Greenberg Traurig			\$41,871.74			\$41,871.74	\$41,871.74	
Greenberg Traurig			\$9,331.79			\$9,331.79	\$9,331.79	
Greencopper Publishing, Inc			\$30,950.00			\$30,950.00	\$30,950.00	
Greg Thomas			\$10.00			\$10.00	\$10.00	
Hackbright Academy			\$21,000.00			\$21,000.00	\$21,000.00	
Harmada			\$20.00			\$20.00	\$20.00	
Hedley			\$40.00			\$40.00	\$40.00	
Hillsong Music Australia			\$426.85			\$426.85	\$426.85	
Hits Magazine, Inc.			\$7,500.00			\$7,500.00	\$7,500.00	
Hoeffler & Frere-Jones			\$5,499.00			\$5,499.00	\$5,499.00	
Horrorshow			\$10.00			\$10.00	\$10.00	
House of Scandinavia			\$74.71			\$74.71	\$74.71	
Iconical Investments II LP						N/A	N/A	Not Applicable
imusica (inc)			\$133.32			\$133.32	\$133.32	
Independent Digital			\$0.02			\$0.02	\$0.02	
Independent Online Distribution Alliance			\$4.20			\$4.20	\$4.20	
independentdigital			\$380.97			\$380.97	\$380.97	
Internal Revenue Service	7 (amended)		\$0.00			\$0.00	\$0.00	
Intervision Systems Technologies, Inc.			\$130,908.27			\$130,908.27	\$130,908.27	
Isolation Network, Inc.	48	\$1,911,219.90	\$130,087.46			\$130,087.46	\$1,911,219.90	
Jars of Clay			\$30.00			\$30.00	\$30.00	
Jim James			\$10.00			\$10.00	\$10.00	
Jumbo			\$50.00			\$50.00	\$50.00	
JYP Entertainment			\$47.81			\$47.81	\$47.81	
Kahuna, Inc.	18	\$330,000.00	\$240,000.00			\$240,000.00	\$330,000.00	
Kaiser Health Insurance			\$0.00			\$0.00	\$0.00	
kdigitalmedia			\$28.61			\$28.61	\$28.61	
Kellman & Kleiman			\$3,756.00			\$3,756.00	\$3,756.00	
Kincaid, Melissa R.	79					\$0.00	\$0.00	This claim was incorrectly docketed in the wrong case. See Court Notice, ECF. No. 206, titled Notice of Defective Proof of Clam
Kompakt			\$230.70			\$230.70	\$230.70	
Kravitz, Peter	68	Unliquidated				Unknown	Unknown	Unliquidated Claim
Krissy Krissy			\$10.00			\$10.00	\$10.00	

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
La Cupula (Inc)			\$1,003.04			\$1,003.04	\$1,003.04	
Larner, Andrew Scott	69	Unliquidated				Unknown	Unknown	Unliquidated Claim
Les Disues Passeport			\$536.16			\$536.16	\$536.16	
Lewitt, Hackman, Shapiro Marshall			\$12,262.44			\$12,262.44	\$12,262.44	
Libertad			\$76,314.62			\$76,314.62	\$76,314.62	
Libertad			\$40,000.00			\$40,000.00	\$40,000.00	
Linkshare Corp. (Rakuten Marketing LLC)			\$4,303.95			\$4,303.95	\$4,303.95	
Lionbridge Technologies			\$18,672.75			\$18,672.75	\$18,672.75	
Los Bunkers			\$50.00			\$50.00	\$50.00	
Loudr-re:discover, Inc.	35	\$10,024.00	\$11,502.34			\$10,024.00	\$10,024.00	
Louis Hoxter			\$10.00			\$10.00	\$10.00	
Love Da Group CompanyLtd			\$33.18			\$33.18	\$33.18	
Luciana			\$10.00			\$10.00	\$10.00	
Lulina			\$20.00			\$20.00	\$20.00	
Luma Optics			\$3,283.16			\$3,283.16	\$3,283.16	
Lvistudio			\$84,587.53			\$84,587.53	\$84,587.53	
Lykke Li			\$10.00			\$10.00	\$10.00	
Magnum PR (Aus)			\$8,850.39			\$8,850.39	\$8,850.39	
ManualMusic			\$103.59			\$103.59	\$103.59	
Mapa Records			\$17.95			\$17.95	\$17.95	
Marchais			\$1,078.36			\$1,078.36	\$1,078.36	
Mark Rae			\$10.00			\$10.00	\$10.00	
Matt York			\$10.00			\$10.00	\$10.00	
Mazzika			\$3.46			\$3.46	\$3.46	
Mbox			\$684.90			\$684.90	\$684.90	
Media Arts Lawyers Pty Ltd			\$7,175.94			\$7,175.94	\$7,175.94	
Memory America			\$8,048.16			\$8,048.16	\$8,048.16	
Merlin BV			\$271,219.33			\$271,219.33	\$271,219.33	
Merrill Communications LLC	24	\$14,143.50	\$6,852.60			\$6,852.60	\$14,143.50	
Meshell Ndegeocello			\$10.00			\$10.00	\$10.00	
MGM Distribution Pty Ltd			\$1,893.27			\$1,893.27	\$1,893.27	
Minister of Revenue Quebec			\$4,106.32			\$4,106.32	\$4,106.32	
Mkmusic			\$104.45			\$104.45	\$104.45	
MN2S			\$72.80			\$72.80	\$72.80	
MNDR			\$10.00			\$10.00	\$10.00	
Mobile 1 Music			\$1.98			\$1.98	\$1.98	
Modular Sarl			\$2,168.65			\$2,168.65	\$2,168.65	
monkeywrench			\$27.51			\$27.51	\$27.51	
Morrison & Foerster LLP	44	\$41,359.21	\$40,106.69			\$40,106.69	\$41,359.21	
Mosaic NetworX LLC	37	\$644,097.00	\$229,578.90			\$229,578.90	\$644,097.00	
Mother Mother Music, Inc			\$10.00			\$10.00	\$10.00	
MRI (Publishing)			\$66,731.15			\$66,731.15	\$66,731.15	
Music KickUp			\$356.95			\$356.95	\$356.95	
Music Reports, Inc.	47	\$1,203,735.63	\$339,235.63			\$339,235.63	\$1,203,735.63	
Musikator			\$5.38			\$5.38	\$5.38	
Muzak LLC			\$85.09			\$85.09	\$85.09	
Nagadatta and Doyle Ltd.			\$11,181.60			\$11,181.60	\$11,181.60	
National Public Media, LLC	71	\$100,000.00	\$100,000.02			\$100,000.00	\$100,000.02	
National Public Radio, Inc.	70	\$50,575.00	\$50,575.00			\$50,575.00	\$50,575.00	
New Relic, Inc.			\$19,800.00			\$19,800.00	\$19,800.00	
New York Department of Taxation	8	\$108.77	\$0.00			\$0.00	\$108.77	
Nichol Robertson			\$20.00			\$20.00	\$20.00	
Nigro Karlin Segal Feldstein & Bolno			\$2,127.50			\$2,127.50	\$2,127.50	

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
NSP LLC			\$0.00			\$0.00	\$0.00	
nventive inc.			\$404,918.25			\$404,918.25	\$404,918.25	
Of Montreal			\$10.00			\$10.00	\$10.00	
OI Musica			\$123.91			\$123.91	\$123.91	
One Stop Music			\$29.74			\$29.74	\$29.74	
OneZeroOne (Rdio Inc.)			\$3,697.69			\$3,697.69	\$3,697.69	
Operative Media Inc.			\$14,220.00			\$14,220.00	\$14,220.00	
Orchard			\$33,750.00			\$33,750.00	\$33,750.00	
Oseao Media Group, LLC			\$137.23			\$137.23	\$137.23	
Paty Cantu			\$160.00			\$160.00	\$160.00	
Peters, Elliott	66	Unliquidated				Unknown	Unknown	Unliquidated Claim
PG&E			\$0.00			\$0.00	\$0.00	
Pineda Bocanegra			\$2,300.00			\$2,300.00	\$2,300.00	
Pink Martini			\$40.00			\$40.00	\$40.00	
Pinnacle Solutions	6	\$5,696.50	\$5,696.50			\$5,696.50	\$5,696.50	
Pitty			\$90.00			\$90.00	\$90.00	
Plasmapool			\$91.75			\$91.75	\$91.75	
PN Agency			\$915.55			\$915.55	\$915.55	
Pollstar			\$168.23			\$168.23	\$168.23	
Psilicyber			\$10.00			\$10.00	\$10.00	
Pulp-PR LLC	19	\$41,000.00	\$41,000.00			\$41,000.00	\$41,000.00	
Pulser Media, Inc.	76					N/A	N/A	Not Applicable
QBI LLC			\$3,356.25			\$3,356.25	\$3,356.25	
Quality/Junk			\$2,224.36			\$2,224.36	\$2,224.36	
Qualtrics, LLC			\$10,000.00			\$10,000.00	\$10,000.00	
Questlove			\$40.00			\$40.00	\$40.00	
Ra Ra Riot			\$10.00			\$10.00	\$10.00	
Radio Silence			\$23,500.00			\$23,500.00	\$23,500.00	
Rakuten Marketing			\$250.00			\$250.00	\$250.00	
rebeat (Rdio Inc.)			\$3,783.48			\$3,783.48	\$3,783.48	
RecordUnion (Rdio Inc.)			\$1,282.30			\$1,282.30	\$1,282.30	
Reg Schwager			\$10.00			\$10.00	\$10.00	
Rehan Dalal			\$10.00			\$10.00	\$10.00	
Republic of Music			\$579.52			\$579.52	\$579.52	
Revelator, Inc.			\$5.02			\$5.02	\$5.02	
Riddell Williams	20	\$9,136.40	\$8,785.00			\$8,785.00	\$9,136.40	
Ring 2 Communications LLC			\$513.75			\$513.75	\$513.75	
Ring2 Communications LLC dba LoopUp			\$2,470.35			\$2,470.35	\$2,470.35	
Roba Music Publishing			\$887.03			\$887.03	\$887.03	
Rocket Group			\$19.60			\$19.60	\$19.60	
Rogers & Cowan CMGRP, Inc.			\$82,314.39			\$82,314.39	\$82,314.39	
ROI DNA, Inc.	49	\$114,000.00	\$114,000.00			\$114,000.00	\$114,000.00	
Roku, Inc.			\$1,000,000.00			\$0.00	\$0.00	This scheduled claim is incorporated in analysis immediately hereinbelow.
Roku, Inc.	64	\$6,631,000.00	\$2,759,423.00			\$3,759,423.00	\$6,631,000.00	
RouteNote			\$61,281.69			\$61,281.69	\$61,281.69	
Rovi Data Solutions, Inc.			\$93,200.00			\$93,200.00	\$93,200.00	
RSM US LLP (formerly McGladrey LLP)			\$242,731.00			\$242,731.00	\$242,731.00	
Ruxin, Marc	28 (Amended)	\$231,849.45				\$0.00	\$231,849.45	In addition to \$231,849.45 claim, this claimant also asserts unliquidated indemnification claims

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Salesforce.com, Inc.			\$4,477.20			\$4,477.20	\$4,477.20	
Sampology			\$10.00			\$10.00	\$10.00	
San Francisco Tax Collector	22		\$22,743.44			\$22,743.44	\$22,743.44	
San Francisco Tax Collector			\$112,196.00			\$112,196.00	\$112,196.00	
Pugliese, Allesandro	73	\$187,500.00	\$187,500.00			\$187,500.00	\$187,500.00	
Pugliese, Allesandro		\$187,500.00	\$0.00			\$0.00	\$0.00	Duplicate of Claim No. 73 and late filed claim
	81							
SAS Institute Inc.	33	\$14,875.00	\$15,750.00			\$14,875.00	\$14,875.00	
Scissor Sisters, Inc			\$10.00			\$10.00	\$10.00	
Scrimshire			\$10.00			\$10.00	\$10.00	
Sean Hayes			\$20.00			\$20.00	\$20.00	
Seed (Rdio Inc.)			\$7,925.31			\$7,925.31	\$7,925.31	
Select			\$3,095.37			\$3,095.37	\$3,095.37	
SESAC			\$12,846.78			\$12,846.78	\$12,846.78	
SESAC			\$13,412.00			\$13,412.00	\$13,412.00	
Seu Jorge			\$30.00			\$30.00	\$30.00	
Shazam		See Claim No. 11	\$1,463,990.15			\$1,463,990.15	\$1,463,990.15	
Shazam Media Services	11	\$2,921,191.75	\$1,171,118.76			\$1,171,118.76	\$2,921,191.75	
Shock (Rdio Inc)			\$172.63			\$172.63	\$172.63	
Shorty Goldstein's			\$0.00			\$0.00	\$0.00	
Sirtzky Law, PLLC			\$805.00			\$805.00	\$805.00	
SixZeroFour (Rdio Inc.)			\$2,989.78			\$2,989.78	\$2,989.78	
Snoop Dogg			\$70.00			\$70.00	\$70.00	
SOCAN			\$92,832.47			\$92,832.47	\$92,832.47	
SOCAN (Publishing)			\$46,416.24			\$46,416.24	\$46,416.24	
Solution One Holding			\$5.86			\$5.86	\$5.86	
SomLivre (rdio Inc.)			\$0.16			\$0.16	\$0.16	
soulspazm (Rdio Inc.)			\$585.86			\$585.86	\$585.86	
SoundExchange	46	\$19,422.69	\$0.00			\$0.00	\$19,422.69	
Soundhound Inc.			\$103,843.00			\$103,843.00	\$103,843.00	
Sprint			\$281.32			\$281.32	\$281.32	
srlnetworks			\$1.75			\$1.75	\$1.75	
Stubbs Alderton & Markiles			\$124,306.37			\$124,306.37	\$124,306.37	
Stump Fluff, LLC			\$25,270.00			\$25,270.00	\$25,270.00	
Sun Entertainment			\$519.41			\$519.41	\$519.41	
Super Cassettes Industries Private Ltd.	59	\$311,000.00				\$0.00	\$311,000.00	
Swale			\$10.00			\$10.00	\$10.00	
SweetNLow			\$72.19			\$72.19	\$72.19	
Switch	62	\$475,772.76	\$13,079.73			\$13,079.73	\$475,772.76	
Symphonic (Rdio Inc.)			\$3,137.56			\$3,137.56	\$3,137.56	
T-Series			\$311,000.00			\$311,000.00	\$311,000.00	
T-Series (Rdio, Inc.)			\$3,000.93			\$3,000.93	\$3,000.93	
Tesla Motors Netherlands B.V.	61	\$329,303.51				\$0.00	\$329,303.51	
The Balconies			\$10.00			\$10.00	\$10.00	
The Darcys			\$40.00			\$40.00	\$40.00	
The Marc Joseph Band			\$10.00			\$10.00	\$10.00	
The Presets			\$30.00			\$30.00	\$30.00	
The Source			\$2,081.83			\$2,081.83	\$2,081.83	
The Zolas			\$10.00			\$10.00	\$10.00	
Thievery Corporation			\$10.00			\$10.00	\$10.00	
Third Eye Blind			\$10.00			\$10.00	\$10.00	
Tim White			\$10.00			\$10.00	\$10.00	
Tips Industries (Rdio, Inc.)			\$237.77			\$237.77	\$237.77	

	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
Creditor	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
TMI Associates			\$0.00			\$0.00	\$0.00	
Townsquare Media			\$50,000.00			\$50,000.00	\$50,000.00	
Triple Vision Record Distribution			\$160.54			\$160.54	\$160.54	
Tuff Gong			\$1.14			\$1.14	\$1.14	
Tune, Inc	5	\$12,579.79	\$1,000.00			\$1,000.00	\$12,579.79	
TUNE, Inc.	5	see above	\$6,579.79			\$6,579.79	\$6,579.79	
Tunecore	27	\$298,689.22	\$272,153.03			\$272,153.03	\$298,689.22	
Tunecore Japan	26 (as amended)	\$299.79	\$287.68			\$287.68	\$299.79	
Turn			\$75,000.00			\$75,000.00	\$75,000.00	
Turn Inc.			\$92,757.82			\$92,757.82	\$92,757.82	
Twilio			\$40.29			\$40.29	\$40.29	
Two Dudes in Love			\$20.00			\$20.00	\$20.00	
UMGI (Rdio Inc.)			\$243.13			\$243.13	\$243.13	
UNISYS Infosolutions Pvt. Ltd			\$567.73			\$567.73	\$567.73	
United Healthcare			\$0.00			\$0.00	\$0.00	
United Healthcare Insurance Company			\$0.00			\$0.00	\$0.00	
Universal McCann Sydney	58	\$19,329.72	\$17,456.50			\$17,456.50	\$19,329.72	
Valerie Frederiskson & Company	4	\$9,890.88	\$9,600.00			\$9,600.00	\$9,890.88	
Valleyarm			\$339.38			\$339.38	\$339.38	
Verbalizeit, Inc.			\$46,646.99			\$46,646.99	\$46,646.99	
Verizon Wireless			\$476.16			\$476.16	\$476.16	
Vidzone Digital Media			\$464.29			\$464.29	\$464.29	
VM Ware			\$6,000.00			\$6,000.00	\$6,000.00	
Walter Dandy			\$10.00			\$10.00	\$10.00	
Wenner Media LLC	72	\$100,000.00	\$100,000.00			\$100,000.00	\$100,000.00	
WjoDistribution			\$2.79			\$2.79	\$2.79	
Worx (Rdio Inc.)			\$51,662.18			\$51,662.18	\$51,662.18	
Xamarin Inc.			\$40,000.00			\$40,000.00	\$40,000.00	
Xelon Entertainment Pty Ltd			\$376.22			\$376.22	\$376.22	
Youngblood Hawke			\$20.00			\$20.00	\$20.00	
Zee Cook's, LLC			\$0.00			\$0.00	\$0.00	
zojak (Rdio Inc.)			\$3,189.17			\$3,189.17	\$3,189.17	
TOTAL		\$22,928,997.54	\$21,149,639.91			\$20,967,085.72	\$32,824,372.60	

EXHIBIT "4"

EXHIBIT "5"

Potential Preference Payments Made Within 90 Days Of Petition Date To Non-Insiders

NAME OF CREDITOR	DATE OF PAYMENT/TRANSFER	AMOUNT PAID OR VALUE OF TRANSFER
(Criteo LTD) AD-X Limited	10/21/2015	\$9,000.00
(Criteo LTD) AD-X Limited	10/28/2015	\$5,000.00
807 Broadway Revival	10/7/2015	\$1,742.00
807 Broadway Revival	10/14/2015	\$1,742.00
807 Broadway Revival	11/13/2015	\$1,742.00
Aaron Espinoza	9/24/2015	\$2,100.00
Aaron Espinoza	10/9/2015	\$700.00
Aaron Espinoza	11/13/2015	\$700.00
ABM Parking Services	9/24/2015	\$2,475.00
ABM Parking Services	10/7/2015	\$2,475.00
Adobe (Rdio Inc.)	9/11/2015	\$720.00
Advertising Digital Identification LLC	10/21/2015	\$400.00
Akamai Technologies, Inc.	9/11/2015	\$23,054.90
Akamai Technologies, Inc.	9/24/2015	\$23,412.18
Akamai Technologies, Inc.	10/21/2015	\$14,850.77
Akamai Technologies, Inc.	11/13/2015	\$14,851.54
Alameda County Tax Collector	9/2/2015	\$9,350.12
Alameda County Tax Collector	10/14/2015	\$985.01
Alex Winck	10/23/2015	\$1,421.34
Alex Winck	10/23/2015	\$3,978.04
Alhambra	8/26/2015	\$107.69
Alhambra	10/1/2015	\$95.71
Alhambra	10/14/2015	\$89.65
Alhambra	11/12/2015	\$106.46
Amazon Web Services LLC	8/26/2015	\$26,178.50
Amazon Web Services LLC	10/29/2015	\$29,449.01
Amcos	9/4/2015	\$7,567.56
Amcos	9/24/2015	\$456.66
Amcos	10/15/2015	\$274.32
Amcos	10/30/2015	\$264.51
Amcos	10/30/2015	\$7,293.40
American Express	9/2/2015	\$146,317.31
American Express	10/9/2015	\$152,289.33
American Express	11/6/2015	\$264,175.06
Aminian Business Services, Inc	9/25/2015	\$105.00

Aminian Business Services, Inc	11/9/2015	\$245.00
Ampush Media	10/21/2015	\$18,358.56
Amy Wu	10/21/2015	\$2,714.41
Amy Wu	10/21/2015	\$1,235.69
Ando Media LLC	9/11/2015	\$50,029.38
Ando Media LLC	9/14/2015	\$25,014.44
Apra	9/4/2015	\$7,567.56
Apra	9/24/2015	\$20,456.66
Apra	10/15/2015	\$274.32
Apra	10/30/2015	\$264.51
Apra	10/30/2015	\$7,293.40
AT&T (Rdio Inc.)	9/2/2015	\$1,475.52
AT&T (Rdio Inc.)	10/7/2015	\$1,116.10
AT&T (Rdio Inc.)	10/29/2015	\$478.84
Basic Corporate	9/2/2015	\$160.20
Basic Corporate	10/29/2015	\$450.50
Believe (Rdio Inc.)	10/21/2015	\$28,273.19
Benjamin Gramlich	8/26/2015	\$12,000.00
Benjamin Gramlich	9/22/2015	\$10,921.00
Benjamin Gramlich	10/7/2015	\$11,352.20
Benjamin Gramlich	11/4/2015	\$10,921.00
Benjamin Gramlich	11/12/2015	\$10,921.00
Bianca Romulo	8/21/2015	\$1,546.04
Black Hole	10/7/2015	\$2,951.11
Blueback Global	9/22/2015	\$4,765.00
Blueback Global	10/29/2015	\$9,723.50
Brett Duncavage	11/6/2015	\$11,260.01
Brett Duncavage	11/6/2015	\$3,321.51
Bruno Vieira	8/27/2015	\$17,720.21
Bruno Vieira	9/24/2015	\$17,726.47
Bruno Vieira	10/21/2015	\$17,650.49
Bruno Vieira	11/12/2015	\$17,237.33
Bryan Bean	8/27/2015	\$15,000.75
Bryan Bean	8/31/2015	\$84.50
Bryan Bean	9/11/2015	\$13,093.88
Bryan Bean	10/7/2015	\$13,093.88
Bryan Bean	10/13/2015	\$2,549.55
Bryan Bean	11/2/2015	\$298.38
Bryan Bean	11/4/2015	\$13,093.88
Bryan Bean	11/12/2015	\$13,093.88
Canada Revenue Agency	9/30/2015	\$20,301.26
Canada Revenue Agency	10/7/2015	\$26,552.33
Canteen Refreshment	8/26/2015	\$2,005.80

Canteen Refreshment	9/2/2015	\$4,226.68
Canteen Refreshment	9/11/2015	\$4,368.49
Canteen Refreshment	9/24/2015	\$3,664.49
Canteen Refreshment	10/1/2015	\$3,797.69
Canteen Refreshment	10/7/2015	\$1,608.15
Canteen Refreshment	10/29/2015	\$5,536.93
Canteen Refreshment	11/13/2015	\$6,102.49
Carly Eiseman	8/31/2015	\$1,134.66
CD Baby	10/21/2015	\$16,184.27
Chaac Technologies (Richard	9/2/2015	\$11,250.00
Chaac Technologies (Richard	9/22/2015	\$13,275.00
Chaac Technologies (Richard	10/8/2015	\$9,000.00
Chambers Art & Desi	11/4/2015	\$500.00
Chef Software Inc.	11/13/2015	\$9,600.00
Chriscom	9/2/2015	\$1,698.02
Clayton Light	9/11/2015	\$8,130.00
Clayton Light	10/7/2015	\$4,070.00
Clayton Light	11/4/2015	\$8,500.00
Clayton Light	11/12/2015	\$8,500.00
Comcast	9/22/2015	\$477.13
Comcast	10/7/2015	\$132.17
Comcast	10/9/2015	\$354.46
Comcast	10/29/2015	\$138.16
Comcast	11/12/2015	\$354.45
Country Grill	9/2/2015	\$1,182.60
Country Grill	9/18/2015	\$1,566.00
Country Grill	10/19/2015	\$1,566.00
CSI	11/16/2015	\$30,032.40
CyberSource Corporation	10/30/2015	\$83,023.35
Dan Carlevaro	9/14/2015	\$5,300.00
Dan Carlevaro	10/7/2015	\$5,300.00
Dan Carlevaro	10/29/2015	\$5,300.00
Daredo (Rdio Inc.)	9/22/2015	\$1,877.08
DashGo (Rdio Inc.)	10/29/2015	\$7,136.14
David Lundgren	10/9/2015	\$9,505.64
David Lundgren	10/9/2015	\$3,473.06
David Lundgren	10/9/2015	\$7,655.45
Deaf Services of Palo Alto, Inc	8/26/2015	\$4,008.90
Delaware Secretary of State	10/15/2015	\$26,782.59
Department of Labor and Industries	10/1/2015	\$141.39
Department of Labor WA	11/12/2015	\$145.19
Digital Realty Trust LP	9/2/2015	\$97,652.52
DistroKid	10/7/2015	\$26,609.90

DLA Piper LLP (Davis LLP)	10/14/2015	\$2,512.50
DP 1550 Bryant LLC	10/7/2015	\$118,920.76
DP 1550 Bryant LLC	10/14/2015	\$114,834.91
DP 1550 Bryant LLC	10/29/2015	\$222.92
Duncan/Channon, Inc.	9/2/2015	\$78,761.55
Ed McCardell	11/16/2015	\$4,408.03
EdgeCast Networks Inc.	8/26/2015	\$79,770.40
EdgeCast Networks Inc.	10/7/2015	\$140.70
EMI Music Distribution	9/4/2015	\$70.04
Emily Morgado	9/17/2015	\$758.25
Emily Morgado	9/17/2015	\$1,938.69
Empire	10/29/2015	\$7,694.70
FineTunes (Rdio Inc.)	9/24/2015	\$4,337.65
Flatiron Capital (Rdio Inc.)	8/28/2015	\$2,037.05
Flatiron Capital (Rdio Inc.)	9/1/2015	\$12,278.60
Flatiron Capital (Rdio Inc.)	10/1/2015	\$1,843.05
Flatiron Capital (Rdio Inc.)	10/7/2015	\$12,892.53
Flatiron Capital (Rdio Inc.)	10/29/2015	\$2,037.05
Fortis Partners	8/24/2015	\$63,000.00
Fortis Partners	8/26/2015	\$33,000.00
Franchise Tax Board (Rdio Inc.)	9/15/2015	\$800.00
Franchise Tax Board (Rdio Inc.)	11/4/2015	\$560.00
Gary Yu	9/11/2015	\$9,085.71
Gary Yu	10/7/2015	\$10,347.62
Gary Yu	11/4/2015	\$10,347.62
Gary Yu	11/12/2015	\$10,600.00
Goldin Solutions	8/26/2015	\$29,246.57
Goldin Solutions	10/7/2015	\$56,390.00
Goldin Solutions	11/12/2015	\$26,000.00
good to go	10/29/2015	\$5,497.29
Gourmet Catering Bay Area	9/22/2015	\$2,976.26
Greenberg Traurig	8/26/2015	\$172,286.28
Greenberg Traurig	10/8/2015	\$4,357.00
Hack Reactor	9/11/2015	\$11,000.00
Hillsong Music Australia	8/26/2015	\$784.43
Hoefler & Frere-Jones	9/24/2015	\$350.00
Ian Gilman	10/14/2015	\$1,187.50
Intervision Systems Technologies,	10/29/2015	\$162,750.44
Isolation network, Inc	10/21/2015	\$37,114.31
Isolation network, Inc	10/29/2015	\$34,734.47
Jesse Dawson	8/21/2015	\$1,562.50
Jesse Dawson	9/11/2015	\$4,687.50
Jesse Dawson	10/13/2015	\$5,625.00

Jesse Dawson	11/12/2015	\$21,234.28
Joshua Bonnett	10/5/2015	\$1,467.13
Joshua Bonnett	10/5/2015	\$1,467.13
Joshua Bonnett	10/5/2015	\$2,257.75
Kahuna, Inc.	10/21/2015	\$30,000.00
Kaiser Health Insurance	9/2/2015	\$25,492.66
Kaiser Health Insurance	10/1/2015	\$21,868.12
Kaiser Health Insurance	10/29/2015	\$48,810.62
Karl Frankowski	9/2/2015	\$14,000.00
Karl Frankowski	10/16/2015	\$14,000.00
Karl Frankowski	10/23/2015	\$14,895.00
Karl Frankowski	11/12/2015	\$28,000.00
Kyle Stetz	9/22/2015	\$353.60
Lasan Catering	11/4/2015	\$1,350.00
Lewitt, Hackman, Shapiro	10/21/2015	\$22,378.85
Libertad	9/4/2015	\$40,798.00
Libertad	9/11/2015	\$40,304.71
Libertad	10/28/2015	\$40,377.07
Lionbridge Technologies	10/30/2015	\$95,554.81
Little Maintenance Co. Inc.	10/7/2015	\$97.00
Little Maintenance Co. Inc.	11/4/2015	\$97.00
Little Red Riding Truck	8/18/2015	\$1,468.13
Loudr - re:discover, Inc.	9/2/2015	\$4,587.77
Lvlstudio	9/11/2015	\$2,718.00
Media Arts Lawyers Pty Ltd	10/21/2015	\$7,661.27
Merlin BV	9/4/2015	\$304,928.01
Merlin BV	10/14/2015	\$134,272.62
Merlin BV	10/29/2015	\$134,730.47
MGM Distribution Pty Ltd	10/29/2015	\$3,592.54
Michael McIntosh	9/4/2015	\$1,492.90
Michael McIntosh	9/4/2015	\$1,842.61
Miller Thomson LLP	10/13/2015	\$4,706.30
Minister of Revenue of Quebec	9/8/2015	\$5,594.77
Minister of Revenue of Quebec	10/5/2015	\$5,460.12
Minnesota Child Supp	9/22/2015	\$1,079.00
Minnesota Child Supp	10/7/2015	\$1,079.00
Minnesota Child Supp	11/4/2015	\$1,079.00
Minnesota Child Supp	11/12/2015	\$1,079.00
Moelis & Company LLC	11/16/2015	\$100,000.00
Moelis & Company LLC	11/16/2015	\$10,000.00
Mosaic NetworX LLC	10/29/2015	\$59,863.89
Music Reports, Inc.	8/20/2015	\$142,858.61
Music Reports, Inc.	9/2/2015	\$40,856.83

Music Reports, Inc.	9/25/2015	\$66,500.00
Music Reports, Inc.	10/5/2015	\$63,000.00
Music Reports, Inc.	10/29/2015	\$68,613.58
Muzak LLC	10/1/2015	\$85.09
Muzak LLC	10/7/2015	\$85.09
National Student Clearinghouse	9/2/2015	\$361.00
National Student Clearinghouse	10/7/2015	\$584.00
National Student Clearinghouse	11/12/2015	\$315.00
New Relic, Inc	9/2/2015	\$9,900.00
New Relic, Inc	10/21/2015	\$9,900.00
New Relic, Inc	11/4/2015	\$9,900.00
Noble Street Studios	10/13/2015	\$1,790.36
NOVA ENTERTAINMENT	9/4/2015	\$99,891.55
NSP LLC	8/24/2015	\$3,600.00
NSP LLC	9/2/2015	\$3,600.00
NSP LLC	9/22/2015	\$3,600.00
NSP LLC	10/1/2015	\$3,600.00
NSP LLC	10/14/2015	\$3,600.00
NSP LLC	10/29/2015	\$5,400.00
NSP LLC	11/4/2015	\$3,600.00
nventive inc.	9/4/2015	\$132,775.00
nventive inc.	9/25/2015	\$71,940.00
nventive inc.	9/30/2015	\$71,940.00
NYC Department of Finance	9/15/2015	\$1,900.00
NYC Department of Finance	10/7/2015	\$543.46
NYS	9/15/2015	\$1,894.00
Operative Media Inc	9/22/2015	\$14,220.00
PagerDuty, Inc	10/8/2015	\$13,680.00
Peermusic (S.E.Asia) Ltd	9/4/2015	\$9,000.00
PG&E	8/26/2015	\$50.04
PG&E	9/24/2015	\$33.66
PG&E	10/29/2015	\$47.81
Premier Staffing, Inc	11/12/2015	\$434.00
Province Consulting	11/2/2015	\$45,000.00
Pulp-PR LLC	9/2/2015	\$13,000.00
Radio Silence	10/21/2015	\$10,000.00
RecordUnion (Rdio Inc.)	10/29/2015	\$5,270.29
Registered Agent Solutions, Inc.	10/21/2015	\$149.00
Regular Horse Productions Inc.	10/13/2015	\$1,130.00
Republic of Music	9/22/2015	\$702.41
Ring2 Communications LLC	9/2/2015	\$3,604.20
Ring2 Communications LLC	10/7/2015	\$3,172.66
Ring2 Communications LLC	11/4/2015	\$2,569.85

ROI DNA, Inc.	10/21/2015	\$19,000.00
Roku, Inc	9/2/2015	\$260,449.00
Rovi Data Solutions, Inc.	11/4/2015	\$133,000.00
SCC Tax Collector	9/2/2015	\$155.32
Scott Bagby	10/6/2015	\$15,604.96
Sean Fernie	9/4/2015	\$18,833.71
Sean Fernie	9/30/2015	\$18,833.71
Sean Fernie	10/7/2015	\$254.37
Sean Fernie	10/14/2015	\$113.77
Sean Fernie	11/4/2015	\$287.93
Sean Fernie	11/4/2015	\$18,833.71
Sean Fernie	11/12/2015	\$14,191.11
Sean Fernie	11/13/2015	\$542.57
Sean Flynn	11/13/2015	\$3,590.66
Sean Flynn	11/13/2015	\$3,754.28
Sean Flynn	11/13/2015	\$6,332.00
Seed (Rdio Inc.)	10/29/2015	\$9,299.20
Select	9/24/2015	\$8,863.68
Shorty Goldstein's	9/2/2015	\$1,478.88
Shorty Goldstein's	9/22/2015	\$1,478.88
Shorty Goldstein's	10/7/2015	\$1,401.63
Shorty Goldstein's	11/13/2015	\$1,471.94
Snehal Shinde	9/11/2015	\$10,000.00
Snehal Shinde	10/21/2015	\$5,000.00
Snehal Shinde	11/12/2015	\$10,000.00
Snehal Shinde	11/13/2015	\$5,000.00
SOCAN	9/4/2015	\$129,434.49
Solution 7 Ltd	9/24/2015	\$5,180.00
Sony Music Entertainment	9/4/2015	\$154,459.82
SoundExchange	10/14/2015	\$9,393.70
SoundExchange	10/21/2015	\$27,398.60
SoundExchange	10/29/2015	\$26,276.37
Sprint	8/26/2015	\$280.14
Sprint	9/24/2015	\$280.14
Sprint	10/29/2015	\$281.08
State of Tennessee	10/16/2015	\$100.00
StessCo Consulting Group LLC	8/26/2015	\$5,057.75
StessCo Consulting Group LLC	9/11/2015	\$5,231.00
StessCo Consulting Group LLC	10/21/2015	\$5,231.00
StessCo Consulting Group LLC	11/4/2015	\$5,231.00
StessCo Consulting Group LLC	11/12/2015	\$5,173.25
Steven Kean	9/24/2015	\$2,100.00
Stubbs Alderton & Markiles (Rdio	11/10/2015	\$75,000.00

Swapnil Shinde	9/11/2015	\$13,863.00
Swapnil Shinde	11/12/2015	\$10,000.00
Swapnil Shinde	11/13/2015	\$5,000.00
Switch	8/31/2015	\$36,999.06
Switch	8/31/2015	\$10,682.28
Switch	11/4/2015	\$33,959.75
Tamara Palmer	8/26/2015	\$2,000.00
Tamara Palmer	9/2/2015	\$2,000.00
Tamara Palmer	9/24/2015	\$2,000.00
Telepacific Communications	9/24/2015	\$1,151.61
Telepacific Communications	10/7/2015	\$1,093.36
Tint	9/2/2015	\$3,000.00
TUNE, Inc.	11/4/2015	\$4,000.00
Tunecore	10/14/2015	\$43,244.76
Tunecore	10/21/2015	\$47,492.75
Twilio, Inc.	9/2/2015	\$17,961.66
United Healthcare	9/2/2015	\$1,272.22
United Healthcare	10/1/2015	\$1,078.31
United Healthcare	10/29/2015	\$1,804.16
United Healthcare Insurance	8/26/2015	\$107,417.10
United Healthcare Insurance	10/1/2015	\$111,143.51
United Healthcare Insurance	10/29/2015	\$109,389.99
Universal Music Group Distribution	9/4/2015	\$290,705.66
Universal Music Group Distribution	9/30/2015	\$48,536.59
Universal Music Group Distribution	9/30/2015	\$203,972.95
Universal Music Group Distribution	10/7/2015	\$87,977.55
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$780.08
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$780.08
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$2,397.34
Verizon Wireless (Rdio Inc.)	8/24/2015	\$435.11
Verizon Wireless (Rdio Inc.)	9/24/2015	\$571.86
Warner Music Group	9/8/2015	\$177,671.77
Warner Music Group	9/30/2015	\$3,675.84
Warner Music Group	11/4/2015	\$275,000.00
Warner Music Group	11/13/2015	\$75,000.00
Wells Fargo Insurance Services	8/26/2015	\$2,675.00
Wells Fargo Insurance Services	9/22/2015	\$5,496.57
Worx (Rdio Inc.)	9/30/2015	\$34,511.39
Worx (Rdio Inc.)	10/29/2015	\$15,833.23
Xamarin Inc.	8/31/2015	\$70,000.00
Yijen Liu	9/4/2015	\$2,159.81
Yijen Liu	9/4/2015	\$4,134.92
Zee Cook's, LLC	8/17/2015	\$1,392.01

Zee Cook's, LLC	10/29/2015	\$1,412.67
Zelnick & Erickson, P.C. t/a Erickson	10/14/2015	\$2,096.96
Zelnick & Erickson, P.C. t/a Erickson	11/12/2015	\$26.28

Potential Preference Payments Made Within 1 Year Of Petition Date To Insiders

NAME OF INSIDER	DATE OF PAYMENT/TRANSFER	AMOUNT PAID OR VALUE OF TRANSFER
Anthony Bay	11/28/2014	\$16,666.67
Anthony Bay	12/15/2014	\$16,666.67
Anthony Bay	12/31/2014	\$16,666.67
Anthony Bay	1/15/2015	\$16,666.67
Anthony Bay	1/15/2015	\$3,522.73
Anthony Bay	1/30/2015	\$16,666.67
Anthony Bay	2/13/2015	\$16,666.67
Anthony Bay	2/27/2015	\$16,666.67
Anthony Bay	3/13/2015	\$16,666.67
Anthony Bay	3/31/2015	\$16,666.67
Anthony Bay	4/15/2015	\$16,666.67
Anthony Bay	4/30/2015	\$16,666.67
Anthony Bay	5/15/2015	\$16,666.67
Anthony Bay	5/29/2015	\$16,666.67
Anthony Bay	5/29/2015	\$200,000.00
Anthony Bay	6/15/2015	\$16,666.67
Anthony Bay	6/30/2015	\$16,666.67
Anthony Bay	7/15/2015	\$16,666.67
Anthony Bay	7/31/2015	\$16,666.67
Anthony Bay	8/14/2015	\$16,666.67
Anthony Bay	8/31/2015	\$16,666.67
Anthony Bay	9/15/2015	\$16,666.67
Anthony Bay	9/30/2015	\$16,666.67
Anthony Bay	10/15/2015	\$16,666.67
Anthony Bay	10/30/2015	\$16,666.67
Anthony Bay	11/13/2015	\$16,666.67
Anthony Bay	11/13/2015	\$21,219.30
Maikao Grare	11/14/2014	\$9,843.75
Maikao Grare	11/28/2014	\$9,843.75
Maikao Grare	12/15/2014	\$9,843.75
Maikao Grare	12/31/2014	\$9,843.75

Maikao Grare	1/15/2015	\$9,843.75
Maikao Grare	1/30/2015	\$9,843.75
Maikao Grare	2/13/2015	\$10,208.33
Maikao Grare	2/27/2015	\$10,208.33
Maikao Grare	3/13/2015	\$10,208.33
Maikao Grare	3/13/2015	\$290.63
Maikao Grare	3/31/2015	\$70,875.00
Maikao Grare	3/31/2015	\$10,208.33
Maikao Grare	4/15/2015	\$10,208.33
Maikao Grare	4/15/2015	\$45.25
Maikao Grare	4/30/2015	\$10,208.33
Maikao Grare	5/15/2015	\$10,208.33
Maikao Grare	5/15/2015	\$277.69
Maikao Grare	5/29/2015	\$10,208.33
Maikao Grare	6/15/2015	\$10,208.33
Maikao Grare	6/30/2015	\$10,208.33
Maikao Grare	7/15/2015	\$10,208.33
Maikao Grare	7/31/2015	\$10,208.33
Maikao Grare	8/14/2015	\$10,208.33
Maikao Grare	8/31/2015	\$4,215.19
Maikao Grare	9/15/2015	\$7,842.62
Maikao Grare	9/30/2015	\$7,842.62
Maikao Grare	10/15/2015	\$9,577.48
Maikao Grare	10/30/2015	\$11,346.14
Maikao Grare	11/13/2015	\$11,250.00
Marc Ruxin	11/28/2014	\$11,458.33
Marc Ruxin	12/15/2014	\$11,458.33
Marc Ruxin	12/15/2014	\$1,108.75
Marc Ruxin	12/31/2014	\$11,458.33
Marc Ruxin	1/15/2015	\$11,458.33
Marc Ruxin	1/15/2015	\$455.08
Marc Ruxin	1/30/2015	\$11,458.33
Marc Ruxin	2/13/2015	\$11,458.33
Marc Ruxin	2/27/2015	\$58,333.33
Marc Ruxin	2/27/2015	\$11,458.33
Marc Ruxin	2/27/2015	\$593.34
Marc Ruxin	3/13/2015	\$18,750.00
Marc Ruxin	3/13/2015	\$11,458.33
Marc Ruxin	3/31/2015	\$20,625.00
Marc Ruxin	3/31/2015	\$11,458.33
Marc Ruxin	4/15/2015	\$8,143.62

Marc Ruxin	4/15/2015	\$11,458.33
Marc Ruxin	4/30/2015	\$11,458.33
Marc Ruxin	4/30/2015	\$1,050.14
Marc Ruxin	5/15/2015	\$11,458.33
Marc Ruxin	5/15/2015	\$234.25
Marc Ruxin	5/29/2015	\$11,458.33
Marc Ruxin	5/29/2015	\$285.19
Marc Ruxin	6/30/2015	\$22,916.67
Marc Ruxin	6/30/2015	\$33,217.59
Marc Ruxin	7/31/2015	\$22,916.67
Marc Ruxin	7/31/2015	\$33,217.59
Marc Ruxin	8/31/2015	\$22,916.67
Marc Ruxin	8/31/2015	\$33,217.59
Marc Ruxin	9/30/2015	\$22,916.67
Marc Ruxin	9/30/2015	\$33,217.59
Marc Ruxin	10/30/2015	\$22,916.67
Marc Ruxin	10/30/2015	\$33,217.59

Non-Insider Preference Ana

NAME OF CREDITOR	DATE OF PAYMENT/TRANSFER	AMOUNT PAID OR VALUE OF TRANSFER	Notes	Reccomendation
(Criteo LTD) AD-X Limited	10/21/2015	\$9,000.00	to PD, paid 44 days after date. During PP, paid between 27 to 173 days. So could be	Do not pursue
(Criteo LTD) AD-X Limited	10/28/2015	\$5,000.00	No new value. Only one transaction prior	Do not pursue
807 Broadway Revival	10/7/2015	\$1,742.00	No new value. Total transfers are only	Do not pursue
807 Broadway Revival	10/14/2015	\$1,742.00	No new value. Total transfers are only	Do not pursue
807 Broadway Revival	11/13/2015	\$1,742.00	No new value. Total transfers are only	Do not pursue
Aaron Espinoza	9/24/2015	\$2,100.00	No new value. Total transfers are only	Do not pursue
Aaron Espinoza	10/9/2015	\$700.00	No new value. Total transfers are only	Do not pursue
Aaron Espinoza	11/13/2015	\$700.00	No new value. Total transfers are only	Do not pursue
ABM Parking Services	9/24/2015	\$2,475.00	No new value. Total transfers are only	Do not pursue
ABM Parking Services	10/7/2015	\$2,475.00	No new value. Total transfers are only	Do not pursue
Adobe (Rdio Inc.)	9/11/2015	\$720.00	No new value. Total transfers are only	Do not pursue
Advertising Digital Identification LLC	10/21/2015	\$400.00	No new value. Total transfers are only	Do not pursue
Akamai Technologies, Inc.	9/11/2015	\$23,054.90	NV brings exposure down to \$37,712.51.	Could be exposure of \$37,712.51 because do not
Akamai Technologies, Inc.	9/24/2015	\$23,412.18	NV brings exposure down to \$37,712.51.	Could be exposure of \$37,712.51 because do not
Akamai Technologies, Inc.	10/21/2015	\$14,850.77	NV brings exposure down to \$37,712.51.	Could be exposure of \$37,712.51 because do not
Akamai Technologies, Inc.	11/13/2015	\$14,851.54	NV brings exposure down to \$37,712.51.	Could be exposure of \$37,712.51 because do not
Alameda County Tax Collector	9/2/2015	\$9,350.12	Secured taxes, no exposure	Do not pursue
Alameda County Tax Collector	10/14/2015	\$985.01	Secured taxes, no exposure	Do not pursue
Alex Winck	10/23/2015	\$1,421.34	No new value. Total transfer amount low.	Do not pursue
Alex Winck	10/23/2015	\$3,978.04	No new value. Total transfer amount low.	Do not pursue
Alhambra	8/26/2015	\$107.69	No new value. Total transfer amount low.	Do not pursue
Alhambra	10/1/2015	\$95.71	No new value. Total transfer amount low.	Do not pursue
Alhambra	10/14/2015	\$89.65	No new value. Total transfer amount low.	Do not pursue
Alhambra	11/12/2015	\$106.46	No new value. Total transfer amount low.	Do not pursue
Amazon Web Services LLC	8/26/2015	\$26,178.50	No new value. Prior to PP range of	Could be exposure of \$55,627.51 because do not
Amazon Web Services LLC	10/29/2015	\$29,449.01	No new value. Prior to PP range of	Could be exposure of \$55,627.51 because do not
Amcos	9/4/2015	\$7,567.56	NV brings exposure down to \$10,920.13.	Do not pursue
Amcos	9/24/2015	\$456.66	NV brings exposure down to \$10,920.13.	Do not pursue
Amcos	10/15/2015	\$274.32	NV brings exposure down to \$10,920.13.	Do not pursue
Amcos	10/30/2015	\$264.51	NV brings exposure down to \$10,920.13.	Do not pursue
Amcos	10/30/2015	\$7,293.40	NV brings exposure down to \$10,920.13.	Do not pursue

American Express	9/2/2015	\$146,317.31	No new value. Likely OCB defense. Prior to	Do not pursue. Likley OCB Defense
American Express	10/9/2015	\$152,289.33	No new value. Likely OCB defense. Prior to	Do not pursue. Likley OCB Defense
American Express	11/6/2015	\$264,175.06	No new value. Likely OCB defense. Prior to	Do not pursue. Likley OCB Defense
Aminian Business Services, Inc	9/25/2015	\$105.00	No new value. Total transfer amount low.	Do not pursue
Aminian Business Services, Inc	11/9/2015	\$245.00	No new value. Total transfer amount low.	Do not pursue
Ampush Media	10/21/2015	\$18,358.56	New value reduces exposure to \$0	Do not pursue
Amy Wu	10/21/2015	\$2,714.41	No new value. Total transfer amount low.	Do not pursue
Amy Wu	10/21/2015	\$1,235.69	No new value. Total transfer amount low.	Do not pursue
Ando Media LLC	9/11/2015	\$50,029.38	NV brings exposure down to \$25,014.64	Could be exposure of \$25,014.64 because do not
Ando Media LLC	9/14/2015	\$25,014.44	NV brings exposure down to \$25,014.64	Could be exposure of \$25,014.64 because do not
Apra	9/4/2015	\$7,567.56	NV brings exposure down to \$25,821.89	Could be exposure of \$25,821.89 because do not
Apra	9/24/2015	\$20,456.66	NV brings exposure down to \$25,821.89	Could be exposure of \$25,821.89 because do not
Apra	10/15/2015	\$274.32	NV brings exposure down to \$25,821.89	Could be exposure of \$25,821.89 because do not
Apra	10/30/2015	\$264.51	NV brings exposure down to \$25,821.89	Could be exposure of \$25,821.89 because do not
Apra	10/30/2015	\$7,293.40	NV brings exposure down to \$25,821.89	Could be exposure of \$25,821.89 because do not
AT&T (Rdio Inc.)	9/2/2015	\$1,475.52	No new value. Total transfer amount low.	Do not pursue
AT&T (Rdio Inc.)	10/7/2015	\$1,116.10	No new value. Total transfer amount low.	Do not pursue
AT&T (Rdio Inc.)	10/29/2015	\$478.84	No new value. Total transfer amount low.	Do not pursue
Basic Corporate	9/2/2015	\$160.20	No new value. Total transfer amount low.	Do not pursue
Basic Corporate	10/29/2015	\$450.50	No new value. Total transfer amount low.	Do not pursue
Believe (Rdio Inc.)	10/21/2015	\$28,273.19	New value reduces exposure to \$0	Do not pursue
Benjamin Gramlich	8/26/2015	\$12,000.00	No new value, but likely OCB defense as	Do not pursue
Benjamin Gramlich	9/22/2015	\$10,921.00	No new value, but likely OCB defense as	Do not pursue
Benjamin Gramlich	10/7/2015	\$11,352.20	No new value, but likely OCB defense as	Do not pursue
Benjamin Gramlich	11/4/2015	\$10,921.00	No new value, but likely OCB defense as	Do not pursue
Benjamin Gramlich	11/12/2015	\$10,921.00	No new value, but likely OCB defense as	Do not pursue
Bianca Romulo	8/21/2015	\$1,546.04	No new value. Total transfer amount low.	Do not pursue
Black Hole	10/7/2015	\$2,951.11	NV brings exposure down to \$2,487.77.	Do not pursue
Blueback Global	9/22/2015	\$4,765.00	No new value. Total transfer amount low.	Do not pursue
Blueback Global	10/29/2015	\$9,723.50	No new value. Total transfer amount low.	Do not pursue
Brett Duncavage	11/6/2015	\$11,260.01	No new value. Total transfer amount low.	Do not pursue
Brett Duncavage	11/6/2015	\$3,321.51	No new value. Total transfer amount low.	Do not pursue
Bruno Vieira	8/27/2015	\$17,720.21	No new value. Likely OCB defense. Prior to	Do not pursue
Bruno Vieira	9/24/2015	\$17,726.47	No new value. Likely OCB defense. Prior to	Do not pursue
Bruno Vieira	10/21/2015	\$17,650.49	No new value. Likely OCB defense. Prior to	Do not pursue
Bruno Vieira	11/12/2015	\$17,237.33	No new value. Likely OCB defense. Prior to	Do not pursue
Bryan Bean	8/27/2015	\$15,000.75	No new value. Likely OCB defense. Prior to	Do not pursue
Bryan Bean	8/31/2015	\$84.50	No new value. Likely OCB defense. Prior to	Do not pursue
Bryan Bean	9/11/2015	\$13,093.88	No new value. Likely OCB defense. Prior to	Do not pursue

Bryan Bean	10/7/2015	\$13,093.88	No new value.Likely OCB defense. Prior to	Do not pursue
Bryan Bean	10/13/2015	\$2,549.55	No new value.Likely OCB defense. Prior to	Do not pursue
Bryan Bean	11/2/2015	\$298.38	No new value.Likely OCB defense. Prior to	Do not pursue
Bryan Bean	11/4/2015	\$13,093.88	No new value.Likely OCB defense. Prior to	Do not pursue
Bryan Bean	11/12/2015	\$13,093.88	No new value.Likely OCB defense. Prior to	Do not pursue
Canada Revenue Agency	9/30/2015	\$20,301.26	No new value. Likely OCB defense. Prior to	Do not pursue
Canada Revenue Agency	10/7/2015	\$26,552.33	No new value. Likely OCB defense. Prior to	Do not pursue
Canteen Refreshment	8/26/2015	\$2,005.80	NV brings exposure down to \$29,519.84.	Do not pursue
Canteen Refreshment	9/2/2015	\$4,226.68	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	9/11/2015	\$4,368.49	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	9/24/2015	\$3,664.49	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	10/1/2015	\$3,797.69	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	10/7/2015	\$1,608.15	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	10/29/2015	\$5,536.93	NV brings exposure down to \$29,519.84	Do not pursue
Canteen Refreshment	11/13/2015	\$6,102.49	NV brings exposure down to \$29,519.84	Do not pursue
Carly Eiseman	8/31/2015	\$1,134.66	No new value. Total transfer amount low.	Do not pursue
CD Baby	10/21/2015	\$16,184.27	New value reduces exposure to \$0	Do not pursue
Chaac Technologies (Richard Hightower)	9/2/2015	\$11,250.00	No new value. Partial OBC Defense	Do not pursue
Chaac Technologies (Richard Hightower)	9/22/2015	\$13,275.00	No new value. Partial OBC Defense	Do not pursue
Chaac Technologies (Richard Hightower)	10/8/2015	\$9,000.00	No new value. Partial OBC Defense	Do not pursue
Chambers Art & Desi	11/4/2015	\$500.00	No new value. Total transfer amount low.	Do not pursue
Chef Software Inc.	11/13/2015	\$9,600.00	No new value. Total transfer amount low.	Do not pursue
Chriscom	9/2/2015	\$1,698.02	NV brings exposure down to \$57.13	Do not pursue
Clayton Light	9/11/2015	\$8,130.00	No new value, but likely OCB defense as	Do not pursue
Clayton Light	10/7/2015	\$4,070.00	No new value, but likely OCB defense as	Do not pursue
Clayton Light	11/4/2015	\$8,500.00	No new value, but likely OCB defense as	Do not pursue
Clayton Light	11/12/2015	\$8,500.00	No new value, but likely OCB defense as	Do not pursue
Comcast	9/22/2015	\$477.13	No new value. Total transfer amount low.	Do not pursue
Comcast	10/7/2015	\$132.17	No new value. Total transfer amount low.	Do not pursue
Comcast	10/9/2015	\$354.46	No new value. Total transfer amount low.	Do not pursue
Comcast	10/29/2015	\$138.16	No new value. Total transfer amount low.	Do not pursue
Comcast	11/12/2015	\$354.45	No new value. Total transfer amount low.	Do not pursue
Country Grill	9/2/2015	\$1,182.60	No new value. Total transfer amount low.	Do not pursue
Country Grill	9/18/2015	\$1,566.00	No new value. Total transfer amount low.	Do not pursue
Country Grill	10/19/2015	\$1,566.00	No new value. Total transfer amount low.	Do not pursue
CSI	11/16/2015	\$30,032.40	No new value	Could be exposure of \$30,032.40 because do not
CyberSource Corporation	10/30/2015	\$83,023.35	No new value	Could be exposure of \$83,023.35 because do not
Dan Carlevaro	9/14/2015	\$5,300.00	No new value. Total transfer amount low.	Do not pursue
Dan Carlevaro	10/7/2015	\$5,300.00	No new value. Total transfer amount low.	Do not pursue

Dan Carlevaro	10/29/2015	\$5,300.00	No new value. Total transfer amount low.	Do not pursue
Daredo (Rdio Inc.)	9/22/2015	\$1,877.08	NV brings exposure down to \$1,434.24.	Do not pursue
DashGo (Rdio Inc.)	10/29/2015	\$7,136.14	NV brings exposure down to \$5,828.82.	Do not pursue
David Lundgren	10/9/2015	\$9,505.64	No new value. But wages paid pursuant to	Do not pursue
David Lundgren	10/9/2015	\$3,473.06	No new value. But wages paid pursuant to	Do not pursue
David Lundgren	10/9/2015	\$7,655.45	No new value. But wages paid pursuant to	Do not pursue
Deaf Services of Palo Alto, Inc	8/26/2015	\$4,008.90	NV brings exposure down to \$3,680.02.	Do not pursue
Delaware Secretary of State	10/15/2015	\$26,782.59	No new value. Taxes, since they are	Do not pursue
Department of Labor and Industries	10/1/2015	\$141.39	No new value. Total transfer amount low.	Do not pursue
Department of Labor WA	11/12/2015	\$145.19	No new value. Total transfer amount low.	Do not pursue
Digital Realty Trust LP	9/2/2015	\$97,652.52	NV brings exposure down to \$0	Do not pursue
DistroKid	10/7/2015	\$26,609.90	NV brings exposure down to \$12,253.49.	Do not pursue
DLA Piper LLP (Davis LLP)	10/14/2015	\$2,512.50	No new value. Total transfer amount low.	Do not pursue
DP 1550 Bryant LLC	10/7/2015	\$118,920.76	NV brings exposure down to \$118,463.19	Could be exposure of \$118,463.19 because do
DP 1550 Bryant LLC	10/14/2015	\$114,834.91	NV brings exposure down to \$118,463.19	Could be exposure of \$118,463.19 because do
DP 1550 Bryant LLC	10/29/2015	\$222.92	NV brings exposure down to \$118,463.19	Could be exposure of \$118,463.19 because do
Duncan/Channon, Inc.	9/2/2015	\$78,761.55	No new value	Could be exposure of \$78,761.55 because do not
Ed McCardell	11/16/2015	\$4,408.03	No new value. Total transfer amount low.	Do not pursue
EdgeCast Networks Inc.	8/26/2015	\$79,770.40	NV brings exposure down to \$133.92.	Do not pursue
EdgeCast Networks Inc.	10/7/2015	\$140.70	NV brings exposure down to \$133.92.	Do not pursue
EMI Music Distribution	9/4/2015	\$70.04	Total transfer amount low.	Do not pursue
Emily Morgado	9/17/2015	\$758.25	No new value. Total transfer amount low.	Do not pursue
Emily Morgado	9/17/2015	\$1,938.69	No new value. Total transfer amount low.	Do not pursue
Empire	10/29/2015	\$7,694.70	NV brings exposure down to \$2,847.25.	Do not pursue
FineTunes (Rdio Inc.)	9/24/2015	\$4,337.65	NV brings exposure down to \$2,847.25.	Do not pursue
Flatiron Capital (Rdio Inc.)	8/28/2015	\$2,037.05	NV brings exposure down to \$29,148.23,	Do not pursue
Flatiron Capital (Rdio Inc.)	9/1/2015	\$12,278.60	NV brings exposure down to \$29,148.23,	Do not pursue
Flatiron Capital (Rdio Inc.)	10/1/2015	\$1,843.05	NV brings exposure down to \$29,148.23,	Do not pursue
Flatiron Capital (Rdio Inc.)	10/7/2015	\$12,892.53	NV brings exposure down to \$29,148.23,	Do not pursue
Flatiron Capital (Rdio Inc.)	10/29/2015	\$2,037.05	NV brings exposure down to \$29,148.23,	Do not pursue
Fortis Partners	8/24/2015	\$63,000.00	NV brings exposure down to \$88,000	Could be exposure of \$88K because do not see
Fortis Partners	8/26/2015	\$33,000.00	NV brings exposure down to \$88,000	Could be exposure of \$88K because do not see
Franchise Tax Board (Rdio Inc.)	9/15/2015	\$800.00	Can't prove prima facie case since FTB	Do not pursue
Franchise Tax Board (Rdio Inc.)	11/4/2015	\$560.00	Can't prove prima facie case since FTB	Do not pursue
Gary Yu	9/11/2015	\$9,085.71	No new value, but likely OCB defense as	Do not pursue
Gary Yu	10/7/2015	\$10,347.62	No new value, but likely OCB defense as	Do not pursue
Gary Yu	11/4/2015	\$10,347.62	No new value, but likely OCB defense as	Do not pursue
Gary Yu	11/12/2015	\$10,600.00	No new value, but likely OCB defense as	Do not pursue
Goldin Solutions	8/26/2015	\$29,246.57	No new value	Could be exposure for transfers as no new value

Goldin Solutions	10/7/2015	\$56,390.00	No new value	Could be exposure for transfers as no new value
Goldin Solutions	11/12/2015	\$26,000.00	No new value	Could be exposure for transfers as no new value
good to go	10/29/2015	\$5,497.29	NV brings exposure down to \$3,870.98.	Do not pursue
Gourmet Catering Bay Area	9/22/2015	\$2,976.26	NV brings exposure down to \$0	Do not pursue
Greenberg Traurig	8/26/2015	\$172,286.28	NV brings exposure down to \$134,771.54,	Do not pursue
Greenberg Traurig	10/8/2015	\$4,357.00	NV brings exposure down to \$134,771.54,	Do not pursue
Hack Reactor	9/11/2015	\$11,000.00	No new value, but transfer amount low.	Do not pursue
Hillsong Music Australia	8/26/2015	\$784.43	NV brings exposure down to \$402.48.	Do not pursue
Hoefler & Frere-Jones	9/24/2015	\$350.00	No new value, but transfer amount low.	Do not pursue
Ian Gilman	10/14/2015	\$1,187.50	No new value, but transfer amount low.	Do not pursue
Intervision Systems Technologies, Inc.	10/29/2015	\$162,750.44	NV brings exposure down to \$132,204.05	Could be exposure of \$132,204.05 because do
Isolation network, Inc	10/21/2015	\$37,114.31	NV brings exposure down to \$27,784.85	Could be exposure of \$27,784.85 because do
Isolation network, Inc	10/29/2015	\$34,734.47	NV brings exposure down to \$27,784.85	Could be exposure of \$27,784.85 because do
Jesse Dawson	8/21/2015	\$1,562.50	No new value, but likely OCB defense as	Do not pursue
Jesse Dawson	9/11/2015	\$4,687.50	No new value, but likely OCB defense as	Do not pursue
Jesse Dawson	10/13/2015	\$5,625.00	No new value, but likely OCB defense as	Do not pursue
Jesse Dawson	11/12/2015	\$21,234.28	No new value, but likely OCB defense as	Do not pursue
Joshua Bonnett	10/5/2015	\$1,467.13	No new value, but transfer amount low.	Do not pursue
Joshua Bonnett	10/5/2015	\$1,467.13	No new value, but transfer amount low.	Do not pursue
Joshua Bonnett	10/5/2015	\$2,257.75	No new value, but transfer amount low.	Do not pursue
Kahuna, Inc.	10/21/2015	\$30,000.00	NV brings exposure down to \$0	Do not pursue
Kaiser Health Insurance	9/2/2015	\$25,492.66	No new value, but OCB defense. Monthly	Do not pursue
Kaiser Health Insurance	10/1/2015	\$21,868.12	No new value, but OCB defense. Monthly	Do not pursue
Kaiser Health Insurance	10/29/2015	\$48,810.62	No new value, but OCB defense. Monthly	Do not pursue
Karl Frankowski	9/2/2015	\$14,000.00	No new value, but likely OCB defense as	Do not pursue
Karl Frankowski	10/16/2015	\$14,000.00	No new value, but likely OCB defense as	Do not pursue
Karl Frankowski	10/23/2015	\$14,895.00	No new value, but likely OCB defense as	Do not pursue
Karl Frankowski	11/12/2015	\$28,000.00	No new value, but likely OCB defense as	Do not pursue
Kyle Stetz	9/22/2015	\$353.60	No new value, but transfer amount low.	Do not pursue
Lasan Catering	11/4/2015	\$1,350.00	No new value, but transfer amount low.	Do not pursue
Lewitt, Hackman, Shapiro	10/21/2015	\$22,378.85	NV brings exposure down to \$19,672.31.	Do not pursue
Libertad	9/4/2015	\$40,798.00	NV brings exposure down to \$48,077.49	Could be exposure of \$48,077.49 because do
Libertad	9/11/2015	\$40,304.71	NV brings exposure down to \$48,077.49	Could be exposure of \$48,077.49 because do
Libertad	10/28/2015	\$40,377.07	NV brings exposure down to \$48,077.49	Could be exposure of \$48,077.49 because do
Lionbridge Technologies	10/30/2015	\$95,554.81	No new value	Could be exposure of \$95K because do not see
Little Maintenance Co. Inc.	10/7/2015	\$97.00	No new value, but transfer amount low.	Do not pursue
Little Maintenance Co. Inc.	11/4/2015	\$97.00	No new value, but transfer amount low.	Do not pursue
Little Red Riding Truck	8/18/2015	\$1,468.13	No new value, but transfer amount low.	Do not pursue
Loudr - re:discover, Inc.	9/2/2015	\$4,587.77	NV brings exposure down to \$0	Do not pursue

LvIstudio	9/11/2015	\$2,718.00	NV brings exposure down to \$0	Do not pursue
Media Arts Lawyers Pty Ltd	10/21/2015	\$7,661.27	NV brings exposure down to \$5,876.75.	Do not pursue
Merlin BV	9/4/2015	\$304,928.01	NV brings exposure down to \$245,056.76.	Could be exposure of \$75K after application of
Merlin BV	10/14/2015	\$134,272.62	NV brings exposure down to \$245,056.76.	Could be exposure of \$75K after application of
Merlin BV	10/29/2015	\$134,730.47	NV brings exposure down to \$245,056.76.	Could be exposure of \$75K after application of
MGM Distribution Pty Ltd	10/29/2015	\$3,592.54	NV brings exposure down to \$2,824.53.	Do not pursue
Michael McIntosh	9/4/2015	\$1,492.90	No new value, but transfer amount low.	Do not pursue
Michael McIntosh	9/4/2015	\$1,842.61	No new value, but transfer amount low.	Do not pursue
Miller Thomson LLP	10/13/2015	\$4,706.30	No new value, but transfer amount low.	Do not pursue
Minister of Revenue of Quebec	9/8/2015	\$5,594.77	NV brings exposure down to \$6,948.57.	Do not pursue
Minister of Revenue of Quebec	10/5/2015	\$5,460.12	NV brings exposure down to \$6,948.57.	Do not pursue
Minnesota Child Supp	9/22/2015	\$1,079.00	No new value, but transfer amount low.	Do not pursue
Minnesota Child Supp	10/7/2015	\$1,079.00	No new value, but transfer amount low.	Do not pursue
Minnesota Child Supp	11/4/2015	\$1,079.00	No new value, but transfer amount low.	Do not pursue
Minnesota Child Supp	11/12/2015	\$1,079.00	No new value, but transfer amount low.	Do not pursue
Moelis & Company LLC	11/16/2015	\$100,000.00	No new value	Potential exposure of \$110,000 bc no obvious
Moelis & Company LLC	11/16/2015	\$10,000.00	No new value	Potential exposure of \$110,000 bc no obvious
Mosaic NetworX LLC	10/29/2015	\$59,863.89	NV brings exposure down to \$0	Do not pursue
Music Reports, Inc.	8/20/2015	\$142,858.61	After application of partial OCB defense	Do not pursue
Music Reports, Inc.	9/2/2015	\$40,856.83	After application of partial OCB defense	Do not pursue
Music Reports, Inc.	9/25/2015	\$66,500.00	After application of partial OCB defense	Do not pursue
Music Reports, Inc.	10/5/2015	\$63,000.00	After application of partial OCB defense	Do not pursue
Music Reports, Inc.	10/29/2015	\$68,613.58	After application of partial OCB defense	Do not pursue
Muzak LLC	10/1/2015	\$85.09	NV brings exposure down to \$85.09.	Do not pursue
Muzak LLC	10/7/2015	\$85.09	NV brings exposure down to \$85.09.	Do not pursue
National Student Clearinghouse	9/2/2015	\$361.00	No new value, but transfer amount low.	Do not pursue
National Student Clearinghouse	10/7/2015	\$584.00	No new value, but transfer amount low.	Do not pursue
National Student Clearinghouse	11/12/2015	\$315.00	No new value, but transfer amount low.	Do not pursue
New Relic, Inc	9/2/2015	\$9,900.00	NV brings exposure down to \$9,900.	Do not pursue
New Relic, Inc	10/21/2015	\$9,900.00	NV brings exposure down to \$9,900.	Do not pursue
New Relic, Inc	11/4/2015	\$9,900.00	NV brings exposure down to \$9,900.	Do not pursue
Noble Street Studios	10/13/2015	\$1,790.36	No new value, but transfer amount low.	Do not pursue
NOVA ENTERTAINMENT	9/4/2015	\$99,891.55	No new value	Potential exposure of \$99K bc no obvious OCB
NSP LLC	8/24/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
NSP LLC	9/2/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
NSP LLC	9/22/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
NSP LLC	10/1/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
NSP LLC	10/14/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
NSP LLC	10/29/2015	\$5,400.00	No new value, OCB defense, prior to PP	Do not pursue

NSP LLC	11/4/2015	\$3,600.00	No new value, OCB defense, prior to PP	Do not pursue
nventive inc.	9/4/2015	\$132,775.00	NV brings exposure down to \$0	Do not pursue
nventive inc.	9/25/2015	\$71,940.00	NV brings exposure down to \$0	Do not pursue
nventive inc.	9/30/2015	\$71,940.00	NV brings exposure down to \$0	Do not pursue
NYC Department of Finance	9/15/2015	\$1,900.00	No new value, but transfer amount low.	Do not pursue
NYC Department of Finance	10/7/2015	\$543.46	No new value, but transfer amount low.	Do not pursue
NYS	9/15/2015	\$1,894.00	No new value, but transfer amount low.	Do not pursue
Operative Media Inc	9/22/2015	\$14,220.00	No new value, but transfer amount low.	Do not pursue
PagerDuty, Inc	10/8/2015	\$13,680.00	No new value, but transfer amount low.	Do not pursue
Peermusic (S.E.Asia) Ltd	9/4/2015	\$9,000.00	No new value, but transfer amount low.	Do not pursue
PG&E	8/26/2015	\$50.04	No new value, but transfer amount low.	Do not pursue
PG&E	9/24/2015	\$33.66	No new value, but transfer amount low.	Do not pursue
PG&E	10/29/2015	\$47.81	No new value, but transfer amount low.	Do not pursue
Premier Staffing, Inc	11/12/2015	\$434.00	No new value, but transfer amount low.	Do not pursue
Province Consulting	11/2/2015	\$45,000.00	No new value. But payment not made on	Do not pursue
Pulp-PR LLC	9/2/2015	\$13,000.00	NV brings exposure down to \$5,000.	Do not pursue
Radio Silence	10/21/2015	\$10,000.00	NV brings exposure down to \$4,000.	Do not pursue
RecordUnion (Rdio Inc.)	10/29/2015	\$5,270.29	NV brings exposure down to \$4,392.30.	Do not pursue
Registered Agent Solutions, Inc. (Rdio	10/21/2015	\$149.00	No new value, but transfer amount low.	Do not pursue
Regular Horse Productions Inc.	10/13/2015	\$1,130.00	No new value, but transfer amount low.	Do not pursue
Republic of Music	9/22/2015	\$702.41	NV brings exposure down to \$214.22.	Do not pursue
Ring2 Communications LLC	9/2/2015	\$3,604.20	NV brings exposure down to \$6,876.36.	Do not pursue
Ring2 Communications LLC	10/7/2015	\$3,172.66	NV brings exposure down to \$6,876.36.	Do not pursue
Ring2 Communications LLC	11/4/2015	\$2,569.85	NV brings exposure down to \$6,876.36.	Do not pursue
ROI DNA, Inc.	10/21/2015	\$19,000.00	NV brings exposure down to \$0	Do not pursue
Roku, Inc	9/2/2015	\$260,449.00	NV brings exposure down to \$0	Do not pursue
Rovi Data Solutions, Inc.	11/4/2015	\$133,000.00	No new value	Potential exposure of \$133K bc no obvious OCB
SCC Tax Collector	9/2/2015	\$155.32	No new value, but transfer amount low.	Do not pursue
Scott Bagby	10/6/2015	\$15,604.96	No new value, but transfer amount low.	Do not pursue
Sean Fernie	9/4/2015	\$18,833.71	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	9/30/2015	\$18,833.71	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	10/7/2015	\$254.37	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	10/14/2015	\$113.77	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	11/4/2015	\$287.93	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	11/4/2015	\$18,833.71	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	11/12/2015	\$14,191.11	No new value, but likely OCB defense as	Do not pursue
Sean Fernie	11/13/2015	\$542.57	No new value, but likely OCB defense as	Do not pursue
Sean Flynn	11/13/2015	\$3,590.66	No new value, but transfer amount low.	Do not pursue
Sean Flynn	11/13/2015	\$3,754.28	No new value, but transfer amount low.	Do not pursue

Sean Flynn	11/13/2015	\$6,332.00	No new value, but transfer amount low.	Do not pursue
Seed (Rdio Inc.)	10/29/2015	\$9,299.20	NV brings exposure down to \$7,443.72.	Do not pursue
Select	9/24/2015	\$8,863.68	NV brings exposure down to \$6,380.39.	Do not pursue
Shorty Goldstein's	9/2/2015	\$1,478.88	No new value, but transfer amount low.	Do not pursue
Shorty Goldstein's	9/22/2015	\$1,478.88	No new value, but transfer amount low.	Do not pursue
Shorty Goldstein's	10/7/2015	\$1,401.63	No new value, but transfer amount low.	Do not pursue
Shorty Goldstein's	11/13/2015	\$1,471.94	No new value, but transfer amount low.	Do not pursue
Snehal Shinde	9/11/2015	\$10,000.00	No new value, but likely OCB defense as	Do not pursue
Snehal Shinde	10/21/2015	\$5,000.00	No new value, but likely OCB defense as	Do not pursue
Snehal Shinde	11/12/2015	\$10,000.00	No new value, but likely OCB defense as	Do not pursue
Snehal Shinde	11/13/2015	\$5,000.00	No new value, but likely OCB defense as	Do not pursue
SOCAN	9/4/2015	\$129,434.49	NV brings exposure down to \$36,602.02.	Do not pursue
Solution 7 Ltd	9/24/2015	\$5,180.00	No new value, but transfer amount low.	Do not pursue
Sony Music Entertainment	9/4/2015	\$154,459.82	NV brings exposure down to \$0	Do not pursue
SoundExchange	10/14/2015	\$9,393.70	No new value	Potential exposure of \$63K bc no obvious OCB
SoundExchange	10/21/2015	\$27,398.60	No new value	Potential exposure of \$63K bc no obvious OCB
SoundExchange	10/29/2015	\$26,276.37	No new value	Potential exposure of \$63K bc no obvious OCB
Sprint	8/26/2015	\$280.14	NV brings exposure down to \$560.04.	Do not pursue
Sprint	9/24/2015	\$280.14	NV brings exposure down to \$560.04.	Do not pursue
Sprint	10/29/2015	\$281.08	NV brings exposure down to \$560.04.	Do not pursue
State of Tennessee	10/16/2015	\$100.00	No new value, but transfer amount low.	Do not pursue
StessCo Consulting Group LLC	8/26/2015	\$5,057.75	No new value, but OCB defense bc pre PP	Do not pursue
StessCo Consulting Group LLC	9/11/2015	\$5,231.00	No new value, but OCB defense bc pre PP	Do not pursue
StessCo Consulting Group LLC	10/21/2015	\$5,231.00	No new value, but OCB defense bc pre PP	Do not pursue
StessCo Consulting Group LLC	11/4/2015	\$5,231.00	No new value, but OCB defense bc pre PP	Do not pursue
StessCo Consulting Group LLC	11/12/2015	\$5,173.25	No new value, but OCB defense bc pre PP	Do not pursue
Steven Kean	9/24/2015	\$2,100.00	No new value, but transfer amount low.	Do not pursue
Stubbs Alderton & Markiles (Rdio Inc.)	11/10/2015	\$75,000.00	No new value. But transfer not made on	Do not pursue
Swapnil Shinde	9/11/2015	\$13,863.00	No new value	Potential exposure of \$28K bc no obvious OCB
Swapnil Shinde	11/12/2015	\$10,000.00	No new value	Potential exposure of \$28K bc no obvious OCB
Swapnil Shinde	11/13/2015	\$5,000.00	No new value	Potential exposure of \$28K bc no obvious OCB
Switch	8/31/2015	\$36,999.06	NV brings exposure down to \$68,561.36	Potential exposure of \$68K bc no obvious OCB
Switch	8/31/2015	\$10,682.28	NV brings exposure down to \$68,561.36	Potential exposure of \$68K bc no obvious OCB
Switch	11/4/2015	\$33,959.75	NV brings exposure down to \$68,561.36	Potential exposure of \$68K bc no obvious OCB
Tamara Palmer	8/26/2015	\$2,000.00	No new value, but transfer amount low.	Do not pursue
Tamara Palmer	9/2/2015	\$2,000.00	No new value, but transfer amount low.	Do not pursue
Tamara Palmer	9/24/2015	\$2,000.00	No new value, but transfer amount low.	Do not pursue
Telepacific Communications	9/24/2015	\$1,151.61	No new value, but transfer amount low.	Do not pursue
Telepacific Communications	10/7/2015	\$1,093.36	No new value, but transfer amount low.	Do not pursue

Tint	9/2/2015	\$3,000.00	No new value, but transfer amount low.	Do not pursue
TUNE, Inc.	11/4/2015	\$4,000.00	No new value, but transfer amount low.	Do not pursue
Tunecore	10/14/2015	\$43,244.76	NV brings exposure down to \$40,776.09	Potential exposure of \$40K bc no obvious OCB
Tunecore	10/21/2015	\$47,492.75	NV brings exposure down to \$40,776.09	Potential exposure of \$40K bc no obvious OCB
Twilio, Inc.	9/2/2015	\$17,961.66	NV brings exposure down to \$17,847.73.	Do not pursue
United Healthcare	9/2/2015	\$1,272.22	No new value, but transfer amount low.	Do not pursue
United Healthcare	10/1/2015	\$1,078.31	No new value, but transfer amount low.	Do not pursue
United Healthcare	10/29/2015	\$1,804.16	No new value, but transfer amount low.	Do not pursue
United Healthcare Insurance Company	8/26/2015	\$107,417.10	No new value, but OCB defense. Monthly	Do not pursue
United Healthcare Insurance Company	10/1/2015	\$111,143.51	No new value, but OCB defense. Monthly	Do not pursue
United Healthcare Insurance Company	10/29/2015	\$109,389.99	No new value, but OCB defense. Monthly	Do not pursue
Universal Music Group Distribution	9/4/2015	\$290,705.66	NV brings exposure down to \$0	Do not pursue
Universal Music Group Distribution	9/30/2015	\$48,536.59	NV brings exposure down to \$0	Do not pursue
Universal Music Group Distribution	9/30/2015	\$203,972.95	NV brings exposure down to \$0	Do not pursue
Universal Music Group Distribution	10/7/2015	\$87,977.55	NV brings exposure down to \$0	Do not pursue
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$780.08	No new value, but transfer amount low.	Do not pursue
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$780.08	No new value, but transfer amount low.	Do not pursue
Vaibhav Krishna Irugu Guruswamy	10/2/2015	\$2,397.34	No new value, but transfer amount low.	Do not pursue
Verizon Wireless (Rdio Inc.)	8/24/2015	\$435.11	NV brings exposure down to \$530.81	Do not pursue
Verizon Wireless (Rdio Inc.)	9/24/2015	\$571.86	NV brings exposure down to \$530.81	Do not pursue
Warner Music Group	9/8/2015	\$177,671.77	NV brings exposure down to \$259,500.08	Potential exposure of \$260K bc no obvious OCB
Warner Music Group	9/30/2015	\$3,675.84	NV brings exposure down to \$259,500.08	Potential exposure of \$260K bc no obvious OCB
Warner Music Group	11/4/2015	\$275,000.00	NV brings exposure down to \$259,500.08	Potential exposure of \$260K bc no obvious OCB
Warner Music Group	11/13/2015	\$75,000.00	NV brings exposure down to \$259,500.08	Potential exposure of \$260K bc no obvious OCB
Wells Fargo Insurance Services	8/26/2015	\$2,675.00	No new value, but transfer amount low.	Do not pursue
Wells Fargo Insurance Services	9/22/2015	\$5,496.57	No new value, but transfer amount low.	Do not pursue
Worx (Rdio Inc.)	9/30/2015	\$34,511.39	NV brings exposure down to \$18,054.65.	Do not pursue
Worx (Rdio Inc.)	10/29/2015	\$15,833.23	NV brings exposure down to \$18,054.65.	Do not pursue
Xamarin Inc.	8/31/2015	\$70,000.00	No new value	Potential exposure of \$70K bc no obvious OCB
Yijen Liu	9/4/2015	\$2,159.81	No new value, but transfer amount low.	Do not pursue
Yijen Liu	9/4/2015	\$4,134.92	No new value, but transfer amount low.	Do not pursue
Zee Cook's, LLC	8/17/2015	\$1,392.01	No new value, but transfer amount low.	Do not pursue
Zee Cook's, LLC	10/29/2015	\$1,412.67	No new value, but transfer amount low.	Do not pursue
Zelnick & Erickson, P.C. t/a Erickson	10/14/2015	\$2,096.96	No new value, but transfer amount low.	Do not pursue
Zelnick & Erickson, P.C. t/a Erickson	11/12/2015	\$26.28	No new value, but transfer amount low.	Do not pursue

Rdio, Inc: Case Number 15-31430						
ATTACHMENT 30 TO STATEMENT OF FINANCIAL AFFAIRS						
	11/16/14 through 11/15/15					Monthly Benefit amount
Exec	Wages only	Bonus	Severance	Expense Reimbursements	Benefits (Rdio-Paid Premiums)	Paid first week of each month
Bay, Anthony	\$ 400,000.00	\$ 200,000.00		\$ 24,742.03	\$ 21,474.12	\$ 1,789.51
Grare, Maikao	\$243,844.84	\$ 70,875.00		\$ 598.74	\$ 21,474.12	\$ 1,789.51
Marc Ruxin	\$ 148,958.29	\$ 271,939.90	114,583.35	\$ 226.75	\$ 21,642.07	\$ 1,803.51
It appears that all of the transfers made to insiders, were transfers for salary, bonuses and expese reimbursements made in the ordinary course of business and/or pursuant to the terms of the employment agreemetns with each insider.						

EXHIBIT "6"

\$65,650,000 – Estate Funds (comprised of \$54,400,000 of funds held by the Debtor and the \$11,250,000 of Escrowed Funds)
 (\$ 1,264,856) – Estimated Operating Expenses, Post-Petition Interest, UST Quarterly Fees and Bankruptcy Service Copying and Mailing Costs Through Plan Effective Date¹
 (\$ 500,000) – Estimated Foreign Subsidiary Wind Down Expenses
 (\$ 250,000) – Taxes and Accounting Fees Resulting from Pandora Sale
 (\$ 350,000) – Post-Petition Retainer to Special Litigation Counsel Plus Estimated Expenses of Special Litigation Counsel
 (\$ 166,756) - Committee Professionals Unpaid Balances
 (\$ 750,000) – Estimated Fees/Expenses of the Debtor’s Counsel
 (\$ 1,000,000) – Estimated Fees/Expenses of Secured Creditors’ Counsel
 (\$ 250,000) – Plan Reserve
 (\$ 130,326) – Priority Tax Claims
 (\$ 4,500,000) – Estimated Class 1 Claim
 (\$ 273,909) – Class 3 Claims
 (\$ 8,000,000) – Unsecured Creditors Fund

 \$48,214,153

$\$48,214,153 / \$184,000,000 = 26.2\%^2$

¹ Assuming a Plan Effective Date of August 31, 2016

² This figure assumes that Pulser ultimately receives 100% of the Escrowed Funds and that there are no allowed Indemnity Claims

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document: **DISCLOSURE STATEMENT DESCRIBING DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION (DATED JUNE 1, 2016)** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **June 1, 2016**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Ron Bender rb@lnbyb.com
- Kathryn M.S. Catherwood kcatherwood@foley.com, vgoldsmith@foley.com
- Andrea Cheuk acheuk@teslamotors.com, scastro@teslamotors.com
- John D. Fiero jfiero@pszjlaw.com, ocarpio@pszjlaw.com
- Robert A. Franklin Franklin.Robert@Dorsey.com, bobf_94303@yahoo.com
- Philip A. Gasteier pag@lnrb.com
- Julie M. Glosson julie.m.glosson@usdoj.gov
- Debra I. Grassgreen dgrassgreen@pszjlaw.com, hphan@pszjlaw.com
- Stephan Hornung hornung@lsellp.com
- Thomas T. Hwang Hwang.Thomas@Dorsey.com
- Lynette C. Kelly lynette.c.kelly@usdoj.gov, ustpreion17.oa.ecf@usdoj.gov
- Monica Y. Kim myk@lnbyb.com
- Andy S. Kong kong.and@arentfox.com
- Paul J. Laurin plaurin@btlaw.com, slmoore@btlaw.com
- Annie Li annie.li@skadden.com, Brigitte.Travaglini@skadden.com
- John William Lucas jlucas@pszjlaw.com, ocarpio@pszjlaw.com
- Thor D. McLaughlin tmclaughlin@allenmatkins.com
- Krikor J. Meshefejian kjm@lnbyb.com
- Stephen T. O'Neill ONeill.Stephen@Dorsey.com
- Office of the U.S. Trustee / SF USTPRegion17.SF.ECF@usdoj.gov, ltroxas@hotmail.com
- J. Alexandra Rhim arhim@hrhlaw.com
- Richard A. Rogan rrogan@jmbm.com, jb8@jmbm.com
- Jason Rosell jrosell@pszjlaw.com, sshoemaker@pszjlaw.com
- Harvey S. Schochet Harveyschochet@dwt.com
- Jane K. Springwater jspringwater@friedmanspring.com
- Michael St. James ecf@stjames-law.com
- Sabrina L. Streusand streusand@slollp.com, prentice@slollp.com
- Bennett G. Young byoung@jmbm.com, jb8@jmbm.com

2. SERVED BY UNITED STATES MAIL: On **June 1, 2016**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

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☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **June 1, 2016**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

June 1, 2016	Lourdes Cruz	/s/ Lourdes Cruz
<i>Date</i>	<i>Type Name</i>	<i>Signature</i>