

1 DAVID L. NEALE (SBN 141225)
2 KRIKOR J. MESHEFEJIAN (SBN 255030)
3 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
4 10250 Constellation Boulevard, Suite 1700
5 Los Angeles, California 90067
6 Telephone: (310) 229-1234; Facsimile: (310) 229-1244
7 Email: dln@lnbyb.com; kjm@lnbyb.com

8 Attorneys for Chapter 11 Debtors
9 and Debtors in Possession

10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**
12 **LOS ANGELES DIVISION**

13 In re:
14 EVEN ST. PRODUCTIONS LTD.,
15 Debtor.

Lead Case No.: 2:13-bk-24363-WB

Jointly administered with:

2:13-bk-24389-WB
(Majoken, Inc.)

16 In re:
17 MAJOKEN, INC.,
18 Debtor.

Chapter 11 Cases

DISCLOSURE STATEMENT
DESCRIBING DEBTORS' LIQUIDATING
PLAN (DATED OCTOBER 21, 2016)

- 19 Affects All Debtors
20 Affects Even St. Productions Ltd., only
21 Affects Majoken, Inc. only

Disclosure Statement Hearing:

Date: November 21, 2016
Time: 10:00 a.m.

Plan Confirmation Hearing:

Date: TBD
Time: TBD

Place: Courtroom 1375
255 East Temple Street
Los Angeles, CA 90012

TABLE OF CONTENTS

1

2 **I. INTRODUCTION2**

3 **A. Purpose of this Disclosure Statement2**

4 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation**

5 **Hearing3**

6 **1. Time and Place of the Plan Confirmation Hearing.....4**

7 **2. Deadline For Voting For or Against the Plan4**

8 **3. Deadline for Objecting to the Confirmation of the Plan4**

9 **C. Identity of Persons to Contact for More Information Regarding the**

10 **Plan4**

11 **D. Disclaimer.....4**

12 **II. BACKGROUND.....5**

13 **A. Description and History of the Debtors’ Business and a Summary of**

14 **the Circumstances that Led to the Filing of the Debtors’ Chapter 11**

15 **Cases5**

16 **B. Significant Post-Bankruptcy Events6**

17 **1. FCBLA’s, Stewart’s and Roberts’ Efforts To Dismiss**

18 **Debtors’ The Bankruptcy Cases6**

19 **2. Removal Of The Royalty Litigation And Motion To Remand**

20 **The Royalty Litigation6**

21 **3. Motions for Relief From The Automatic Stay7**

22 **4. Motions For Turnover Of Royalties7**

23 **5. Motions For Appointment of A Trustee.....7**

24 **6. Sony/ATV Interpleader Action8**

25 **7. The Debtors’ Settlement With FCBLA8**

26 **8. The Claims of Pope, Roberts And NonDebtor Majoken8**

27 **9. The Debtors’ Disputes and Settlement With Stewart10**

28 **10. Claims Bar Date.....12**

11. Administrative Matters.....12

12. Employment of Professionals12

III. PLAN SUMMARY13

IV. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

UNDER THE PLAN15

A. What Creditors and Interest Holders Will Receive Under the Plan15

B. Unclassified Claims.....15

1	1.	Administrative Expenses	16
2	2.	Priority Tax Claims.....	18
3	C.	Classified Claims and Interests	18
4	1.	Class of General Unsecured Claims.....	18
5	2.	Classes of Priority Unsecured Claims	20
6	3.	Classes of Interest Holders	20
7	D.	Means of Effectuating the Plan and Implementation of the Plan	22
8	1.	Funding for the Plan	22
9	2.	Composition of the Reorganized Debtors	22
10	3.	Post-Confirmation Management.....	22
11	4.	Disbursing Agent	22
12	5.	Objections to Claims	22
13	6.	Avoidance Actions	23
14	7.	Employment of Officers, Employees and Professionals.....	23
15	8.	Distributions to be Made Pursuant to the Plan	23
16	9.	Exculpations and Releases	24
17	10.	Injunctions	24
18	11.	Executory Contracts and Unexpired Leases.....	25
19	12.	Changes in Rates Subject to Regulatory Commission Approval.....	25
20	13.	Retention of Jurisdiction.....	25
21	V.	TAX CONSEQUENCES OF THE PLAN.....	27
22	VI.	CONFIRMATION REQUIREMENTS AND PROCEDURES.....	29
23	A.	Who May Vote or Object.....	30
24	B.	Who May Vote to Accept/Reject the Plan	30
25	C.	What Is an Allowed Claim/Interest	30
26	D.	What Is an Impaired Claim/Interest	31
27	E.	Who Is <u>Not</u> Entitled to Vote.....	31
28	F.	Who Can Vote in More Than One Class	32
	G.	Votes Necessary to Confirm the Plan	32
	H.	Votes Necessary for a Class to Accept the Plan.....	32
	I.	Treatment of Non-Accepting Classes	32
	J.	Request for Confirmation Despite Nonacceptance by Impaired Class(es).....	33

1 **K. Liquidation Analysis33**
2 **L. Feasibility.....33**
3 **VII. RISK FACTORS REGARDING THE PLAN34**
4 **VIII. EFFECT OF CONFIRMATION OF THIS PLAN34**
5 **A. Discharge34**
6 **B. Modification of this Plan34**
7 **C. Post-Confirmation Status Reports34**
8 **D. Default Provisions And Post-Confirmation Conversion/Dismissal35**
9 **E. Limitation of Liability35**
10 **F. Final Decree35**
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 Even St. Productions Ltd. ("Even Street"), and Majoken, Inc. ("Majoken"), (collectively, the
2 "Debtors"), are the Debtors in the pending Chapter 11 bankruptcy cases. On May 31, 2013 (the
3 "Petition Date"), the Debtors commenced their bankruptcy cases by filing Voluntary Petitions under
4 Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. § 101 et seq. ("Bankruptcy Code"). On
5 June 12, 2013, the Bankruptcy Court entered orders directing the joint administration of the Debtors'
6 bankruptcy cases. Pursuant to those orders, these cases are being jointly administered. This
7 document is the Disclosure Statement which describes the Debtors' Liquidating Plan (Dated October
8 21, 2016) ("Plan") that is being proposed by the Debtors.

9 I. INTRODUCTION

10 Chapter 11 allows the Debtors, and, under some circumstances, creditors and other parties in
11 interest, to propose a plan of reorganization. The Plan is a liquidating plan which has been proposed
12 by the Debtors. The effective date of the Plan (the "Effective Date") will be the first business day
13 which is at least fifteen days following the date of entry of the Court order confirming the Plan (the
14 "Plan Confirmation Order") when and provided that all of the following conditions to the
15 effectiveness of the Plan have been satisfied or waived by the Debtors: (a) there shall not be any stay
16 in effect with respect to the Plan Confirmation Order; (b) the Plan Confirmation Order shall not be
17 subject to any appeal or rehearing; and (c) the Plan and all documents, instruments and agreements
18 to be executed in connection with the Plan have been executed and delivered by all parties to such
19 documents, instruments and agreements. Even Street following the Effective Date shall be referred
20 to as the "Reorganized Even Street" and Majoken, Inc. following the Effective Date shall be referred
21 to as the "Reorganized Majoken" and collectively they shall be referred to as the "Reorganized
22 Debtors".

23 A. Purpose of this Disclosure Statement

24 This Disclosure Statement summarizes what is in the Plan, and tells you certain information
25 relating to the Plan and the process the Court follows in determining whether or not to confirm the
26 Plan.

27 **READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO**
28

1 **KNOW ABOUT:**

2 (1) **WHO CAN VOTE OR OBJECT,**

3 (2) **WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what your claim will**
4 **receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO WHAT**
5 **YOUR CLAIM WOULD RECEIVE IN LIQUIDATION,**

6 (3) **THE HISTORY OF THE DEBTORS AND SIGNIFICANT EVENTS DURING**
7 **THEIR BANKRUPTCY CASES,**

8 (4) **WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR**
9 **NOT TO CONFIRM THE PLAN,**

10 (5) **WHAT IS THE EFFECT OF CONFIRMATION, AND**

11 (6) **WHETHER THE PLAN IS FEASIBLE.**

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

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

17 The Bankruptcy Code requires a Disclosure Statement to contain “adequate information”
18 concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure
19 Statement, containing enough information to enable parties affected by the Plan to make an informed
20 judgment about the Plan. Any party can now solicit votes for or against the Plan.

21 **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

22 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS
23 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT
24 YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN,
25 THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND INTEREST HOLDERS IN
26 THIS CASE.

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

2 The hearing where the Court will determine whether or not to confirm the Plan (the “Plan
3 Confirmation Hearing”) will take place on _____, at _____m., before the Honorable
4 Julia W. Brand, United States Bankruptcy Judge for the Central District of California, in Courtroom
5 1375, located at 255 East Temple Street, Los Angeles, California 90012.

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

7 If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and
8 return the ballot in the enclosed envelope to Krikor J. Meshefejian, Esq., Levene, Neale, Bender, Yoo
9 & Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, California 90067.

10 Your ballot must be received by _____m., PST, on _____, 2016 or it will not be
11 counted.

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

13 Objections to the confirmation of the Plan must, by _____, 2016, be filed with the Court
14 and served by same day service upon Krikor J. Meshefejian, Esq., Levene, Neale, Bender, Yoo &
15 Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los Angeles, California 90067, fax: (310) 229-
16 1244, email: kjm@lnbyb.com.

17 **C. Identity of Persons to Contact for More Information Regarding the Plan**

18 Any interested party desiring further information about the Plan should contact David L.
19 Neale, Esq. or Krikor J. Meshefejian, Esq., Levene, Neale, Bender, Yoo & Brill L.L.P., 10250
20 Constellation Blvd., Suite 1700, Los Angeles, California 90067, fax: (310) 229-1244, email:
21 dln@lnbyb.com; kjm@lnbyb.com.

22 **D. Disclaimer**

23 The financial data relied upon in formulating the Plan is based on the Debtors’ books and
24 records which, unless otherwise indicated, are unaudited. The information contained in this Disclosure
25 Statement is provided by the Debtors. The Bankruptcy Court has not yet determined whether or not
26 the Plan is confirmable and makes no recommendation as to whether or not you should support or
27 oppose the Plan.

1 **II. BACKGROUND**

2 **A. Description and History of the Debtors' Business and a Summary of the Circumstances**
3 **that Led to the Filing of the Debtors' Chapter 11 Cases**

4 The Debtors manage, promote, and monetize the rights and interests emanating from the
5 skills and talents of Sylvester Stewart p/k/a Sly Stone ("Stewart"), and the musical group Sly & the
6 Family Stone. The master recordings and musical compositions of Stewart have generated royalties
7 and licensing income for over forty (40) years ("Royalties").

8 In February 2004, First California Bank ("FCB") (by way of its predecessor Mercantile
9 National Bank), made a loan to the Debtors in the original principal amount of \$2,600,000. The
10 principal amount due on the loan was subsequently reduced to \$1,200,062.22 (the "First Loan").

11 In September 2008, FCB made a loan to the Debtors in the principal amount of \$500,000,
12 which loan was replaced in February 2010 by a subsequent loan for the principal amount of
13 \$495,000 (the "Second Loan," and, together with the First Loan, the "Loans").

14 Since approximately 2010, the Debtors and Stewart, among other parties, have engaged in
15 extensive litigation in the Los Angeles Superior Court (the "State Court") regarding, among other
16 things, the Royalties (the "Royalty Litigation"). In the Royalty Litigation, Stewart contended that
17 the Debtors did not have an interest in various royalties Stewart assigned to the Debtors in 1989,
18 claiming he was tricked into that assignment. It is the Debtors' belief that Stewart also
19 communicated these circumstances to the royalty payors and demanded that the Royalties be paid to
20 him

21 As a result of the failure to make payments on the Loans, FCB declared defaults under the
22 Loans and filed a complaint in the State Court for breaches of the promissory notes evidencing the
23 Loans and enforcement of the purported security agreements securing the Loans. On September 11,
24 2012, the State Court entered a judgment against, among others, the Debtors, jointly and severally, in
25 favor of FCB in the amount of \$1,695,065.20, plus interest and other charges (the "Judgment"). It is
26 the Debtors' belief that Stewart's actions caused the suspension of the Royalty payments and
27 rendered the Debtors unable to pay their debts as they came due, and resulted in the Judgment. It is
28

1 the Debtors' position that the judgment would not have been entered but for the litigation Stewart
2 commenced and demands he made in the first place which deprived the Debtors of their ability to
3 use their Royalties to pay the Loans. The Debtors understand that Stewart disagrees with the
4 Debtors' position regarding these matters. As explained below, the Debtors and Stewart have settled
5 their disputes.

6 On or about April 22, 2013, FCBLA, LLC (an entity created by Stewart's attorneys)
7 purchased the Judgment from FCB. FCBLA purchased the Judgment for the sum of approximately
8 \$1,100,000.

9 Thereafter, FCBLA gave notice of its intent to enforce its rights, as the alleged successor in
10 interest with respect to the Judgment, to foreclose upon substantially all of the Debtors' assets,
11 including, without limitation, the Royalties, on June 3, 2013.

12 In response to FCBLA's notice of intended foreclosure on the Debtors' assets, the Debtors
13 commenced their respective bankruptcy cases by filing voluntary petitions under Chapter 11 of 11
14 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") on May 31, 2013 (the "Petition Date"). The Debtors
15 continue to operate their business, manage their financial affairs and operate their bankruptcy estates
16 as debtors in possession. The Debtors' cases are being jointly administered.

17 **B. Significant Post-Bankruptcy Events**

18 **1. FCBLA's, Stewart's and Roberts' Efforts To Dismiss Debtors' The Bankruptcy**
19 **Cases.**

20 At the outset of these cases, FCBLA, Stewart, Kenneth Roberts ("Roberts"), and Majoken
21 Inc. ("Nondebtor Majoken") filed a motion to dismiss these bankruptcy cases. That motion was
22 opposed by the Debtors and denied by the Court.

23 **2. Removal Of The Royalty Litigation And Motion To Remand The Royalty**
24 **Litigation.**

25 At the outset of these cases, the Debtors removed the Royalty Litigation from the State Court
26 to the Bankruptcy Court. Stewart, Roberts and Nondebtor Majoken filed a motion to remand the
27 Royalty Litigation. That motion was opposed by the Debtors but was granted by the Court.
28

1 **3. Motions for Relief From The Automatic Stay.**

2 At the outset of these cases, FCBLA filed a motion for relief from the automatic stay so that
3 FCBLA could proceed with its foreclosure of the Debtors' assets in which FCBLA claimed a
4 security interest. The Debtors opposed that motion and the Court denied that motion.

5 Also at the outset of these cases, Stewart, Roberts and Nondebtor Majoken filed a motion for
6 relief from the automatic stay, so that they could proceed with the Royalty Litigation. The Debtors
7 opposed that motion. On July 25, 2013, the Court entered an order granting relief from the
8 automatic stay to allow Stewart, Roberts and Nondebtor Majoken to proceed to final judgment in the
9 Royalty Litigation.

10 **4. Motions For Turnover Of Royalties**

11 During their bankruptcy cases, the Debtors sought the turnover of the Royalties. On July 13,
12 2015, the Bankruptcy Court entered its *Order Directing Release of Interpleaded Funds to Even St.*
13 *Productions Ltd. and Directing Payment of Royalties to Even St. Productions Ltd.* (the "Turnover
14 Order"). Pursuant to the Turnover Order, all of the funds held in the State Court interpleader
15 account were delivered to Even St. and placed into a segregated debtor-in-possession bank account
16 (the "Royalty Account"). All additional Royalty payments that have been received by the Debtors
17 since the entry of the Turnover Order have been deposited into the Royalty Account.

18 On or about August 13, 2015, the Debtors filed their *Motion for Entry of Order Releasing*
19 *Royalties in the Possession of Broadcast Music, Inc. to Even St. Productions Ltd. and Directing*
20 *Payment of Future Royalties to Even St. Productions Ltd.* (the "BMI Turnover Motion"), pursuant to
21 which the Debtors requested that all Royalties in the possession of BMI be delivered to the Debtors
22 for deposit in the Royalty Account. On September 14, 2015, the Bankruptcy Court entered its order
23 denying the BMI Turnover Motion. As a result, BMI has remained in possession of all of the
24 Royalties otherwise payable by BMI (the "BMI Royalties").

25 **5. Motions For Appointment of A Trustee**

26 On April 7, 2016, Virginia Pope ("Pope") filed a motion to appoint a trustee in these cases.
27 That motion was joined by Stewart and Claire Levine. On April 14, 2016, Stewart filed a separate
28

1 motion to appoint a trustee in these cases. That motion was joined by Claire Levine. The Debtors
2 opposed the motions and the court denied the motions.

3 **6. Sony/ATV Interpleader Action**

4 On September 9, 2015, Sony/ATV filed a motion in this Court seeking authorization to apply
5 funds from Sony/ATV's interpleader deposits to attorneys' fees. The Debtors opposed that motion.
6 After a hearing on that motion, this Court took the matter under submission. On March 31, 2016,
7 this Court entered an order denying Sony/ATV's motion.

8 **7. The Debtors' Settlement With FCBLA**

9 On May 29, 2015, the Debtors filed a complaint in the Bankruptcy Court against FCBLA
10 (Adversary Proceeding No. 2:15-ap-01285-WB), for disallowance of FCBLA's claims and equitable
11 subordination of FCBLA's claims. The Debtors and FCBLA thereafter engaged in substantial
12 settlement discussions in connection with all of the parties' respective claims, including FCBLA's
13 claims filed against the Debtors, and entered into a settlement agreement resolving their disputes.
14 The Court approved that settlement agreement and the parties have effectuated that settlement
15 agreement, pursuant to which the claims of FCBLA have been satisfied in their entirety and the
16 complaint against FCBLA has been dismissed.

17 **8. The Claims of Pope, Roberts And NonDebtor Majoken**

18 Roberts and Nondebtor Majoken claimed one or the other was entitled to publishing royalties
19 payable by BMI which had been assigned by Stewart to Even Street in February 1989, pursuant to
20 earlier assignments by Stewart. Pope subsequently claimed that she is the successor in interest to
21 Roberts. But BMI had paid its royalties to Majoken (to which they had been assigned by Even
22 Street in 1996). As a result, Roberts, Pope, and Nondebtor Majoken asserted claims against BMI,
23 Even Street, Majoken and others to recover the amount of the royalties which had been paid by BMI
24 to Majoken (as defined above, the BMI Royalties).

25 On July 28, 2014, the State Court granted a summary declaratory judgment against the
26 Debtors in which it was found that Roberts was the owner of the BMI royalties from 1976 through
27 2009. There was no monetary award against BMI, Even Street or Majoken.

1 Roberts and Nondebtor Majoken thus proceeded in a jury trial against BMI in September
2 2014. On September 10, 2014, a jury returned a verdict against Roberts and Nondebtor Majoken
3 finding that neither could enforce Stewart's assignments against BMI and therefore were not entitled
4 to recover any money from BMI. There was a judgment entered in favor of BMI, but that judgment
5 was reversed by the Court of Appeal and the claims have been remitted to the State Court for further
6 proceedings, including a new trial.

7 Roberts and Nondebtor Majoken then proceeded in a bench trial against Even Street,
8 Majoken and others on March 23, 2015.

9 On February 25, 2016, the State Court entered its Final Statement of Decision in connection
10 with Roberts', Pope's and Nondebtor Majoken's claims against the Debtors, Gerald Goldstein, and
11 Glenn Stone. The Debtors submitted that Final Statement of Decision to this Court.

12 As set forth in that Final Statement of Decision, the State Court "finds in favor of cross-
13 defendants Gerald Goldstein, Glenn Stone, Even St. Productions, LTD., and Majoken, Inc.
14 (Goldstein Majoken) on each of the causes of action asserted in the amended cross-complaint. The
15 court finds in favor of defendants Gerald Goldstein, Glenn Stone, Even St. Productions, LTD., and
16 Majoken, Inc. (Goldstein Majoken) on Virginia Pope's cause of action for conspiracy. The court
17 determines cross-defendants and defendants to be the prevailing parties and awards cost and fees in
18 an amount to be determined on subsequent motion." *See* Statement of Decision, p. 7.

19 Remarkably, on October 6, 2015, Roberts and Nondebtor Majoken filed amended proofs of
20 claim against the Debtors, asserting claims of conversion against the Debtors, and claiming that "the
21 state court declined to try the conversion claim." *See Attachment to Amended Proof of Claim 6-1, p.*
22 *1.* However, the State Court had previously dismissed Roberts' and Nondebtor Majoken's
23 conversion claim, denied Pope's motion to reinstate the conversion claim, and had entered the Final
24 Statement of Decision.

25 On May 10, 2016, the State Court entered a Final Judgment As Between Virginia Pope And
26 Majoken Inc. On The One Hand And Gerald Goldstein, Glenn Stone, Even St. Productions, Ltd.,
27 Majoken, Inc. On The Other, which adopted the Final Statement of Decision, and ordered, adjudged,
28

1 and decreed that “Pope shall take nothing on the 4AC as against the Goldstein Parties”, and “Roberts
2 Majoken shall take nothing on the Amended Cross-Complaint as against the Goldstein Parties”. The
3 Debtor has submitted that Judgment to this Court.

4 On May 31, 2016, Pope filed a notice of appeal of the above-referenced Judgment, and the
5 Debtors have appealed the State Court’s judgment entered on December 19, 2014 against the
6 Debtors.

7 In the meantime, on May 24, 2016, the Debtors filed that certain *Notice Of Motion And*
8 *Motion To Disallow Proofs of Claim Of Virginia Pope, Successor To Ken Roberts, Ken Roberts And*
9 *Majoken Inc.; Or, In the Alternative, Estimate Such Claims* (the “Claim Objection”).

10 On August 23, 2016, this Court entered that certain *Order Re Motion To Disallow Proofs Of*
11 *Claim Of Virginia Pope, Successor To Ken Roberts And Majoken Inc.; Or, In The Alternative,*
12 *Estimate Such Claims*. Pursuant to that order, the claims filed by Nondebtor Majoken have been
13 disallowed, the claim filed by Virginia Pope against Even Street has been estimated at \$0.00 for all
14 purposes in Even Street’s bankruptcy case, and the claim filed by Ken Roberts against Majoken has
15 been estimated at \$0.00 for all purposes in Majoken’s bankruptcy case.

16 **9. The Debtors’ Disputes and Settlement With Stewart**

17 On or about January 27, 2015, a jury in the Royalty Litigation returned a verdict in favor of
18 Stewart and against Even Street, in the amount of \$2,500,000 for breach of an employment
19 agreement by and between Stewart and Even Street; in favor of Stewart and against Gerald Goldstein
20 in the amount of \$2,450,000 for money had and received; in favor of Stewart and against Glenn
21 Stone in the amount of \$50,000 for money had and received; and in favor of Even Street and against
22 Stewart for breach of an employment agreement, with no award of damages (the “Jury Verdict”).

23 On February 24, 2016, the State Court issued its *Final Statement Of Decision On Plaintiff’s*
24 *16th Cause Of Action For Declaratory Relief*, pursuant to which the State Court concluded, among
25 other things, that Stewart had irrevocably assigned his interest in the Royalties to the Debtors, and,
26 therefore, that the Royalties under the 1989 Assignment are owned by the Debtors.

27 On May 29, 2015, the Debtors filed a complaint in the Bankruptcy Court against Sylvester
28

1 Stewart to avoid and recover fraudulent transfers in the amount of \$569,684.98 made to or for the
2 benefit of Stewart. On June 26, 2015, Stewart filed a motion to dismiss the complaint. The Debtors
3 then amended their complaint and Stewart filed a motion to dismiss the Debtor's first amended
4 complaint. The Debtors have filed a second amended complaint. On December 15, 2015, Stewart
5 filed a motion to dismiss the second amended complaint. Pursuant to settlement discussions
6 between the parties, the Debtors and Stewart have agreed to extend, from time to time, the Debtors'
7 deadline to oppose Stewart's motion to dismiss the second amended complaint and related deadlines
8 and dates in the adversary proceeding.

9 On August 5, 2016, Even St., Goldstein and Stone filed Notices of Intention to move for a
10 new trial and such motions were thereafter filed on August 24, 2016. After these motions were filed,
11 the parties agreed to further mediate their disputes.

12 On September 20, 2016, the Debtors, Stewart and other parties in the Royalty Action
13 engaged in mediation before the Honorable Meredith A. Jury, United States Bankruptcy Judge for
14 the Central District of California – Riverside Division. The conference started at 9:00 a.m. and
15 concluded at approximately 7:30 p.m. The mediation was successful, in that the Debtors and
16 Stewart agreed to settle their disputes, including the allowed amount and treatment of Stewart's
17 claim, the manner in which claims would get paid in this case (by a sale of certain assets), and
18 mutual and general releases. The terms of settlement were stated on the record before Judge Jury.
19 The parties acknowledged their agreement, and acknowledged that such terms are enforceable
20 pursuant to California Code of Civil Procedure Section 664.6, but that terms will be further
21 memorialized in a writing agreement to be signed by the parties and presented to the Court for
22 approval.

23 On October 4, 2016, the State Court issued an order in the Royalty Litigation on the
24 motions by Even St. and Mr. Goldstein for new trials and Mr. Stone for judgment notwithstanding
25 the verdict. By that order, the State Court granted new trials to Even St. and Mr. Goldstein
26 finding, among other things, that the January 27, 2015 jury verdict referenced above was based
27 upon insufficient evidence and jury misconduct. This order rendered the Jury Verdict a nullity as
28

1 against Even St. and Mr. Goldstein. The State Court also granted judgment in favor of Mr. Stone
2 and against Stewart based upon a lack of evidence of any wrongdoing. This ruling also nullified
3 the award of prejudgment interest by the State Court to Stewart in the Royalty Litigation.

4 On October 13, 2016, the Debtors filed that certain *Motion For Entry Of An Order*
5 *Approving Settlement Agreement And Mutual Release Pursuant To Rule 9019 Of The Federal Rules*
6 *Of Bankruptcy Procedure* (the "Stewart Settlement Motion") pursuant to which the Debtors asked
7 the Court to approve that certain *Settlement Agreement And Mutual General Release* (the
8 "Agreement"). A true and correct copy of the Agreement is attached as Exhibit "1" hereto and
9 incorporated herein by this reference. Capitalized terms not otherwise defined have the same
10 meaning ascribed to such terms in the Agreement.

11 **10. Claims Bar Date**

12 The Court established September 25, 2013 as the deadline for creditors to file proofs of claim
13 in this case (other than governmental claims and lease rejection damage claims who have a separate
14 claims bar date).

15 **11. Administrative Matters**

16 The Debtor has addressed the various administrative matters attendant to the commencement
17 of its Chapter 11 bankruptcy case, including filing the Debtor's Schedule of Assets and Liabilities
18 and Statement of Financial Affairs with the Court, and 7-Day Package with the UST. The Debtor
19 also attended its initial interview with the UST, and the meeting of creditors required under 11
20 U.S.C. § 341(a). The Debtor also files its Monthly Operating Reports, and the Debtor is current with
21 its reporting obligations.

22 **12. Employment of Professionals**

23 The Debtors have employed Levene, Neale, Bender, Yoo & Brill L.L.P. ("LNBYB") as their
24 general bankruptcy counsel. The Debtors have employed G&M as their litigation counsel in the
25 Royalty Litigation. The Debtors have employed R. Eli Ball as the Debtors' broker to market and sell
26 the Debtors' interests in the royalties and other intellectual property that constitute property of the
27 Debtors' bankruptcy estates, subject to the terms of the Agreement with Stewart. The Debtors has
28

1 employed Ervin, Cohen & Jessup LLP as the Debtor's special counsel.

2 **III. PLAN SUMMARY**

3 The Plan will be funded by a combination of: (i) the Debtors' cash on hand, the BMI
4 Royalties, and any other Royalties collected between now and the Effective Date (collectively, the
5 "Cash" or "Cash on Hand"); and (ii) the proceeds of the "Asset Disposition" (as defined below)(the
6 "Sale Proceeds"). The Debtors estimate that the amount of Cash on Hand, will be approximately at
7 least \$3,600,000 as of the Effective Date.

8 The Debtors shall transfer all right, title and interest in and to certain specified assets
9 pursuant to Section 363 of the Bankruptcy Code (the "Asset Disposition"). The assets which shall
10 be subject to the Asset Disposition shall be the right to receive Royalties pursuant to the 1989
11 Assignment derived from the use or exploitation of (a) all musical compositions written in whole or
12 part by Stewart which are now owned by Mijac Music (excluding any rights to recapture or
13 reversionary rights available to Stewart or his heirs, which the Debtors agree do not constitute
14 property of the Debtors' respective bankruptcy estates, and, as between the Debtors and Stewart, are
15 the sole and exclusive property of Stewart or his heirs as described in paragraph 2.10 of the
16 Agreement); and (b) all the master recordings of Sly & the Family Stone and Sly Stone which are
17 now owned by Sony Music Entertainment and Warner Brothers Records, and (c) all rights now
18 known or hereafter created or derived from Royalties in connection with the collective assets
19 described in (a) and (b), above, and hereafter referred to as the "Sale Assets." For the avoidance of
20 doubt, the Sale Assets shall include (i) the songwriters' Royalties payable from Sony ATV/Mijac
21 Music; (ii) the Royalties and consulting fees payable to Even St. for Sly & the Family Stone and
22 Sylvester Stewart p/k/a Sly Stone from Warner Brothers Records and Sony Music Entertainment
23 pursuant to the letter agreement and related Consultation Agreement between Even St. and Sony
24 Music Entertainment, Inc. dated December 18, 2002; (iii) the public performance Royalties related
25 to the Mijac catalogue payable by BMI or any other public performance payors; and (iv) the digital
26 public performances royalties payable by SoundExchange relating to Sony Music Entertainment and
27 Warner Brothers Records master recordings. The Debtors shall not include any other assets other
28

1 than the Sale Assets in the Asset Disposition. For avoidance of ambiguity, any Royalties payable to
2 Stewart from AFM, AFTRA, SAG, Talent Partners, and PPM [*Public Performance Malaysia Sdn*
3 *Bhd*] for live public performance in Malaysia, shall be the sole property of Stewart, and the Debtors
4 disclaim any interest therein.

5 The Debtors intend to conduct an auction of the Sale Assets and the Asset Disposition will be
6 subject to overbidding and the approval of the Bankruptcy Court. The terms of the Asset
7 Disposition will be consistent with the terms of the Agreement. The Debtors may sell the Sale Assets
8 prior to confirmation of the Plan. The Debtors project that the Cash and the Sale Proceeds will be
9 sufficient to pay all allowed claims in full.

10 **Class 1** under the Plan consists of all non-priority general unsecured claims except for the
11 allowed general unsecured claims of Glenn Stone. The Debtors are in the process of reviewing all
12 filed proofs of claim. Based upon the claims asserted and scheduled, and stipulations resolving
13 certain claims, or orders disallowing certain claims, the Debtors currently believe that there will be a
14 total of approximately \$2,228,036.80 - \$3,240,535.69 of class 1 allowed claims. Under the Plan, all
15 allowed class 1 claims will be paid in full from the Cash and/or the Sale Proceeds.

16 Within ten (10) business days after the Effective Date of the Plan, creditors holding allowed
17 class 1 claims which are not disputed by the Debtor or Reorganized Debtors shall receive a pro rata
18 distribution of Cash remaining *after* setting aside reserves in amounts to be determined by the
19 Bankruptcy Court at the Plan Confirmation hearing for all (1) unpaid priority claims; (2) unpaid
20 administrative claims; and (3) all disputed, contingent or unliquidated claims (the "General
21 Unsecured Creditor Cash").

22 To the extent an allowed class 1 claim has not been paid in full from the General Unsecured
23 Creditor Cash, such allowed class 1 claim shall be paid from the Sale Proceeds remaining after: (1)
24 the payment of any allowed priority claims which have not been satisfied with the Cash; (2) the
25 payment of any allowed administrative claims which have not been satisfied with the Cash; (3) the
26 payment of any tax obligations of the Debtors and Reorganized Debtors which have not been
27 satisfied, including any tax obligations incurred as a result of the Asset Disposition (the "General
28

1 Unsecured Creditor Sale Proceeds”). The General Unsecured Creditor Sale Proceeds will be
2 distributed to holders of allowed class 1 claims on a pro rata basis within ten (10) business days after
3 the payment of all allowed claims which have priority over general unsecured claims.

4 **Class 2** under the Plan consists of the allowed general unsecured claims of Glenn Stone.
5 Under the Plan, Mr. Stone’s allowed class 2 claims will be paid in full from the Cash and/or the Sale
6 Proceeds only *after* all allowed class 1 claims have been paid in full.

7 **Class 3** under the Plan consists of the current existing equity interests in Even Street, which
8 will initially remain intact. Even Street may elect to convert its entity structure to a limited liability
9 company on or after the Effective Date. After payment of all allowed claims in full, any remaining
10 funds in the Debtors’ estates shall be divided 50% to Allan Law Group P.C. in trust for Sylvester
11 Stewart or his assignees and 50% to TAG or its assignees. Following the entry of final decrees in
12 these cases, Even Street shall be deemed dissolved.

13 **Class 4** under the Plan consists of the current existing equity interests in Majoken, which will
14 initially remain intact, and which will not receive any distribution under the Plan. Majoken may
15 elect to convert its entity structure to a limited liability company on or after the Effective Date.
16 Following the entry of final decrees in these cases, Majoken shall be deemed dissolved.

17 **IV. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER**
18 **THE PLAN**

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

20 As required by the Bankruptcy Code, the Plan classifies claims and interests in various
21 classes according to their right to priority. The Plan states whether each class of claims or interests
22 is impaired or unimpaired. The Plan provides the treatment each class will receive.

23 **B. Unclassified Claims**

24 Certain types of claims are not placed into voting classes; instead they are unclassified. They
25 are not considered impaired and they do not vote on the Plan because they are automatically entitled
26 to specific treatment provided for them in the Bankruptcy Code. As such, the Debtors have not
27 placed the following claims in a class:
28

1. Administrative Expenses

Administrative expenses are claims for costs or expenses of administering the Debtors' Chapter 11 cases which are allowed under Bankruptcy Code Section 507(a)(2). The Bankruptcy Code requires that all administrative claims be paid on the Effective Date unless a particular claimant agrees to a different treatment.

The following chart lists all of the Debtors' § 507(a)(2) administrative claims and their treatment under the Plan:

<u>Name</u>	<u>Amount Owed</u>	<u>Treatment</u>
Clerk's Office Fees	\$0	Paid in full on the Effective Date
Office of the U.S. Trustee Fees	\$0	Paid in full on the Effective Date
Levene, Neale, Bender, Yoo & Brill L.L.P. (" <u>LNBYB</u> "), bankruptcy counsel to the Debtors	\$850,000 (est.)	Paid in full on the later of the Effective Date and the date the Court enters an order allowing such fees and costs
Gradstein & Marzano, A Professional Corporation (" <u>G&M</u> "), special counsel to the Debtors	\$600,000 of fees, and allowed costs to be determined by the Court	Paid in full on the later of the Effective Date and the date the Court enters an order allowing G&M's fees and costs; the attorneys' fees portion of this claim has been capped at \$600,000 in conjunction with the Stewart settlement
Ervin Cohen & Jessup LLP (" <u>ECJ</u> "), special counsel to the Debtors	\$0 (est.)	Paid in full on the later of the Effective Date and the date the Court enters an order allowing such fees and costs
R. Eli Ball (" <u>Ball</u> "), sale agent and broker to the Debtors	\$TBD	Paid in full on the later of the Effective Date and the date the Court enters an order allowing such fees and costs from the Sale Proceeds (defined below)
John Frankenheimer, sale agent and broker to the Debtors	\$TBD	Paid in full on the later of the Effective Date and the date the Court enters an order allowing such fees and costs from the Sale Proceeds (defined below)
Post-petition tax obligations	\$TBD	Paid in full on the later of the Effective Date and the date the

		Court enters an order allowing such claims
Post-Petition Non-Professional Fee Administrative Claims	\$0 (approx.) of post-petition accounts payable accrued in the ordinary course of the Debtor's business.	Paid in full in the ordinary course of the Reorganized Debtors' businesses or following the entry of an order of the Court if a dispute exists between the Reorganized Debtors and the administrative claim holder
TOTAL	\$TBD	Paid in the manner described above

Court Approval of Fees Required:

The Court must approve all professional fees and costs listed in this chart before they may be paid. For all professional fees and costs except fees owing to the Clerk of the Bankruptcy Court and fees owing to the OUST, 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 costs allowed by the Court will be required to be paid under the Plan. The administrative claim amounts set forth above simply represent the Debtors' best estimate as to the amount of allowed administrative claims in this case. The actual administrative claims may be higher or lower. Much of whether the actual administrative claims described above for professionals will be dependent upon whether the Debtors are required to engage in any substantial litigation regarding the confirmation of the Plan and/or objecting to claims. To the extent the Debtors are required to engage in any such substantial litigation, the Debtors' professionals are likely to incur professional fees and expenses in excess (and possibly substantially in excess) of the figures set forth above. By voting to accept the Plan, creditors are not acknowledging the validity of, or consenting to the amount of, any of these administrative claims, and creditors are not waiving any of their rights to object to the allowance of any of these administrative claims. Similarly, professionals who have been employed in this case are not being deemed to have agreed that the figures contained herein represent any ceiling on the amount of fees and costs that they have incurred or are entitled to seek to be paid pursuant to Court order as such fees and costs are just estimates provided at the time of the preparation of this Disclosure Statement.

2. Priority Tax Claims

Priority tax claims include certain taxes described by Section 507(a)(8) of the Bankruptcy Code. Section 1129(a)(9)(C) of the Bankruptcy Code requires that each holder of such a Section 507(a)(8) priority tax claim receive regular installment payments of a total value, as of the Effective Date, equal to the allowed amount of such allowed tax claims, over a period ending not later than five years after the Petition Date. The Debtors are aware of the following priority tax claims, but the Debtors may incur additional priority tax liabilities depending upon the Debtor’s preparation and filing of returns for pre-petition tax years:

Claimant	Asserted Claim Amount	Debtor claim filed against
Internal Revenue Service	\$4,537.24	Majoken
Franchise Tax Board	\$3,287.49	Even Street
Franchise Tax Board	\$821.97	Majoken
City of Los Angeles Office of Finance	\$1,027.45	Even Street
City of Los Angeles Office of Finance	\$7,947.45	Majoken
TOTAL	\$17,621.60	

All allowed priority tax claims will be paid in full within ten (10) days after the Effective Date from the Cash and/or the Sale Proceeds.

C. Classified Claims and Interests

1. Class of General Unsecured Claims

General unsecured claims are unsecured claims not entitled to priority under Bankruptcy Code Section 507(a). The following chart identifies the Plan’s treatment of the class containing all of the Debtors’ non-priority general unsecured claims (see Exhibit “2” to this Disclosure Statement for detailed information about each general unsecured claim and whether the Debtors dispute the claim):

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
1	All non-priority general unsecured claims except the claims of Glenn Stone.	To the extent that there is not sufficient General Unsecured	Within ten (10) business days after the Effective Date of the Plan, creditors holding allowed class 1 claims which are not disputed by the Debtors or Reorganized Debtors

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

	<p>The Debtors estimate that allowed class 1 non-priority general unsecured claims will total between \$2,228,036.80 and \$3,240,535.69.</p>	<p>Creditor Cash and/or General Unsecured Creditor Sale Proceeds prior to or on the Effective Date to pay allowed class 1 claims in full, then class 1 is impaired and allowed claims in this class are entitled to vote on the Plan.</p> <p>However, to the extent that there is sufficient General Unsecured Creditor Cash and/or General Unsecured Creditor Sale Proceeds prior to or on the Effective Date to pay all allowed class 1 claims in full, then class 1 is not impaired and allowed</p>	<p>shall receive a pro rata distribution of the General Unsecured Creditor Cash.</p> <p>To the extent an allowed class 1 claim has not been paid in full from the General Unsecured Creditor Cash, such allowed class 1 claim shall be paid from the General Unsecured Creditor Sale Proceeds. The General Unsecured Creditor Sale Proceeds will be distributed to holders of allowed class 1 claims on a pro rata basis within ten (10) business days after the payment of all allowed claims which have priority over general unsecured claims.</p>
--	--	--	---

		claims in this class are not entitled to vote on the Plan.	
--	--	--	--

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
2	The allowed general unsecured claims of Glenn Stone.	Impaired; allowed claims in this class are entitled to vote on the Plan.	The Reorganized Debtors will pay Mr. Stone's allowed class 2 claim in full from the Cash and/or Sale Proceeds only after all allowed class 1 claims have been paid in full.

2. Classes 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. The Debtors do not believe any such claims exist.

3. Classes of Interest Holders

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

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
3	All equity holders, including holders of common stock, preferred stock, stock options, warrants, etc. of Even Street.	Impaired; allowed interests in this class are entitled to vote on the Plan.	Class 3 equity interests in Even Street will initially remain intact. Even Street may elect to convert its entity structure to a limited liability company on or after the Effective Date. After payment of all allowed claims in full, any remaining funds in the Debtors' estates shall be divided 50% to Allan Law Group P.C. in trust for Sylvester Stewart or his assignees and 50% to TAG or its assignees. Following the entry of final decrees in these cases, Even Street shall be deemed dissolved.

<u>CLASS #</u>	<u>DESCRIPTION</u>	<u>IMPAIRED (Y/N)</u>	<u>TREATMENT</u>
4	All equity holders, including holders of common stock, preferred stock, stock options, warrants, etc. of Majoken.	Impaired; allowed interests in this class are not entitled to vote on the Plan because they will not receive any distribution under the Plan and are therefore deemed to have rejected the Plan.	Class 4 equity interests in the Majoken will initially remain intact but will not receive any distributions under the Plan. Majoken may elect to convert its entity structure to a limited liability company on or after the Effective Date. Following the entry of final decrees in these cases, Majoken shall be deemed dissolved.

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

2 **1. Funding for the Plan**

3 The treatment of all claim holders will occur in the manner described above. All cash
4 distributions under the Plan will be funded from the Cash and/or Sale Proceeds. In addition, the
5 Reorganized Debtors intend to pursue collection of any unpaid Royalties, as may be determined
6 following one or more audits of Royalty-paying entities. The Debtors may elect to sell these audit
7 rights as part of an Asset Disposition.

8 **2. Composition of the Reorganized Debtors**

9 Holders of class 3 equity interests in Even Street will own all of the equity interests in the
10 Reorganized Even Street in the manner described above.

11 Holders of class 3 equity interests in Majoken will own all of the equity interests in the
12 Reorganized Majoken in the manner described above.

13 **3. Post-Confirmation Management**

14 The management of the Reorganized Debtors will be identical to the current management of
15 the Debtors (meaning that Gerald Goldstein will continue to serve as President of the Debtors).

16 **4. Disbursing Agent**

17 The Reorganized Debtors will serve as the disbursing agents for purposes of making all
18 distributions required to be made under the Plan. The Reorganized Debtors will not charge any
19 disbursing agent fee for making such distributions.

20 **5. Objections to Claims**

21 The Debtors or the Reorganized Debtors, as the case may be, may file objections to all claims
22 which are inconsistent with the Debtors' books and records unless the Debtors deem the
23 inconsistency to be insignificant. As provided by Section 502(c) of the Bankruptcy Code, the Court
24 may estimate any contingent or unliquidated disputed claim for purposes of confirmation of the Plan.
25 The Reorganized Debtors will have the authority to file any objections to claims following Plan
26 confirmation (or to continue with the prosecution of any claims objections commenced by the
27 Debtors prior to Plan confirmation), and the Court shall retain jurisdiction over the Reorganized
28

1 Debtors and these cases to resolve such objections to claims following Plan confirmation. Nothing
2 contained in the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtors
3 of any rights of setoff or recoupment, or of any defense, the Debtors or the Reorganized Debtors may
4 have with respect to any claim.

5 **6. Avoidance Actions**

6 All claims, causes of action and avoidance actions of the Debtor and its estate, to the extent
7 remaining and to the extent not settled, are not affected by the Plan, and the Reorganized Debtor
8 shall have full power and authority to settle, adjust, retain, enforce or abandon any claim, cause of
9 action or avoidance actions as the representative of the Debtor's estate under section 1123(b) of the
10 Bankruptcy Code or otherwise, regardless of whether such claims, causes of action or avoidance
11 actions were commenced prior or subsequent to the Effective Date. However, since the Plan
12 contemplates the payment of all claims in full, the Reorganized Debtor does not intend to pursue any
13 remaining avoidance actions.

14 **7. Employment of Officers, Employees and Professionals**

15 On and after the Effective Date, the Reorganized Debtors shall have the right to employ and
16 compensate such employees, professionals, agents and representatives as the Reorganized Debtors
17 determine is necessary or appropriate to implement all of the provisions of the Plan without the need
18 for any further order of the Court. Mr. Goldstein will serve as the Reorganized Debtors' officer and
19 will not receive any compensation for his services as an officer of each of the Reorganized Debtors.

20 **8. Distributions to be Made Pursuant to the Plan**

21 Distributions to be made to holders of allowed claims pursuant to the Plan may be delivered
22 by regular mail, postage prepaid, to the address shown in the Debtors' schedules, as they may from
23 time to time be amended in accordance with Bankruptcy Rule 1000, or, if a different address is
24 stated in a proof of claim duly filed with the Bankruptcy Court, to such address. Checks issued to
25 pay allowed claims shall be null and void if not negotiated within sixty (60) days after the date of
26 issuance thereof.

1 **9. Exculpations and Releases**

2 **To the maximum extent permitted by law, neither the Debtors, the Reorganized**
3 **Debtors, nor any of their employees, officers, directors, shareholders, agents, members,**
4 **representatives, or professionals employed or retained by any of them, shall have or incur**
5 **liability to any person or entity for any act taken or omission made in good faith in connection**
6 **with or related to the formulation and implementation of the Plan, or a contract, instrument,**
7 **release, or other agreement or document created in connection therewith, the solicitation of**
8 **acceptances for or confirmation of the Plan, or the consummation and implementation of the**
9 **Plan and the transactions contemplated therein.**

10 **10. Injunctions**

11 **The Plan Confirmation Order shall enjoin the prosecution, whether directly,**
12 **derivatively or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt,**
13 **right, cause of action, liability or interest released, discharged or terminated pursuant to the**
14 **Plan. Except as provided in the Plan or the Plan Confirmation Order, as of the Effective Date,**
15 **all entities that have held, currently hold or may hold a claim or other debt or liability that is**
16 **discharged or an interest or other right of an equity security holder that is extinguished**
17 **pursuant to the terms of the Plan are permanently enjoined from taking any of the following**
18 **actions against the Debtors, the Reorganized Debtors, or their property on account of any such**
19 **discharged claims, debts or liabilities or extinguished interests or rights: (i) commencing or**
20 **continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing,**
21 **attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii)**
22 **creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of**
23 **subrogation or recoupment of any kind against any debt, liability or obligation due to the**
24 **Debtors; and (v) commencing or continuing any action in any manner, in any place, that does**
25 **not comply with or is inconsistent with the provisions of the Plan. By accepting distribution**
26 **pursuant to the Plan, each holder of an allowed claim receiving distributions pursuant to the**
27 **Plan shall be deemed to have specifically consented to the injunctions set forth in this Section.**

1 **11. Executory Contracts and Unexpired Leases**

2 The Debtors do not believe that they are, respectively, a party to any pre-petition executory
3 contracts or unexpired leases which a Debtor or the Debtors are required to assume or reject.

4 For the avoidance of any doubt, the Agreement with Stewart will remain fully intact and
5 enforceable under the Plan.

6 **12. Changes in Rates Subject to Regulatory Commission Approval**

7 The Debtors are not subject to governmental regulatory commission approval of their rates.

8 **13. Retention of Jurisdiction**

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

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

14 ii. To resolve any and all disputes regarding the operation and interpretation of
15 the Plan;

16 iii. To determine the allowability, classification, or priority of claims and interests
17 upon objection by the Debtors, the Reorganized Debtors, or by other parties in interest with standing
18 to bring such objection or proceeding and to consider any objection to claim or interest whether such
19 objection is filed before or after the Effective Date;

20 iv. To determine the extent, validity and priority of any lien asserted against
21 property of the Debtors or property of the Debtors' estates;

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

28

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

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

5 viii. 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 ix. To determine all applications, motions, adversary proceedings, contested
9 matters, and any other litigated matters instituted during the pendency of this case whether before,
10 on, or after the Effective Date including avoidance causes of action, and the Reorganized Debtors
11 shall have the right to commence any avoidance causes of action after the Effective Date and to
12 continue with the prosecution of any avoidance causes of action commenced by the Debtors prior to
13 the Effective Date;

14 x. To determine such other matters and for such other purposes as may be
15 provided in the Plan Confirmation Order;

16 xi. To modify the Plan under Section 1127 of the Bankruptcy Code in order to
17 remedy any apparent defect or omission in the Plan or to reconcile any inconsistency in the Plan so
18 as to carry out its intent and purpose;

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

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

27 xiv. To enter a final decree closing these Chapter 11 cases.
28

1 **V. TAX CONSEQUENCES OF THE PLAN**

2 PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN
3 SHOULD CONSULT WITH THEIR OWN ATTORNEYS. THIS DISCUSSION DOES NOT
4 ADDRESS FOREIGN, STATE OR LOCAL INCOME TAX CONSEQUENCES, ESTATE OR
5 GIFT TAX CONSEQUENCES OF THE PLAN. THE DEBTORS HAVE NOT CONSULTED
6 WITH TAX COUNSEL WITH RESPECT TO THE CONSEQUENCES OF THE PLAN.
7 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P. HAS NOT PROVIDED ANY TAX ADVICE
8 WITH RESPECT TO THE PLAN.

9 1. FEDERAL INCOME TAX CONSEQUENCES TO DEBTORS

10 This summary is based on the Internal Revenue Code of 1986, as amended (the "IRC"), the
11 Treasury Regulations promulgated and proposed thereunder (the "Regulations"), judicial decisions,
12 and published administrative rulings and pronouncements of the Internal Revenue Service (the
13 "IRS") currently in effect. These authorities are all subject to change, possibly with retroactive
14 effect, and any such change could alter or modify the federal income tax consequences described
15 below.

16 In general, based upon the information available to it, the Debtors does not expect to incur
17 any substantial tax liability as a result of implementation of the Plan, except in connection with the
18 Asset Disposition.

19 The IRC provides that a debtor in a Chapter 11 bankruptcy case must reduce certain of its tax
20 attributes by the amount of any cancellation of indebtedness ("COD") income that is realized as a
21 result of the bankruptcy plan, instead of recognizing the income. COD income is the excess of the
22 amount of a taxpayer's indebtedness that is discharged over the amount or value of the consideration
23 exchanged therefor. Under the Plan, the Debtors expect to pay all creditors in full, so the Debtors do
24 not expect to realize any COD income.

25 Tax attributes that are subject to reduction include net operating losses, capital losses, loss
26 carryovers, certain tax credits and, subject to certain limitations, the tax basis of property. The
27
28

1 reduction of tax attributes occurs after the determination of the Debtors' tax for the taxable year in
2 which the COD income is realized. The Debtors do not expect to realize any COD income.

3 Payments of interest, dividends, and certain other payments are generally subject to
4 withholding unless the payee of such payment furnishes such payee's correct taxpayer identification
5 number (social security number or employer identification number) to the payor. The Reorganized
6 Debtors may be required to withhold the applicable percentage of any payments made to a holder
7 who does not provide its taxpayer identification number. Backup withholding is not an additional
8 tax, but an advance payment that may be refunded to the extent it results in an overpayment of tax.

9 2. FEDERAL INCOME TAX CONSEQUENCES TO CREDITORS

10 In general, each holder of an allowed claim will recognize gain or loss in an amount equal to
11 the difference between (i) the sum of the amount of any cash and the fair market value of any other
12 property that such holder receives under the Plan in satisfaction of its claim (other than in respect of
13 any claim for accrued but unpaid interest), and (ii) such holder's adjusted tax basis in its claim (other
14 than any claim for accrued but unpaid interest).

15 The character, amount and timing of income, gain or loss the holders of allowed claims
16 recognize as a consequence of the distributions under the Plan will depend upon, among other
17 things, (i) the manner in which the claim was acquired, (ii) the length of time the claim was held,
18 (iii) whether the claim was acquired at a discount, (iv) whether the holder of an allowed claim has
19 taken a bad debt deduction for the claim, (v) whether the holder has previously included accrued but
20 unpaid interest with respect to the claim, (vi) the holder's method of tax accounting, (vii) whether
21 the claim is an installment obligation under the tax laws, and (viii) the type of consideration received
22 or deemed received by the holder in exchange for its claim. In addition, in the event interest is paid
23 on the claim, the holder may have interest income. Therefore, holders of allowed claims should
24 consult their tax advisors for information that may be relevant to their particular situations and
25 circumstances and the particular tax consequences to such holders as a result thereof.

26 Depending on the nature of the claim, the Debtors may be required to file information returns
27 with the appropriate taxing agencies to report payments to the holders of allowed claims. In order to
28

1 make distributions, the holders of allowed claims may be required to provide certain federal income
2 taxpayer information, such as the holder's taxpayer identification number.

3 **THE TAX CONSEQUENCES TO CREDITORS OR INTEREST HOLDERS MAY**
4 **VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH SUCH HOLDER.**
5 **CREDITORS MAY RECOGNIZE INCOME OR LOSS AS A RESULT OF THE PLAN.**
6 **THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION**
7 **CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT**
8 **THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE**
9 **TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF**
10 **ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH CREDITOR IS**
11 **STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE**
12 **FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE**
13 **PLAN.**

14 **THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF CERTAIN**
15 **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS**
16 **NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL.**
17 **THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF**
18 **THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH**
19 **CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES**
20 **OF EACH CREDITOR OR INTEREST HOLDER. ACCORDINGLY, EACH CREDITOR IS**
21 **STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR**
22 **REGARDING THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX**
23 **CONSEQUENCES UNDER THE PLAN.**

24 **VI. CONFIRMATION REQUIREMENTS AND PROCEDURES**

25 **PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THE PLAN**
26 **SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON**
27 **CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following**
28

1 discussion is intended solely for the purpose of alerting readers about basic confirmation issues,
2 which they may wish to consider, as well as certain deadlines for filing claims. The Debtors
3 CANNOT and DO NOT represent that the discussion contained below is a complete summary of the
4 law on this topic.

5 Many requirements must be met before the Court can confirm a plan. Some of the
6 requirements include that the plan must be proposed in good faith, acceptance of the plan, whether
7 the plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and
8 whether the plan is feasible. These requirements are not the only requirements for confirmation.

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

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

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

13 A creditor or interest holder has a right to vote for or against the Plan if that creditor or
14 interest holder has a claim or interest which is both (1) allowed or allowed for voting purposes and
15 (2) classified in an impaired class. There are no impaired classes of claims or interests under the
16 Plan.

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

18 As noted above, a creditor or interest holder must first have an allowed claim or interest to
19 have the right to vote and to receive distributions under the Plan. Generally, any proof of claim or
20 interest will be allowed, unless a party in interest files an objection to the claim or interest. When an
21 objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest
22 cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the
23 claim or interest for voting purposes.

24 **THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE ON**
25 **ACCOUNT OF PRE-PETITION CLAIMS WAS SEPTEMBER 25, 2013.** A creditor or interest
26 holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed.
27 A claim is deemed allowed if (1) it is scheduled on the Debtors' schedules and such claim is not
28

1 scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the
2 claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the
3 interest.

4 A detailed claims chart is attached hereto as Exhibit "2". The claims chart identifies all
5 claims which were scheduled by the Debtors, including the amounts and priorities of the claims and
6 whether the Debtors contend that the claims are disputed, contingent or unliquidated. The claims
7 chart also identifies all proofs of claim which were filed by creditors asserting claims against the
8 Debtors, including the amounts and priorities of the claims asserted. Finally, the claims chart
9 indicates whether the Debtors have disputed or presently dispute any portion of the claims. The
10 Debtors reserve the right to update and modify the claims chart at any time and to file objections to
11 claims even if the claims chart does not identify any dispute relating to a particular claim.

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

13 As noted above, an allowed claim or interest has the right to vote only if it is in a class that is
14 impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual
15 rights of the members of that class. For example, a class comprised of general unsecured claims is
16 impaired if the Plan fails to pay the members of that class 100% of what they are owed.

17 **In these cases, class 1 may be impaired, and classes 2,3 and 4 are impaired.** Parties who
18 dispute the Debtors characterization of their claim or interest as being impaired may file an objection
19 to the Plan contending that the Debtors have incorrectly characterized the class.

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

21 The following four types of claims are not entitled to vote: (1) claims that have been
22 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Bankruptcy
23 Code Sections 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not receive or retain any
24 value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are
25 deemed to have accepted the Plan. Claims entitled to priority pursuant to Bankruptcy Code Sections
26 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such claims are not placed in classes and
27 they are required to receive certain treatment specified by the Bankruptcy Code. Claims in classes
28

1 that do not receive or retain any value under the Plan do not vote because such classes are deemed to
2 have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU
3 MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

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

5 A creditor whose claim has been allowed in part as a secured claim and in part as an
6 unsecured claim is entitled to accept or reject the Plan in both capacities by casting one ballot for the
7 secured part of the claim and another ballot for the unsecured claim. There are no such creditors in
8 this case.

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

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

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

15 A class of claims is considered to have accepted the Plan when more than one-half (1/2) in
16 number and at least two-thirds (2/3) in dollar amount of the claims which actually voted on the plan,
17 voted in favor of the plan. A class of interests is considered to have “accepted” a plan when at least
18 two-thirds (2/3) in amount of the interest-holders of such class which actually voted on the plan,
19 voted to accept the plan.

20 **I. Treatment of Non-Accepting Classes.**

21 As noted above, even if all impaired classes do not accept the Plan, the Court may
22 nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by the
23 Bankruptcy Code. The process by which non-accepting classes are forced to be bound by the terms
24 of a plan is commonly referred to as “cramdown.” The Bankruptcy Code allows the Plan to be
25 “crammed down” on non-accepting classes of claims or interests if it meets all consensual
26 requirements except the voting requirements of 1129(a)(8) and if the Plan does not “discriminate
27
28

1 unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan
2 as referred to in 11 U.S.C. § 1129(b) and applicable case law.

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

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

6 **K. Liquidation Analysis.**

7 Another confirmation requirement is the “Best Interest Test”, which requires a liquidation
8 analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that
9 claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must
10 receive or retain under the Plan property of a value not less than the amount that such holder would
11 receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. Under the
12 Plan, and based on the Debtors’ and the Debtors’ sale agent’s analysis, all creditors are expected to
13 be paid in full. Moreover, since the Plan contemplates the liquidation of the Sale Assets, the Debtors
14 do not expect there to be any financial detriment to liquidation of the Sale Assets and distribution
15 under the Plan as compared to liquidation and distribution in a chapter 7. Indeed, the Plan will
16 provide the most expedited manner of payment to creditors under the circumstances, without the
17 delays typically experienced in a chapter 7 proceeding. Accordingly, the “Best Interest Test” is met
18 in this case.

19 **L. Feasibility.**

20 Another requirement for confirmation involves the feasibility of the Plan, which means that
21 confirmation of the Plan is not likely to be followed by the liquidation, or the need for further
22 financial reorganization, of the Debtors or any successor(s) to the Debtors under the Plan, unless
23 such liquidation or reorganization is proposed in the Plan.

24 The primary aspect of feasibility applicable to this case is whether the Debtors will be able to
25 sell the Sale Assets at a price high enough to pay all allowed claims in full. The Debtors submit that
26 it is highly likely that a sale of the Sale Assets will generate sufficient Sale Proceeds to pay all
27 allowed claims in full. Moreover, to the extent a Sale closes prior to confirmation of the Plan, the
28

1 Debtors will update this Disclosure Statement and the Plan to disclose the amount of Sale Proceeds
2 available for payments to creditors and will discuss whether the Sale Proceeds are sufficient to pay
3 all allowed claims in full. Finally, the Debtors believe that it is possible that the Debtors will have
4 sufficient General Unsecured Creditor Cash on the Effective Date, without even including any Sale
5 Proceeds, to pay all allowed class 1 claims in full immediately after the Effective Date. Whether that
6 actually occurs will depend upon, among other things, the total amount of allowed administrative
7 claims, allowed priority claims, and allowed class 1 claims.

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

9 The primary risk factor regarding the Plan is whether the Debtors will actually be able to sell
10 the Sale Assets and whether the Sale will generate sufficient Sale Proceeds to pay all creditors in
11 full. The Debtors believe that the risk that the Sale Assets will not sell is low, and the Debtors
12 believe that the risk that a Sale will not generate sufficient Sale Proceeds to pay all allowed claims in
13 full is also low.

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

15 **A. Discharge.**

16 The Debtors will not receive a discharge because the Plan provides for a liquidation of all or
17 substantially all of the property of the Debtors' estates.

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

19 The Debtors may modify the Plan at any time before confirmation. However, the Court may
20 require a new disclosure statement and/or re-voting on the Plan if the Debtors modify the Plan before
21 confirmation. The Debtors may also seek to modify the Plan at any time after confirmation of the
22 Plan so long as (1) the Plan has not been substantially consummated and (2) the Court authorizes the
23 proposed modifications after notice and a hearing.

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

25 Until a final decree closing the Debtors' Chapter 11 cases is entered, the Reorganized
26 Debtors shall file a quarterly status report with the Court explaining what progress has been made
27 toward consummation of the confirmed Plan.

28

1 **D. Default Provisions And Post-Confirmation Conversion/Dismissal.**

2 To the extent that the Debtors do not comply with the terms of the Plan, creditors will be
3 entitled to seek enforcement in the Bankruptcy Court of the Plan and payment of their allowed
4 claims pursuant to the terms of the Plan. The injunction provisions of the Plan would not preclude
5 any creditor from enforcing its rights to repayment pursuant to the terms of the Plan. If the Court
6 orders the Debtors' Chapter 11 cases converted to Chapter 7 after the Plan is confirmed, then all
7 property that had been property of the Chapter 11 estates, and that has not been disbursed pursuant to
8 the Plan, will revert in the Chapter 7 estates, and the automatic stay will be reimposed upon the
9 revested property, but only to the extent that relief from stay was not previously authorized by the
10 Court during this case. The Plan Confirmation Order may also be revoked under very limited
11 circumstances. The Court may revoke the Plan Confirmation Order if it was procured by fraud and
12 if a party in interest brings an adversary proceeding to revoke confirmation within 180 days after the
13 entry of the Plan Confirmation Order.

14 **E. Limitation of Liability**

15 **The Debtors and the Reorganized Debtors and their current and future agents and**
16 **professionals shall not incur and shall not have any liability to any entity for any act taken or**
17 **omission made in connection with the bankruptcy cases or the administration of the estates,**
18 **including, but not limited to, the formulation, dissemination, confirmation, approval or**
19 **consummation of the Plan, this Disclosure Statement, or any other document, instrument or**
20 **agreement relating thereto or in connection with the effectiveness or performance of the Plan,**
21 **or any distributions of cash or other property pursuant to the Plan. Nothing in this Limitation**
22 **of Liability provision shall be construed to limit liability for gross negligence, intentional**
23 **misconduct, or breaches of fiduciary duties.**

24 **F. Final Decree.**

25 Once these estates have been fully administered as referred to in Bankruptcy Rule 3022, the
26 Reorganized Debtors will file a motion with the Court to obtain a final decree to close the Debtors'

1 Chapter 11 cases. The Reorganized Debtors shall be responsible for the timely payment of all fees
2 incurred pursuant to 28 U.S.C. Section 1930(a)(6).

3 Dated: October 21, 2016

4
5 Presented By:

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

7
8 By: /s/ Krikor J. Meshefejian

9 DAVID L. NEALE
10 KRIKOR J. MESHEFEJIAN
11 Attorneys for Chapter 11
12 Debtors and Plan Proponents

13
14 EVEN ST. PRODUCTIONS LTD.; MAJOKEN, INC.

15
16
17
18
19
20
21
22
23
24
25
26
27
28

By: 

Gerald Goldstein, President

EXHIBIT “1”

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This **SETTLEMENT AGREEMENT AND MUTUAL RELEASE** (the “Agreement”) dated effective as of September 20, 2016 (the “Effective Date”), is entered into by and among Sylvester Stewart (“Stewart”), on the one hand, and Even St. Productions, Ltd. (“Even St.”), Majoken, Inc. (“Majoken,” and, together with Even St., the “Debtors”), Gerald Goldstein, aka Jerry Goldstein (“Goldstein”), Audio Visual Entertainment, Inc. dba Avenue Records (“AVE”), Far Out Productions, Inc. (“Far Out”), Jerry Goldstein Music, Inc. (“Music”), TMC Music, Inc. (“TMC”) and T.A.G. Management, Inc. (“TAG,” and, together with Goldstein, AVE, Far Out, Music and TMC, the “Goldstein Parties”), Glenn Stone (“Stone”) and Gradstein & Marzano, P.C. (“G&M”), on the other hand, all sometimes collectively referred to as the “Parties,” or individually as a “Party.”

RECITALS

A. The master recordings and musical compositions of Sylvester Stewart p/k/a Sly Stone (“Stewart”) and the musical group Sly & the Family Stone have generated royalties and licensing income for over forty (40) years (“Royalties”).

B. Since approximately 2010, the Debtors and Stewart, among other parties, have engaged in litigation in the Los Angeles Superior Court (the “State Court”) regarding, among other things, the right to receive the Royalties (the “Royalty Litigation”). One of the issues in the Royalty Litigation concerned the rights to the Royalties granted to Even St. by Stewart under an Assignment dated and signed by Stewart on February 27, 1989 (the “1989 Assignment”).

C. The Debtors commenced their respective bankruptcy cases (collectively, the “Cases,” and each a “Case”) by filing voluntary petitions under Chapter 11 of 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”) on May 31, 2013 (the “Petition Date”) in the Central District of California, Los Angeles Division (the “Bankruptcy Court”) and the Cases were assigned to the Honorable Julia W. Brand, United States Bankruptcy Judge. The Debtors’ Cases are being jointly administered.

D. Prior to the Petition Date, the Royalties, with the exception of those being collected and held by Broadcast Music, Inc. (“BMI”), Sony/ATV Music Publishing LLC (“Sony/ATV”) and SoundExchange were being deposited into an interpleader account maintained by the Clerk of the State Court. On March 5, 2015, the Superior Court entered an Order requiring Sony/ATV to deposit the Royalties it was then holding, and all future Royalties with the Clerk of the State Court.

E. On June 28, 2013, Even St. filed its Schedules of Assets and Liabilities. In its Schedule F – Creditors Holding Unsecured Nonpriority Claims, Even St. listed Stewart as a creditor holding an unliquidated, contingent and disputed unsecured claim. Even St. listed Stone as a creditor holding an undisputed unsecured claim in the amount of \$900,000 (the “Stone Claim”).

F. On June 28, 2013, Majoken filed its Schedules of Assets and Liabilities. In its Schedule F – Creditors Holding Unsecured Nonpriority Claims, Majoken also listed Stewart as a creditor holding an unliquidated, contingent and disputed unsecured claim. Majoken also listed the Stone Claim.

G. By order entered July 23, 2013, the Bankruptcy Court fixed September 25, 2013 (the “Bar Date”) as the deadline by which proofs of claim were to be filed against the Debtors.

H. On or about September 25, 2013, Stewart filed a proof of claim against each of the Debtors, asserting a general unsecured claim in an unliquidated amount based upon Stewart’s causes of action in the Royalty Litigation. These proofs of claim were each assigned claim number 5-1 on the Claims Registers maintained by the Bankruptcy Court (the “Original Stewart Claims”).

I. On or about September 24, 2013, Stone filed a proof of claim against Majoken, asserting a general unsecured claim in the amount of \$908,332 (the “Stone Majoken Claim,” and, together with the Stone Claim, the “Stone Claims”). This proof of claim was assigned claim number 12 on the Claims Register for Majoken maintained by the Bankruptcy Court.

J. On or about October 24, 2013, the Bankruptcy Court entered its order authorizing the Debtors to employ G&M as counsel in connection with the Royalty Litigation.

K. On or about May 29, 2015, the Debtors commenced an adversary proceeding by filing a complaint against Stewart to, among other things, avoid and recover allegedly fraudulent transfers made by the Debtors to Stewart. This adversary proceeding was assigned Adv. Pro. No. 2:15-ap-01284-WB (the “Stewart Avoidance Litigation”).

L. On June 26, 2015, the Bankruptcy Court entered an *Order Granting Application of Debtors and Debtors in Possession to Employ R. Eli Ball as Sale Agent and Broker to Debtor Pursuant to 11 U.S.C. §§ 327, 328 and 330* (the “Ball Employment Order”). The Ball Employment Order authorizes the Debtors to employ R. Eli Ball d/b/a Acklen Advisory Services (“Ball”) as sales agent and broker to the Debtors to market and potentially sell the Debtors’ assets.

M. On July 13, 2015, the Bankruptcy Court entered its *Order Directing Release of Interpleaded Funds to Even St. Productions Ltd. and Directing Payment of Royalties to Even St. Productions Ltd.* (the “Turnover Order”). Pursuant to the Turnover Order, all of the funds held in the State Court interpleader account were delivered to Even St. and placed into a segregated debtor-in-possession bank account (the “Royalty Account”). All additional Royalty payments that have been received by the Debtors since the entry of the Turnover Order have been deposited into the Royalty Account.

N. On or about August 13, 2015, the Debtors filed their *Motion for Entry of Order Releasing Royalties in the Possession of Broadcast Music, Inc. to Even St. Productions Ltd. and Directing Payment of Future Royalties to Even St. Productions Ltd.* (the “BMI Turnover Motion”), pursuant to which the Debtors requested that all Royalties in the possession of Broadcast Music, Inc. (“BMI”) be delivered to the Debtors for deposit in the Royalty Account.

On September 14, 2015, the Bankruptcy Court entered its order denying the BMI Turnover Motion. As a result, BMI has remained in possession of all of the Royalties otherwise payable by BMI (together with all future Royalties payable by BMI, the “BMI Royalties”).

O. On February 24, 2016, the State Court issued its *Final Statement Of Decision On Plaintiff's 16th Cause Of Action For Declaratory Relief*, pursuant to which the State Court concluded, among other things, that Stewart had irrevocably assigned his interest in the Royalties to the Debtors, and, therefore, that the Royalties under the 1989 Assignment are owned by the Debtors. Stewart and Even St. acknowledge the State Court's *Final Statement Of Decision On Plaintiff's 16th Cause Of Action For Declaratory Relief* and agree not to dispute this decision in any way or in any forum.

P. On September 13, 2016, Stewart filed an amended proof of claim against Even St. (the “Amended Stewart Claim”). The Amended Stewart Claim was assigned claim number 5-2 on the Creditor Registry maintained by the Bankruptcy Court.

Q. On September 20, 2016, Stewart filed his objection to the Stone Claims (the “Stone Claim Objection”).

R. G&M have an administrative expense priority claim for legal fees and costs incurred on behalf of the Debtors. A portion of those fees and costs have been approved by the Bankruptcy Court. There are substantial fees and costs that remain to be paid to G&M.

S. On September 20, 2016, the Parties participated in mediation before the Honorable Meredith A. Jury, United States Bankruptcy Judge for the Central District of California, Riverside Division (“Judge Jury”). At that time, and as acknowledged orally by the Parties on the record before Judge Jury in this matter, the Parties reached a settlement in principle on the terms so stated on the record, specifically enforceable under California Code of Civil Procedure section 664.6.

T. Nevertheless, and as a result of the settlement reached by the Parties, and without any admission of liability, the Parties desire to memorialize and reduce to writing through this Agreement the full terms of the compromise, settlement and resolution of all claims, disputes and differences among the Parties regarding the Cases and the Royalty Litigation reached in principle on September 20, 2016.

AGREEMENT

In consideration of the foregoing and the other good and valuable consideration stated herein, the Parties hereto agree as follows:

1. Recitals.

1.1. The Recitals are incorporated herein by this reference and the Parties agree that the information recited above is true and correct.

2. Terms of Settlement.

2.1. This Agreement shall become effective and binding on the Parties upon entry of a “Final Order” approving the Settlement Motion (as defined below). For purposes of this Agreement, the date of entry of a “Final Order” shall be 15 days after entry of an order approving the Settlement Motion pursuant to Federal Rule of Bankruptcy Procedure 9019 on the docket in the Bankruptcy Case and no timely appeal has been taken against the Final Order and the Final Order is unstayed and enforceable. The Parties may consummate this Agreement notwithstanding a pending appeal so long as there is no stay of the order approving the Settlement Motion.

2.2. The Parties agree, as follows:

2.2.1. Subject to the provisions herein the Amended Stewart Claim shall be compromised, deemed to be further amended, and Stewart shall have an allowed general unsecured claim against the Debtors, jointly and severally, in the amount of \$1,600,000 (the “Allowed Stewart Claim”). Any payments to Stewart on account of the Allowed Stewart Claim shall be made payable to “Allan Law Group P.C. in trust for Sylvester Stewart or his assignees”;

2.2.2. The Stone Claims shall be deemed amended, and Stone shall have an allowed general unsecured claim against the Debtors, jointly and severally, in the amount of \$500,000 (the “Allowed Stone Claim”); provided, however, that the Allowed Stone Claim is subordinated to the other general unsecured claims of the Debtors, including the Allowed Stewart Claim, and shall only be paid after all other allowed general unsecured claims against the Debtors have been paid in full; and

2.2.3. In full and final satisfaction of its unpaid administrative expense priority claim against the Debtors, G&M has agreed to compromise its claim for unpaid attorney’s fees and expenses, and accept a reduced amount of \$600,000 for attorney’s fees not yet awarded and paid, which shall be in addition to prior payments made and approved by the Honorable Julia W. Brand of the United States Bankruptcy Court for the Central District of California, pursuant to the Order Re: First Interim Application submitted by G&M for approval of fees and reimbursement of expenses entered on June 26, 2015, and the Order entered on September 1, 2016. G&M shall submit a final fee application for payment of its attorney’s fees and reimbursement of expenses in accordance with the Court’s previously entered Orders which shall seek the Court’s approval for a final additional payment of attorney’s fees in the compromised sum of \$600,000 (the “G&M Fee”).

2.3. The Debtors shall propose a plan of reorganization (the “Plan”) which shall incorporate the terms of this Agreement and provide, in addition to terms and conditions

consistent with the requirements of the Bankruptcy Code, Federal Rules of Bankruptcy Procedure and Local Rules of Bankruptcy Procedure, that the Debtors shall transfer all right, title and interest in and to certain specified assets pursuant to Section 363 of the Bankruptcy Code (the "Asset Disposition"). The assets which shall be subject to the Asset Disposition shall be the right to receive Royalties pursuant to the 1989 Assignment derived from the use or exploitation of (a) all musical compositions written in whole or part by Stewart which are now owned by Mijac Music (excluding any rights to recapture or reversionary rights available to Stewart or his heirs, which the Debtors agree do not constitute property of the Debtors' respective bankruptcy estates, and, as between the Debtors and Stewart, are the sole and exclusive property of Stewart or his heirs as described in paragraph 2.10 below); and (b) all the master recordings of Sly & the Family Stone and Sly Stone which are now owned by Sony Music Entertainment and Warner Brothers Records, and (c) all rights now known or hereafter created or derived from Royalties in connection with the collective assets described in (a) and (b), above, and hereafter referred to as the "Sale Assets." For the avoidance of doubt, the Sale Assets shall include (i) the songwriters' Royalties payable from Sony ATV/Mijac Music; (ii) the Royalties and consulting fees payable to Even St. for Sly & the Family Stone and Sylvester Stewart p/k/a Sly Stone from Warner Brothers Records and Sony Music Entertainment pursuant to the letter agreement and related Consultation Agreement between Even St. and Sony Music Entertainment, Inc. dated December 18, 2002; (iii) the public performance Royalties related to the Mijac catalogue payable by BMI or any other public performance payors; and (iv) the digital public performances royalties payable by SoundExchange relating to Sony Music Entertainment and Warner Brothers Records master recordings. The Debtors shall not include any other assets other than the Sale Assets in the Asset Disposition. For avoidance of ambiguity, any Royalties payable to Stewart from AFM, AFTRA, SAG, Talent Partners, and PPM [Public Performance Malaysia Sdn Bhd] for live public performance in Malaysia, shall be the sole property of Stewart, and the Debtors disclaim any interest therein.

2.4. Stewart, the Debtors, and, if necessary, the Goldstein Parties shall jointly instruct BMI to deliver the BMI Royalties to the Royalty Account. Stewart, the Debtors, and, if necessary, the Goldstein Parties, shall jointly instruct SoundExchange to deliver any Royalties in its possession to the Royalty Account. Any future Royalties payable by SoundExchange shall also be directed into the Royalty Account.

2.5. The Plan shall further provide that all funds on deposit in the Royalty Account, any additional Royalties received prior to the closing of the Asset Disposition, all BMI Royalties and any Royalties delivered by SoundExchange shall be paid to holders of all allowed administrative expense priority claims, other priority claims and general unsecured claims in their relative order of priorities as established by the Bankruptcy Code. The Plan will provide for partial distributions to holders of allowed claims and for the establishment of adequate reserves for the payment of disputed claims. Any partial distribution (or contribution to a reserve) pursuant to the Plan shall be on a *pro rata* basis among the holders of claims of the same priority. After payment of all allowed claims in full, any remaining funds in the Debtors' estates shall be divided 50% to Allan Law Group P.C. in trust for Sylvester Stewart or his assignees and 50% to TAG or its assignees. The Plan may also establish a reserve for disputed claims in an amount to be agreed upon by Stewart and the Debtors and approved by the Court.

2.6. Stewart, the Goldstein Parties and the Debtors agree that John T. Frankenheimer, Esq. of Loeb & Loeb LLP (“Frankenheimer”) may serve as the Debtors’ representative for purposes of the Asset Disposition. Frankenheimer may be employed by the Debtors to serve as representative on the same economic terms and conditions as those approved by the Ball Employment Order and may be paid from the fee agreed to be paid to pursuant to the Ball Employment Order (“Agent Fee”) only, or as may otherwise be agreed by Stewart, the Goldstein Parties, the Debtors, Frankenheimer and Ball. Frankenheimer may also be used to provide legal advice with respect to the Asset Disposition. Stewart, the Goldstein Parties and the Debtors agree that Frankenheimer shall be responsible for composing language that accurately describes the Sale Assets consistent with the terms of this Agreement. Notwithstanding the Ball Employment Order, the Debtors shall use their best efforts to negotiate terms and conditions upon which Ball shall continue to serve as sales agent acting in association with Frankenheimer on terms and conditions that are acceptable to Stewart, the Goldstein Parties and the Debtors subject to the condition that both Frankenheimer and Ball are not paid an aggregate fee in excess of the Agent Fee approved in the Ball Employment Order without the further agreement of Stewart, the Goldstein Parties and the Debtors. If the Debtors are unable to reach an agreement with Ball to work with and share the Agent Fee with Frankenheimer then the Debtors may negotiate a termination of Ball as sales agent.

2.7. Stewart, the Goldstein Parties and the Debtors agree that, prior to the Asset Disposition, the Debtors may consult with tax counsel and/or an accountant to be selected by the Debtors and subject to approval by Stewart, which approval may not be unreasonably withheld, and may use up to twenty-five thousand dollars (\$25,000) of the funds in the Royalty Account to pay the reasonable fees and expenses associated with such professional(s) in order to structure the Asset Disposition to comply with the requirements of all applicable tax codes and regulations and to minimize the taxes payable by the Debtors and/or by the equity owners of Even St. as a result of the Asset Disposition.

2.8. Stewart, the Goldstein Parties and the Debtors jointly approve the Asset Disposition at a minimum purchase price of (the “Floor Price”). Should the Debtors obtain a bid below the Floor Price or a bid above the Floor Price that requires payment of the purchase price above the Floor Price over time which, in the opinion of Frankenheimer, nonetheless represents the highest and best bid for the Sale Assets, Stewart, the Goldstein Parties and the Debtors agree to meet and confer and negotiate in good faith with respect to the decision as to whether or not to accept a bid below the Floor Price or a bid above the Floor Price that requires payment of the purchase price above the Floor Price over time. In the event of any disputes between Stewart, the Goldstein Parties and/or the Debtors regarding the acceptance of a bid below the Floor Price or bid above the Floor Price that requires payment of the purchase price above the Floor Price over time, Stewart, the Goldstein Parties and the Debtors agree to submit such dispute to Judge Jury for mediation and/or a determination of any such dispute. The Parties shall use their commercially reasonable best efforts to obtain the permission of the Bankruptcy Court to redact information regarding the Floor Price from this Agreement, the transcript of the mediation before Judge Jury and any motion to approve this Agreement.

2.9. No Party shall take any action or refrain from taking any action which is

reasonably likely to interfere with the Asset Disposition or impair the ability of the Debtors to maximize the bid obtained for the Sale Assets.

2.10. In the event Stewart recaptures the copyright ownership of any, or all of the musical compositions described in 2.3(a) above by exercising his right pursuant to 17 U.S.C. § 203 to terminate the grant or assignment of any copyrights in musical compositions written in whole or in part by Stewart, Stewart or his heirs shall have the right to receive the publisher's share of the Royalties as the owner of the copyrights. In conjunction with the Asset Disposition, Stewart shall warrant and represent that Stewart and his successors, assigns, heirs, licensees, or administrator of the musical compositions, if any, shall acknowledge the terms and conditions of the Asset Disposition and be bound and required to pay any and all songwriters' royalties to the successful bidder at the Asset Disposition or the successful bidder's successor as so directed in writing on the same basis that the songwriters' royalties are now being paid to Even St., *i.e.*, no administrative fee on the songwriter's royalties shall be deducted from any payment to be made.

2.11. Even St. specifically and irrevocably waives and quit claims any and all claims or rights to all copyrights in musical compositions and master recordings of musical compositions by Stewart created between 1989 to 2010 and as between Even St. and Stewart all such rights belong solely to Stewart.

2.12. Even St. acknowledges and agrees that as between itself and Stewart, that from and after February 15, 2007, Stewart has the sole right to receive compensation for: (i) services provided by him, (ii) works authored by him; (iii) sound recordings made by him; and (iv) the commercial exploitation of his person or his right to publicity. Even St. specifically and irrevocably waives and quit claims any and all claims Even St. may have, if any, from and after February 15, 2007, to any compensation payable to Stewart as above, for (i) services provided by him, (ii) works authored by him; (iii) sound recordings made by him; and (iv) the commercial exploitation of his person or of his right to publicity.

2.13. Even St. on behalf of itself and its successors and assigns quitclaims any interest Even St. may have anywhere in the world including, but not limited to, the U.S., Canada, the European Union and Australia in the trademark/trade name "Sly & the Family Stone" ("Mark") or any substantially similar trade names or marks including, but not limited to, "The Family Stone" to Stewart, his nominee or assignee and agrees to execute the attached Assignment of Mark for Even St.'s registered Mark in Canada and in any other jurisdiction in which Even St. has registered the Mark.

2.14. All musical compositions written by Stewart and any master sound recordings thereof, other tangible property and all intellectual property created by Stewart from 1989 to date currently in the possession, custody or control of the Debtors or of Goldstein ("Works") are to be physically delivered by or on behalf of Even St. to Allan Law Group P.C. in trust for Stewart or his assignee within fifteen (15) days following the date upon which a Final Order approving this Agreement has been entered by the Bankruptcy Court.

2.15. Even St. assigns any interest it may have anywhere in the world as to any musical compositions written by Stewart and any master sound recordings thereof and any other

intellectual property created or authored by him from 1989 to date and to the right to receive any and all royalties or other consideration payable for the use or commercial exploitation of the Works.

2.16. Stewart and the other Parties to this Agreement shall not object to any final fee application by G&M for allowance of fees and costs as an administrative expense in the amount of the G&M Fee subject to entry of a Final Order approving the Settlement Motion, and shall affirmatively support such request at any hearing but shall not be required to file any papers in that regard.

2.17. Within five (5) business days following the entry of a Final Order approving this Agreement, Stewart shall dismiss the Stone Claim Objection with prejudice.

2.18. Within five (5) business days following the entry of a Final Order approving this Agreement, (a) the Debtors and Stewart shall file a stipulation with the Bankruptcy Court jointly dismissing the Stewart Avoidance Litigation with prejudice; and (b) the Parties shall take such steps as may be necessary to dismiss the Royalty Litigation with prejudice, with each such Party to bear its/his own attorney's fees and costs and waiving any claim any Party or its independent contractors, employees or agents may have against any other Party for malicious prosecution, if any.

3. Bankruptcy Court Approval of the Settlement, Means of Implementation.

3.1. Immediately following the execution of this Agreement by all Parties, the Debtors shall file a motion in the Bankruptcy Court seeking approval of the Agreement pursuant to Federal Rule of Bankruptcy Procedure 9019 (the "Settlement Motion").

3.2. The Parties shall all vote in favor, and support confirmation, of any Plan that comports with the terms and conditions of this Agreement. The Plan shall provide that, following the entry of final decrees in the Cases, the Debtors shall be deemed dissolved.

4. Release by Stewart.

4.1. Stewart, for himself, and for his agents, heirs, executors, administrators, successors and assigns (collectively, the "Stewart Releasing Parties," or individually, a "Stewart Releasing Party") forever releases and discharges the Debtors, the Goldstein Parties and Stone (the Debtors, Goldstein Parties, and Stone are collectively referred to as the "Even St. Parties," or each individually, an "Even St. Party"), their respective agents, servants, employees, attorneys, shareholders, members, officers, directors, heirs, executors, administrators, successors and assigns, from any and all claims, demands, liabilities, accounts, obligations, costs, expenses, liens, actions, causes of action, rights to indemnity (legal or equitable), rights to subrogation, rights to contribution and remedies of any nature whatsoever, known or unknown, which any Stewart Releasing Party had, now has, or has acquired, individually or jointly, arising from any facts, actions or inactions occurring at any time prior to the date of the execution of this Agreement related to the Cases, the Royalty Litigation, the Stewart Avoidance Litigation or based on the execution of this Agreement by, or on behalf of, any of the Parties; provided, however, that such release shall not apply to the obligations created by this Agreement.

4.2. The Stewart Releasing Parties expressly waive and relinquish all rights and benefits afforded by Section 1542 of the *Civil Code of the State of California*, and do so understanding and acknowledging the significance and consequences of such specific waiver of Section 1542, which provides as follows:

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

4.3. The Stewart Releasing Parties further acknowledge and agree that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the claims they may have, but that nonetheless it is their intention to fully, finally and forever settle and release all claims, whether known, unknown, fixed, contingent, suspected, unsuspected, or otherwise as to the claims referenced in Section 4.1, above.

5. Release by Even St. Parties.

5.1. The Even St. Parties, and their respective members, beneficiaries, agents, servants, employees, shareholders, subsidiaries, officers, directors, heirs, executors, administrators, successors and assigns forever release and discharge each other and the Stewart Releasing Parties and their respective agents, servants, employees, attorneys, shareholders, subsidiaries, officers, directors, heirs, executors, administrators, successors and assigns from any and all claims, demands, liabilities, accounts, obligations, costs, expenses, liens, actions, causes of action, rights to indemnity (legal or equitable), rights to subrogation, rights to contribution and remedies of any nature whatsoever, known or unknown, which any Even St. Party had, now has, or has acquired, individually or jointly, arising from any facts, actions or inactions occurring at any time prior to the date of the execution of this Agreement related in any way to the Cases, the Royalty Litigation, the Stewart Avoidance Litigation or based on the execution of this Agreement by, or on behalf of, any of the Parties; provided, however, that such release shall not apply to the obligations created by this Agreement.

5.2. The Even St. Parties expressly waive and relinquish all rights and benefits afforded by Section 1542 of the *Civil Code of the State of California*, and do so understanding and acknowledging the significance and consequences of such specific waiver of Section 1542, which provides as follows:

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

5.3. The Even St. Parties further acknowledge and agree that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the claims they may have, but that nonetheless it is their intention to fully, finally and forever settle and release all claims, whether known, unknown, fixed, contingent, suspected, unsuspected, or otherwise as to the claims referenced in Section 5.1, above.

6. Cooperation.

The Parties shall use their reasonable best efforts and cooperate to the extent necessary to obtain a Final Order from the Bankruptcy Court approving the terms of this Agreement and confirming the Plan. The Parties shall take such reasonable additional steps as may be necessary to implement this Agreement fully, including, without limitation, by executing and delivering such additional documents as may reasonably be required to give full effect to the terms hereof.

7. Liens and Taxes.

Stewart acknowledges and agrees that he is solely responsible for the resolution, waiver, satisfaction, and/or discharge of any taxes, equitable or contractual claims, subrogation claims or liens, known or unknown, past or future, asserted against the settlement proceeds or this settlement by any person or entity that provided benefits or payments of any kind to Stewart. Stewart agrees to indemnify the Even St. Parties from and against any and all claims, judgments, or suits for any such claims, subrogation claims or liens, including but not limited to any claims or liens by Stewart's prior counsel in the Royalty Litigation or Cases, if any.

The Goldstein Parties each acknowledges and agrees that he, she or it is solely responsible for the resolution, waiver, satisfaction, and/or discharge of any taxes, equitable or contractual claims, subrogation claims or liens, known or unknown, past or future, asserted against the settlement proceeds or this settlement by any person or entity that provided benefits or payments of any kind to any of the Goldstein Parties. The Goldstein Parties agree to indemnify Stewart from and against any and all claims, judgments, or suits for any such claims, subrogation claims or liens.

The Debtors agree to provide drafts of any and all tax returns to be filed following the Effective Date of this Agreement to Stewart and the Goldstein Parties prior to filing any such returns with any taxing authority. Stewart and/or the Goldstein Parties shall each have ten (10) days from receipt of the draft of any return(s) to raise issues with respect to such returns, and agree to meet and confer in good faith with any tax preparer to address any such issues in a manner designed to avoid any adverse tax consequences to any of them. The Debtors shall use their commercially reasonable best efforts to obtain draft returns by not later than December 31, 2016, but shall coordinate the preparation and filing of any such returns with the advice of any tax advisor in connection with the Asset Disposition, or any tax advisor for any of the Parties.

8. No Admission of Liability

This Agreement represents the compromise of disputed claims and neither this Agreement, nor any negotiations or proceedings connected with it, shall constitute or be construed as or be deemed to be evidence of any admission on the part of any of the Parties of

any liability or wrongdoing whatsoever, or the truth or untruth, or merit or lack of merit, of any claim or defense of any of the Parties.

9. Attorneys' Fees and Costs.

Each of the Parties hereto shall be responsible for his/her/its own attorneys' fees and costs as it pertains to this Agreement and incurred in the Royalty Litigation or in the Cases. In the event that it becomes necessary to commence an action to enforce the rights or obligations created by this Agreement, the prevailing Party in such action shall be entitled to reasonable attorneys' fees and costs as they are incurred to enforce the rights or obligations against any other Party or Parties to this Agreement.

10. Interpretation of Agreement.

This Agreement has been negotiated at arms' length between persons knowledgeable in the matters dealt with herein. In addition, the Parties have been represented by experienced and knowledgeable legal counsel. Accordingly, the Parties hereto agree that any rule of law, including, but not limited to, California Civil Code Section 1654, and all other statutes, legal decisions, or common law principles of similar effect, that would require interpretation of any ambiguities in this Agreement against the Party that drafted this Agreement, is of no application and is hereby expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the Parties hereto.

11. Successors and Assigns.

This Agreement, including the general releases contained herein, shall inure to the benefit and be binding on the Parties and, as applicable, their assigns, and their successors in interest, including successors in interest by assignment or otherwise.

12. Third Party Beneficiaries.

This Agreement is solely for the benefit of the Parties hereto, and their respective successors and permitted assigns, and no other persons or entities are intended to be third party beneficiaries hereunder, or to have any right, benefit, priority or interest under, or because of the existence of, or to have any right to enforce, this Agreement. The Parties hereto shall have the right to modify this Agreement at any time without notice to or approval of any other person or persons, subject to the provisions of Paragraph 18.

13. Governing Law; Venue.

This Agreement shall be governed by and construed, interpreted, and enforced in accordance with and under the laws of the State of California. The proper venue for the filing of any lawsuit in connection with this Agreement shall, in the first instance, in the Bankruptcy Court, for so long as the Debtors' Cases remain open. The Parties agree that, for so long as the Debtors' Cases remain open, the Bankruptcy Court shall have sole and exclusive jurisdiction, sitting without a jury, to hear and determine any disputes that arise under or on account of this Agreement. Thereafter, the proper venue for the filing of any lawsuit in connection with this

Agreement shall be in any court of competent jurisdiction in Los Angeles County, California.

14. Representative Capacity.

Each person whose signature is affixed hereto in a representative capacity represents and warrants that he or she is authorized and empowered to execute this Agreement on behalf of, and to bind, the person or entity on whose behalf his or her signature is affixed.

15. Advice of Counsel.

All Parties hereto represent and warrant that they understand the terms of this Agreement and have had the benefit of advice of counsel of their choice before signing this Agreement.

16. Severability.

If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law, but only as long as the continued validity, legality and enforceability of such provision or application does not materially (a) alter the terms of this Agreement, (b) diminish the benefits of this Agreement or (c) increase the burdens of this Agreement, for any person.

17. Entire Agreement.

This Agreement contains the entire understanding between the Parties concerning the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, statements, understandings, terms, conditions, negotiations, representations and warranties, whether oral or written, made by any of the Parties concerning the matters covered by this Agreement. Without limiting the generality of the preceding sentence, each of the Parties acknowledges and agrees that no promise, inducement, agreement, representation or warranty of any kind which is not expressly set forth in this Agreement has been made to induce such Party to enter into this Agreement.

18. Amendment.

None of the Parties shall have the right to unilaterally terminate, modify or abridge any of their respective rights or obligations under this Agreement. None of the Parties shall have the right to rescind, retract, revoke, void or otherwise seek to invalidate the terms of this Agreement pending the approval of this Agreement by the Bankruptcy Court. Any amendment to this Agreement must be in writing executed by all Parties and their counsel in the Royalty Litigation or the Cases.

19. Duplicate Originals; Counterparts; Copies.

The Parties may execute duplicate originals to this Agreement or have this Settlement executed in counterparts, each of which shall be deemed an original, and all of which shall

constitute one and the same agreement. In addition, a copy of a signature by the executing Party (either by facsimile, email, or other format) shall have the same force and effect as an original.

20. No Prior Transfer of Released Items.

Each Party represents and warrants that it has not heretofore sold, assigned, transferred, conveyed or otherwise disposed of, including by way of subrogation, any of the charges, claims, complaints, actions, causes of action, liabilities, obligations, promises, benefits, agreements, controversies, rights, damages, debts, costs, losses of services, attorneys' fees, expenses, costs and compensation of any nature whatsoever released in this Agreement.

21. Understanding of Agreement.

The Parties hereto acknowledge that they have had the opportunity to be represented by independent legal counsel of their own choice throughout all of the negotiations which preceded the execution of this Agreement and have either done so, or voluntarily decided not to do so and proceed without the consent or advice of independent legal counsel. The Parties hereto acknowledge that they have had adequate opportunity to make whatever investigation or inquiry that may be necessary or desirable in connection with the subject matter of this Agreement prior to the execution hereof. The Parties further represent and acknowledge that they fully understand and appreciate the meaning of each of the terms of this Agreement and that they understand that they may be waiving legal rights or claims by signing this Agreement and that they are voluntarily entering into this Agreement with a full and complete understanding of its terms and legal effect and with the intent to be legally bound by this Agreement.

22. Enforcement of Agreement.

The Parties specifically agree that: (1) this Agreement is admissible as evidence and subject to disclosure in enforcement proceedings; (2) all of the material terms of the settlement are set forth herein; (3) this Agreement is enforceable under Federal Rule of Civil Procedure 58 or other similar state laws, and the court, upon motion of either Party, may enter judgment pursuant to the terms hereof; and (4) neither Party shall oppose a motion under Federal Rule of Civil Procedure 58 or other similar state laws to enter judgment pursuant to the terms of this Agreement on the ground that this Agreement is confidential or otherwise privileged.

23. Headings.

Headings contained in this Agreement are inserted as a matter of convenience and for reference, and are not intended and shall not be construed to define, limit, extend or otherwise describe the scope of this Agreement or any provision of this Agreement.

(remainder of this page intentionally left blank)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date.

SYLVESTER STEWART

EVEN ST. PRODUCTIONS, LTD.

By: _____
Name: _____
Its: _____

MAJOKEN, INC.

By: _____
Name: _____
Its: _____

AUDIO VISUAL ENTERTAINMENT, INC.
dba AVENUE RECORDS

By: _____
Name: _____
Its: _____

FAR OUT PRODUCTIONS, INC.

By: _____
Name: _____
Its: _____

JERRY GOLDSTEIN MUSIC, INC.

By: _____
Name: _____
Its: _____

TMC MUSIC, INC.

By: _____
Name: _____
Its: _____

[Signatures Continue]

T.A.G. MANAGEMENT, INC.

By: _____
Name: _____
Its: _____

GERALD GOLDSTEIN

GLENN STONE

GRADSTEIN & MARZANO, P.C.

By: _____
Name: _____
Its: _____

EXHIBIT “2”

FILED CLAIM

SCHEDULED CLAIM

AMOUNT

DISTRIBUTION SCENARIO

NOTES

Creditor	Case in Which Claim Filed/Scheduled	Claim Nos.	Secured	Priority	General Unsecured	Schedule "D" Secured	Schedule "E" Priority	Schedule "F" Unsecured	AMOUNT	DISTRIBUTION SCENARIO			NOTES	
										Secured	Priority	General Unsecured Low Estimate		General Unsecured High Estimate
Internal Revenue Service	Majoken	1			\$ 4,537.24						\$4,537.24	\$4,507.66	\$4,507.66	
Franchise Tax Board	Even St	1			\$ 3,287.49						\$3,287.49	\$3,737.96	\$3,737.96	
Franchise Tax Board	Majoken	3			\$ 821.97						\$821.97	\$0.00	\$0.00	
		2, 2										\$23,150.76	\$23,150.76	This claimant has stipulated to a reduction of its claims to a single claim in the amount of \$23,150.76.
Herrick & Feinstein	Even St/Majoken				\$ 460,623.27					\$42,727.68	\$23,150.76			
Tesser & Ruttenberg	Even St	3			\$ 32,500.00					\$60,343.02		\$32,500.00	\$32,500.00	
Tesser & Ruttenberg	Majoken	4			\$ 32,500.00							\$32,500.00	\$32,500.00	
Sony Music	Even St	4			\$ 1,651,691.91					\$1,980,400.00		\$0.00	\$0.00	
Sylvester Stewart	Even St/Majoken	5, 5			\$ -				\$1,600,000.00			\$1,600,000.00	\$1,600,000.00	This claim has been settled.
Ken Roberts/Virginia Pope	Even St/Majoken	6, 6			\$ 5,551,002.76							\$0.00	\$0.00	This claim has been estimated at \$0.
Majoken, Inc.	Even St/Majoken	7, 7			\$ -							\$0.00	\$0.00	
FCBLA LLC	Even St / Majoken	8, 8	\$ 2,380,417.00			\$1,200,962.00			\$1,850,000.00	N/A		\$0.00	\$0.00	This claim has been satisfied.
Broadcast Music, Inc.	Even St / Majoken	9, 9			\$ 525,034.22							\$0.00	\$525,034.22	This claim is disputed
Claire Levine	Even St / Majoken	10, 10			\$ -							\$0.00	\$0.00	
Claire Levine Bankruptcy Estate	Even St / Majoken	11, 11			\$ -							\$0.00	\$0.00	
		12	\$ 1,648,987.99							\$0.00		\$0.00	\$0.00	This claimant has agreed to withdraw its claims.
SF Holding Co. LLC	Even St				\$ 908,332.66					\$900,000.00	\$500,000.00	\$500,000.00	\$500,000.00	This claim has been settled.
Glenn Stone	Even St/Majoken	12 (Majoken)			\$ 1,382.81					\$500,000.00		\$1,382.81	\$1,382.81	
City of Los Angeles Office of Finance	Even St	13		\$ 1,027.45	\$ 1,382.81						\$1,027.45	\$1,382.81	\$1,382.81	
City of Los Angeles Office of Finance	Majoken	13		\$ 7,947.45	\$ 10,355.70						\$7,947.45	\$10,355.70	\$10,355.70	
FROSS ZELNICK LEHRMAN & ZISSU PC	Even St	14			\$ 68,195.15							\$68,195.15	\$68,195.15	
City of New York Dept. of Taxation	Majoken	14			\$ 675.53							\$675.53	\$675.53	
City of New York Dept. of Taxation	Even St	15			\$ 1,801.83							\$1,801.83	\$1,801.83	
Ruby Jones	Even St	16			\$ 170,000.00							\$0.00	\$170,000.00	
CitiBank/Staples c/o LTD Financial	Even St								\$33,205.16			\$33,205.16	\$33,205.16	
Eli Blumenfeld Law Corporation	Even St								\$52,405.00			\$52,405.00	\$52,405.00	
Hemming Morse, Inc.	Even St/Majoken								\$105,964.83			\$105,964.83	\$105,964.83	
Mayer Hoffman McCann P.C.	Even St/Majoken								\$20,874.00			\$20,874.00	\$20,874.00	
Mercantile National Bank	Even St								\$0.00			\$0.00	\$0.00	
RBZ, LLP	Even St/Majoken								\$100,000.00			\$100,000.00	\$100,000.00	
Thomas Blackwood	Even St								\$15,705.00			\$15,705.00	\$15,705.00	
Wolk Levine & Trotter, LLP	Even St/Majoken								\$121,075.41			\$121,075.41	\$121,075.41	
Audio Visual Entertainment, Inc.	Even St								\$35,600.00			\$0.00	\$35,600.00	
Far Out Productions, Inc.	Even St								\$78,480.67			\$0.00	\$78,480.67	
Far Out Productions, Inc.	Even St								\$203,384.00			\$0.00	\$203,384.00	
											\$0.00	\$17,621.60	\$2,728,036.80	\$3,740,535.69

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 **DISCLOSURE STATEMENT DESCRIBING DEBTORS' LIQUIDATING PLAN (DATED OCTOBER 21, 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 **October 21, 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:

- Anthony Bisconti tbisconti@bmkattorneys.com, admin@bmkattorneys.com
- Alexandre I Cornelius aicornelius@costell-law.com, jgalliver@costell-law.com;mharris@costell-law.com;cevans@costell-law.com;ladelson@costell-law.com;jlcostell@costell-law.com
- Penny M Costa penny.costa@ffslaw.com
- Jeffrey Lee Costell jlcostell@costell-law.com, aicornelius@costell-law.com;jgalliver@costell-law.com;mharris@costell-law.com;rvallejo@costell-law.com;cevans@costell-law.com
- Sanaea Daruwalla sdaruwalla@rjallanlaw.com
- William H Forman wforman@scheperkim.com, mvasquez@scheperkim.com
- Melanie Scott Green Melanie.green@usdoj.gov
- Steven J Katzman SKatzman@bmkattorneys.com, admin@bmkattorneys.com
- Mary D Lane mal@msk.com, mec@msk.com
- Daniel A Lev dlev@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com;dlev@ecf.inforuptcy.com;dwalker@sulmeyerlaw.com
- Claire Levine clairegoldstein@gmail.com
- Maryann R Marzano , ssummers@gradstein.com
- Maryann R Marzano mmarzano@gradstein.com, ssummers@gradstein.com
- Krikor J Meshefejian kjm@lnbrb.com
- David L. Neale dln@lnbyb.com
- David J Richardson drichardson@sulmeyerlaw.com, drichardson@ecf.inforuptcy.com
- Peter J Rudinskas pjr.legal@gmail.com
- Rod Rummelsburg rod@rjallanlaw.com, rod.rummelsburg@roadrunner.com
- Richard A Shaffer rick@raslaw.com, rick@ecf.inforuptcy.com
- Jay M Spillane jspillane@spillanepc.com, cdale@spillanepc.com;smargetis@spillanepc.com
- Andrew Spitzer acs@msk.com, egd@msk.com
- Wayne R Terry wterry@hemar-rousso.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov
- Delilah Vinzon dvinzon@milbank.com

1 **2. SERVED BY UNITED STATES MAIL:** On **October 21, 2016**, I served the following persons and/or
2 entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true
3 and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and
4 addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be
5 completed no later than 24 hours after the document is filed.

4 U.S. Trustee
Ernst & Young Plaza
5 725 S. Figueroa Street, 26th Floor
Los Angeles, CA 90017

6 U.S. Securities and Exchange Commission
7 Attn: Bankruptcy Counsel
444 South Flower Street, Suite 900
8 Los Angeles, CA 90071-9591

9 Service information continued on attached page

10 **3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR**
11 **EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR,
12 on **October 21, 2016** I served the following persons and/or entities by personal delivery, overnight mail
13 service, or (for those who consented in writing to such service method), by facsimile transmission and/or
14 email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight
15 mail to, the judge will be completed no later than 24 hours after the document is filed.

13 **Served via Attorney Service**
14 The Honorable Julie W. Brand
U.S. Bankruptcy Court
15 255 E. Temple Street
Los Angeles, CA 90012

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

18 October 21, 2016 Stephanie Reichert /s/ Stephanie Reichert
19 *Date* *Type Name* *Signature*

20
21
22
23
24
25
26
27
28