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7  
8 **UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
9 **SAN FRANCISCO DIVISION**

10 In re: ) Case No. 15-31430  
11 )  
12 RDIO, INC., ) Chapter 11  
13 ) **DISCLOSURE STATEMENT DESCRIBING**  
14 ) **DEBTOR'S PLAN OF REORGANIZATION**  
15 Debtor. ) **DATED AUGUST 18, 2016**  
16 ) Disclosure Statement Hearing:  
17 ) Date: August 11, 2016  
18 ) Time: 11:00 a.m.  
19 ) Place: U.S. Bankruptcy Court  
20 ) Courtroom 17  
21 ) 450 Golden Gate Ave., 16<sup>th</sup> Floor  
22 ) San Francisco, CA 94102  
23 ) Judge: The Hon. Dennis Montali  
24 )  
25 ) Plan Confirmation Hearing:  
26 ) Date: September 27, 2016  
27 ) Time: 11:00 a.m.  
28 ) Place: [Same As Above]  
)

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1 **I. INTRODUCTION**

2 Rdio, Inc., chapter 11 debtor and debtor in possession in the above-referenced chapter  
3 11 bankruptcy case (the “Debtor” or “Rdio”), is the Debtor in a pending chapter 11 bankruptcy  
4 case. The Debtor filed a voluntary petition under chapter 11 of 11 U.S.C. §§ 101 *et seq.* (the  
5 “Bankruptcy Code”) on November 16, 2015.

6 This document is the Disclosure Statement which describes the Debtor’s Plan of  
7 Reorganization Dated August 18, 2016 (“Plan”) that is being proposed by the Debtor. The Plan  
8 includes a compromise of certain claims and controversies pursuant to section 1123 of the  
9 Bankruptcy Code and Federal Rule of Bankruptcy Procedure 9019.

10 Chapter 11 allows the Debtor, and, under some circumstances, creditors and other  
11 parties in interest, to propose a plan of reorganization. The Plan is a plan of reorganization  
12 which has been proposed by the Debtor and is supported by the Official Committee of  
13 Unsecured Creditors (the “Committee”) and by the Debtor’s two pre-petition secured creditors  
14 consisting of Pulser Media, Inc. (“Pulser”) and Iconical Investments II LP (“Iconical II”) (with  
15 Pulser and Iconical II collectively defined as the “Prepetition Secured Creditors”). A detailed  
16 description of the relationships between the Debtor, the Prepetition Secured Creditors and other  
17 related entities and parties is set forth in section IIB below. The Plan is an integrated global  
18 settlement that is the result of extensive negotiations between the Debtor, the Committee, the  
19 Prepetition Secured Creditors, and the Debtor’s three largest music labels (each of whom was  
20 previously a member of the Committee), all of whom support the Plan and confirmation of the  
21 Plan. The effective date of the Plan (the “Effective Date”) will be as set forth in the Plan. All  
22 capitalized terms used in this Disclosure Statement which are not defined in this Disclosure  
23 Statement but which are defined in the Plan shall be deemed to have the same definitions as  
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1 used in the Plan. The Debtor following the Effective Date will be referred to herein as the  
2 “Reorganized Debtor”.

3 Settlement discussions among the Debtor, the Committee, the Prepetition Secured  
4 Creditors and separate settlement discussions with each of the three music labels have resulted  
5 in an agreement on the terms of a fully consensual plan of reorganization, the terms of which  
6 are contained in the Plan and are described in detail in this Disclosure Statement. In summary,  
7 the settlement results in (i) the Prepetition Secured Creditors, who hold a perfected lien against  
8 all of the Estate Funds, permitting \$5,725,000 million of the Estate Funds (the “Unsecured  
9 Creditors Fund”) to be used solely for the payment of the allowed claims of general unsecured  
10 creditors in the manner described in detail below and the payment of the allowed fees and  
11 expenses of the professionals retained by the Committee which are incurred on or after March 1,  
12 2016 and the fees and expenses of the professionals employed by the Liquidating Trust (defined  
13 below) (collectively, “Committee Professional Fees”), (ii) the Prepetition Secured Creditors  
14 obtaining a full and complete release from this estate, (iii) holders of allowed general unsecured  
15 claims receiving the proceeds from certain causes of action (other than Avoidance Actions)  
16 until their claims are paid in full at which time such proceeds are paid to the Prepetition Secured  
17 Creditors, (iv) the Committee waiving any right to file any lawsuit against the Prepetition  
18 Secured Creditors “challenging” the claims and liens of the Prepetition Secured Creditors  
19 (subject to the condition subsequent that the Plan be confirmed and become effective), and (v)  
20 each of the music labels obtaining full and complete releases from the Debtor, the Debtor’s  
21 estate, and any persons or entities claiming under or through them (as more fully described  
22 below). The Debtor and the Committee both believe that this resolution is a very fortunate  
23 development for this case and is in the best interests of creditors and this estate.  
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1 The Debtor believes that the Plan terms are fair under the circumstances of this case and  
2 that the Plan provides a fair economic result for all creditors. As explained in more detail  
3 below, the Debtor estimates that if the Committee Professional Fees do not exceed \$500,000,  
4 general unsecured creditors (defined below as class 4 claim holders) will likely receive under  
5 the Plan a cash payment shortly after Plan confirmation equal to at least 17% of the amounts of  
6 their class 4 allowed claims depending upon the ultimate final amount of class 4 allowed claims  
7 in this case. In comparison, the Debtor believes that Pulser, whom the Debtor believes is owed  
8 (and therefore lost) several multiples more money than all of the other creditors combined and  
9 which is secured by a perfected lien against all or substantially all of the assets of this  
10 bankruptcy estate, will be receiving under the Plan a recovery on its secured claim which is  
11 likely not to be substantially higher than the recovery that will be received by general unsecured  
12 creditors. The Debtor projects that if all of the Escrowed Funds are ultimately returned to the  
13 Debtor and then paid to Pulser, there are no allowed administrative claims in this case other  
14 than the allowed fees and expenses of the employed professionals, there are no allowed  
15 Indemnity Claims (defined below), the expenses of special litigation counsel do not exceed  
16 \$300,000, and the Plan Effective Date occurs by September 30, 2016, Pulser's ultimate  
17 recovery will be approximately 25%, recognizing that much of which will only be received by  
18 Pulser at the end of the escrow period at some point in 2017. It is also important to note that in  
19 order to maximize the recovery for general unsecured creditors, as part of the global settlement  
20 under the Plan, Pulser will be paying out of its collateral all of the allowed fees and expenses of  
21 the professionals employed by the Debtor, \$166,756.46 of the allowed fees and expenses of the  
22 professionals employed by the Committee, all allowed priority tax claims and all allowed non-  
23 tax priority claims. If any Indemnity Claims are asserted against the Escrowed Funds by  
24 Pandora, there ends up being any allowed administrative claims in this case other than the  
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1 allowed fees and expenses of the employed professionals, the projected costs of bringing this  
2 case to conclusion exceeds the projected sum, or the fees and expenses of the Debtor's  
3 professionals exceed the projected figures, then the ultimate recovery for Pulser will be reduced  
4 by the same amount.

5 The Debtor is advised that claims traders have offered general unsecured creditors  
6 substantially less than class 4 claim holders will be receiving under the Plan, and understands  
7 that some creditors have already sold their claims to claims traders.  
8

9 **ATTACHED AS EXHIBIT "6" TO THIS DISCLOSURE STATEMENT IS THE**  
10 **COMMITTEE'S LETTER IN SUPPORT OF CONFIRMATION OF THE PLAN.**

11 **A. Disclaimer**

12 **THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT**  
13 **AND THE PLAN IS INCLUDED HEREIN AND THEREIN FOR PURPOSES OF**  
14 **SOLICITING ACCEPTANCES OF THE PLAN AND DESCRIBING TREATMENT**  
15 **UNDER THE PLAN. THE INFORMATION CONTAINED HEREIN AND THEREIN**  
16 **MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE**  
17 **HOW TO VOTE ON THE PLAN AND TO DESCRIBE TREATMENT UNDER AND**  
18 **TERMS OF THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE**  
19 **ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND**  
20 **REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR THE**  
21 **PLAN, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF**  
22 **THE PLAN.**

23 **ALL CREDITORS AND PARTIES IN INTEREST ARE ADVISED AND**  
24 **ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN**  
25 **THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN**  
26  
27  
28

1 **SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT OR**  
2 **THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE**  
3 **PLAN, THIS DISCLOSURE STATEMENT AND THE EXHIBITS ANNEXED TO THIS**  
4 **DISCLOSURE STATEMENT, AND, IF THE TERMS OF THIS DISCLOSURE**  
5 **STATEMENT AND THE PLAN ARE INCONSISTENT, THE PLAN WILL CONTROL.**  
6 **THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE**  
7 **ONLY AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT**  
8 **THE STATEMENTS CONTAINED HEREIN SHALL BE CORRECT AT ANY TIME**  
9 **AFTER THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND INTERESTS SET**  
10 **FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS**  
11 **OF CLAIMS AND INTERESTS ULTIMATELY ALLOWED BY THE COURT.**

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

22  
23 **THE INFORMATION AND STATEMENTS CONTAINED IN THIS**  
24 **DISCLOSURE STATEMENT, INCLUDING, WITHOUT LIMITATION,**  
25 **INFORMATION ABOUT THE DEBTOR, ITS BUSINESS AND ITS BANKRUPTCY**  
26 **ESTATE AND ASSETS, HAVE BEEN PROVIDED SOLELY BY THE DEBTOR, AND**  
27  
28

1 **SUCH INFORMATION HAS NOT BEEN INDEPENDENTLY VERIFIED BY ANY**  
2 **OTHER PARTY.**

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

4 This Disclosure Statement summarizes what is in the Plan and tells you certain  
5 information relating to the Plan and the process the Court follows in determining whether or not  
6 to confirm the Plan.  
7

8 **READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO**  
9 **KNOW ABOUT:**

- 10 (1) **WHO CAN VOTE OR OBJECT,**  
11 (2) **WHAT THE TREATMENT OF YOUR CLAIM IS (i.e., what your claim**  
12 **will receive if the Plan is confirmed) AND HOW THIS TREATMENT COMPARES TO**  
13 **WHAT YOUR CLAIM WOULD RECEIVE IN A CHAPTER 7 LIQUIDATION OF THE**  
14 **DEBTOR,**  
15 (3) **THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS**  
16 **DURING ITS BANKRUPTCY CASE,**  
17 (4) **THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR**  
18 **NOT TO CONFIRM THE PLAN,**  
19 (5) **THE EFFECT OF PLAN CONFIRMATION, AND**  
20 (6) **WHETHER THE PLAN IS FEASIBLE.**  
21  
22

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

26 Be sure to read the Plan as well as this Disclosure Statement. If there are any  
27 inconsistencies between the Plan and this Disclosure Statement, the Plan provisions will govern.  
28

1 The Bankruptcy Code requires a Disclosure Statement to contain "adequate information"  
2 concerning the Plan. The Bankruptcy Court has approved this document as an adequate  
3 Disclosure Statement, containing enough information to enable parties affected by the Plan to  
4 make an informed judgment about the Plan. Only after this Disclosure Statement has been  
5 approved by the Court may the Debtor solicit votes for the Plan.  
6

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

8 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS  
9 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE  
10 NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS  
11 THE PLAN, THEN THE PLAN WILL BE BINDING ON ALL CREDITORS AND  
12 INTEREST HOLDERS IN THIS CASE.  
13

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

15 The hearing where the Court will determine whether or not to confirm the Plan (the  
16 "Plan Confirmation Hearing") will take place on September 27, 2016, at 11:00 a.m., before the  
17 Honorable Dennis Montali, United States Bankruptcy Judge for the Northern District of  
18 California, San Francisco Division, in Courtroom 17 located at 450 Golden Gate Ave., 16<sup>th</sup>  
19 Floor, San Francisco, California 94102.  
20

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

22 If you are entitled to vote, it is in your best interest to timely vote and make the election  
23 on the enclosed ballot and return the ballot in the enclosed addressed and stamped envelope (or  
24 timely return the stamped and addressed post card enclosed with the Plan package) to Ron  
25 Bender, Esq., Levene, Neale, Bender, Yoo & Brill L.L.P., 10250 Constellation Blvd., Suite  
26 1700, Los Angeles, California 90067. You can also email your completed ballot (or a copy of  
27  
28

1 your completed and signed post card) to rb@lnbyb.com. Your ballot must be received by 5:00  
2 p.m., PST, on September 20, 2016 or it will not be counted.

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

4 Objections to the confirmation of the Plan must, by September 20-, 2016, be filed with  
5 the Court and served by same day service upon counsel to the Debtor – Ron Bender, Esq.,  
6 Levene, Neale, Bender, Yoo & Brill L.L.P., 10250 Constellation Blvd., Suite 1700, Los  
7 Angeles, California 90067, fax: (310) 229-1244, email: rb@lnbyb.com and upon counsel to the  
8 Committee – John D. Fiero, Esq. or Debra I. Grassgreen, Esq., Pachulski Stang Ziehl & Jones  
9 LLP, 150 California Street, 15<sup>th</sup> Floor, San Francisco, California 94111, fax (415) 263-7010,  
10 email: jfiero@pszjlaw.com; dgrassgreen@pszjlaw.com.

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

12 Any interested party desiring further information about the Plan should contact counsel  
13 to the Debtor – Ron Bender, Esq., Levene, Neale, Bender, Yoo & Brill L.L.P., 10250  
14 Constellation Blvd., Suite 1700, Los Angeles, California 90067, fax: (310) 229-1244, email:  
15 rb@lnbyb.com or counsel to the Committee - John D. Fiero, Esq. or Debra I. Grassgreen, Esq.,  
16 Pachulski Stang Ziehl & Jones LLP, 150 California Street, 15<sup>th</sup> Floor, San Francisco, California  
17 94111, fax (415) 263-7010, email: jfiero@pszjlaw.com; dgrassgreen@pszjlaw.com.

18 **II. BACKGROUND**

19 **A. Description and History of the Debtor’s Business and the Debtor’s Sale Process**  
20 **which Led to the Filing of the Debtor’s Chapter 11 Case**

21 The Debtor commenced its bankruptcy case by filing a voluntary petition under Chapter  
22 11 of the Bankruptcy Code on November 16, 2015 (the “Petition Date”). The Debtor continues  
23 to manage its financial affairs and bankruptcy estate as a debtor in possession pursuant to  
24 sections 1107 and 1108 of the Bankruptcy Code.  
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1 The Debtor was founded in 2008 as a digital music service. The Debtor's business  
2 operations were launched in 2010 after the Debtor secured requisite licenses from the applicable  
3 holders of music rights. Since that time, the Debtor grew into a worldwide music service,  
4 ultimately operating in 86 countries.

5 One of the primary services the Debtor provided was an unlimited, on demand music  
6 streaming service where, for \$9.99 per month in the U.S., the user had access to an entire library  
7 of songs with access to them through a computer, mobile device, etc. In other words, the  
8 Debtor's primary business model was based upon a monthly recurring subscription for full  
9 access to its content rather than on an owned a la carte download model. The Debtor also made  
10 available other subscription tiers at lower costs per month with varying service offerings or  
11 functionality (e.g., a family tier, a student tier, and a select tier with alternative functionality) as  
12 well as a "free to the user" advertising supported Internet radio service. Prior to the Debtor's  
13 bankruptcy filing, the Debtor was generating approximately \$1.5 million of U.S. monthly  
14 revenue from its monthly subscription service. While the Debtor's monthly subscription service  
15 provided the Debtor with its historical primary revenue source, prior to the Debtor's bankruptcy  
16 filing, the Debtor was also generating approximately \$100,000-\$150,000 of monthly revenue  
17 from advertisers who advertised in the Debtor's advertising-based service offerings. The  
18 Debtor's primary assets consisted of the Debtor's (i) owned technology (e.g., website, mobile  
19 apps, content ingestion technology, reporting technology, software, databases, etc.), (ii) content  
20 license agreements, (iii) subscribers, (iv) employee talent pool, and (v) goodwill.

24 Under its pre-petition operating business model, the Debtor was incurring monthly  
25 operating expenses of approximately \$3.5-\$4.0 million, comprised primarily of payroll for the  
26 Debtor's approximately U.S. 140 employees (much of which represented costs of retaining high  
27 caliber Silicon Valley engineering talent), payment to the owners of music rights, costs of  
28

1 maintaining the service, rent, marketing costs, business development costs, technology  
2 maintenance costs, and foreign administrative expenses. With average monthly total revenue of  
3 approximately \$1.6-\$1.65 million and average monthly operating expenses of \$3.5-\$4.0 million,  
4 the Debtor's pre-petition business operations under its pre-petition operating business model  
5 resulted in operating losses of approximately \$1.85-\$2.4 million per month, and the Debtor  
6 ultimately no longer had the economic means of continuing to fund its significant operating  
7 losses.  
8

9         The Debtor has approximately \$188,500,000 of secured debt (although, but for the  
10 global settlement embodied in the Plan, such debt remains subject to a potential challenge by  
11 the Committee). In addition, the Debtor scheduled (i) approximately \$273,909 of pre-petition  
12 wage related priority claims (which are now in the outstanding amount of \$138,096.96); (ii)  
13 approximately \$130,326 of pre-petition priority tax claims; and (iii) approximately \$24,390,222  
14 of non-priority general unsecured debt (recognizing that this figure does not take into account  
15 any disputed, unliquidated or contingent unsecured debt, any claims asserted in filed proofs of  
16 claim, or any debt which may arise as a result of the Debtor's rejection of unexpired leases or  
17 executory contracts or breaches or terminations of license agreements). The Debtor is  
18 continuing to review its books and records, its bankruptcy schedules and filed proofs of claim.  
19 The Debtor will file amended bankruptcy schedules and update this Disclosure Statement as  
20 appropriate.  
21  
22

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

26         As a result, the Debtor's majority shareholder, Pulser, employed a highly qualified  
27 investment bank in Moelis & Company ("Moelis") in the fall of 2014, initially with the goal of  
28

1 attempting to raise new equity capital. Despite extensive efforts by Moelis, however, the  
2 prospects for raising new debt or equity capital were not promising at the time. At that point,  
3 Pulser extended the Moelis mandate to include seeking a buyer or merger partner because the  
4 Debtor was not going to be able to continue to fund such significant operating losses  
5 indefinitely.

6  
7 By June 2015, Pandora Media, Inc. ("Pandora") was emerging as the most interested  
8 party and the party most likely to present the best offer and to close a sale. Pandora submitted a  
9 signed preliminary letter of intent (the "Initial LOI") on July 8, 2015, which was never counter-  
10 signed by the Debtor. Concurrent with the continuing negotiations with Pandora regarding the  
11 Initial LOI, Moelis continued its marketing efforts, and, over the subsequent three months, the  
12 Debtor's management and Moelis continued discussions with other interested parties that had  
13 been identified. The negotiations with Pandora were long and intensive. Pandora advised the  
14 Debtor that it had approximately 125 people working on this transaction. Negotiations broke  
15 down several times. After substantial negotiation of the Initial LOI and several subsequent  
16 versions, and additional due diligence by Pandora, the parties executed a non-binding LOI on  
17 September 29, 2015 (the "Executed Non-Binding LOI").  
18

19 Following the execution of the Executed Non-Binding LOI, Pandora continued its due  
20 diligence and the parties commenced negotiations on the terms of a definitive transaction. Those  
21 negotiations were also very intense and extended. The Executed Non-Binding LOI provided  
22 that upon the election of Pandora, the Debtor's asset sale to Pandora would be conducted as part  
23 of a chapter 11 bankruptcy process and an asset purchase pursuant to a sale under 11 U.S.C. §  
24 363. The Debtor contends that after the Executed Non-Binding LOI, the Debtor and Pandora  
25 held several discussions regarding potential alternatives to a chapter 11 bankruptcy process, and  
26 the Debtor pursued financing transactions with other parties. Negotiations between the Debtor  
27  
28



1 and Pandora continued all the way until the definitive Asset Purchase Agreement between the  
2 Debtor and Pandora was executed on November 16, 2015 (the “APA”). Pursuant to the APA,  
3 Pandora required that its asset purchase be consummated through a chapter 11 bankruptcy  
4 process by the Debtor and an asset sale under 11 U.S.C. § 363.

5  
6 The Debtor contends that through the entire negotiation between the Debtor and Pandora  
7 until shortly before the parties executed the APA, the Debtor anticipated that Pandora would  
8 acquire the Debtor’s assets in a manner that would allow Pandora to continue to operate the  
9 Debtor’s business as a going concern. Until the Court approved the Debtor’s asset sale to  
10 Pandora at the hearing on December 21, 2015, the Debtor continued to operate its business in  
11 the ordinary course and in accordance with the APA, so that the required overbid process could  
12 be pursued and other potential acquirers had an opportunity to acquire the Debtor’s business and  
13 continue to operate the service. Several interested parties engaged in due diligence, one of  
14 which invested significant time and resources in due diligence prior to deciding not to bid.  
15

16 Ultimately, Pandora decided that it would not purchase the Debtor’s business as a going  
17 concern, but would acquire only certain assets, consisting primarily of the Debtor’s core  
18 technology and related engineering and production/design staff. Pursuant to the APA, Pandora  
19 paid a base purchase price of \$75.0 million, subject to adjustment as provided in the APA.  
20 Pandora also agreed to enter into a Master Services Agreement, which provided for a payment  
21 of \$2.5 million to the Debtor and which was approved by the Court at a hearing held on  
22 November 23, 2015. The Debtor never understood the logic of Pandora’s decision to close the  
23 Rdio service, and was never sure whether Pandora might not ultimately change its mind again  
24 before the sale closed. Rdio’s service operated in 86 countries, its app was well received and  
25 favorably regarded when reviewed against the apps of Spotify, Apple and Google, included  
26 both a paid subscription service and a free internet radio service modeled after Pandora, enabled  
27  
28

1 via direct licenses with rights holders globally and a licensed catalog of over 40 million tracks.  
2 The Debtor believes that duplicating this footprint would have ultimately in all likelihood cost  
3 Pandora hundreds of millions of dollars and have taken 24-36 months. All Pandora would have  
4 to do is seek and obtain certain rights holder consents for the transfer of certain of the Debtor's  
5 existing recorded music and music publishing licenses.  
6

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

11 The APA provided that 15% of the Aggregate Consideration (as defined in the APA)  
12 would be deposited into an escrow account to backstop the Debtor's indemnification obligations  
13 to Pandora. The APA also required secured creditor Iconical II to provide a guarantee of the  
14 Debtor's indemnification obligations under the APA, subject to various limitations and  
15 conditions. The APA provided for the possibility of certain downward price adjustments and  
16 walk away rights, fortunately none of which came to fruition due to effective efforts by the  
17 Debtor to ensure that over 80% of the Debtor's employees receiving offers from Pandora  
18 accepted, which included incentive bonuses paid for with the consent of the Prepetition Secured  
19 Creditors out of their collateral.  
20

21 Pandora's obligations under the APA were subject to the Debtor meeting certain  
22 deadlines all of which were achieved. The Debtor's management worked diligently through the  
23 sale closing to ensure that all conditions of the APA were met, despite the fact that only one  
24 member of the Debtor's executive staff received an acceptable offer to join Pandora. The APA  
25 required the filing of a motion for an order approving bid and sale procedures (the "Bidding  
26 Procedures Order") within one day of the Petition Date. The Debtor was also required to use  
27  
28

1 commercially reasonable efforts to obtain the Bankruptcy Court's entry of the Bidding  
2 Procedures Order on or prior to December 1, 2015; and obtain the Bankruptcy Court's entry of  
3 the order approving the sale (the "Sale Order") on or prior to December 23, 2015. Pandora had  
4 the right to terminate the APA if any such deadlines were not met. Fortunately, all required  
5 deadlines were met.

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

16  
17 Pursuant to the APA, Pandora required that its purchase of the Debtor's assets be  
18 conducted through a chapter 11 bankruptcy process. However, Pandora agreed that the Debtor  
19 could and should market Pandora's offer for overbid to ensure that the highest and best price  
20 was paid for the Debtor's assets. The Debtor retained Moelis for the purpose of marketing the  
21 Debtor's assets for overbid and to assist the Debtor to conduct an auction process in the event of  
22 any successful overbids – recognizing that the Debtor had only a limited amount of time  
23 available to consummate a sale (and to conduct the auction sale process). Not only did the  
24 Debtor not have the financial means with which to continue to fund its operating losses on any  
25 long-term basis, as a result of the business uncertainty created by the Debtor's bankruptcy  
26 filing, particularly with regard to the potential loss of its very valuable employee talent, the  
27  
28

1 continuing desirability and value of the Debtor's assets and business were clearly jeopardized  
2 by delay. Pandora understandably required a prompt sale process.

3 In the APA, certain bidding procedures ("Bidding Procedures") were agreed to by the  
4 Debtor and Pandora, all of which the Debtor believed to be reasonable and appropriate under  
5 the circumstances of this case and in compliance with the law. At a continued hearing held on  
6 November 23, 2015, the Court granted the Debtor's motion filed on November 16, 2015, for  
7 approval of the Bidding Procedures. On November 24, 2015, the Court entered the Bidding  
8 Procedures Order. The Bidding Procedures Order explained to prospective overbidders how a  
9 prospective overbidder would become qualified to participate in the auction sale ("Auction").  
10

11 The timing of the sale process was critical as Pandora conditioned its offer on the Debtor  
12 obtaining an entered Sale Order on or prior to December 23, 2015. The Court scheduled the  
13 sale hearing to be held on December 21, 2015, and the Auction was scheduled to be held (in the  
14 event that one or more qualified overbidders elected to participate in the Auction) on December  
15 18, 2015. The Debtor was assured by Moelis that this was a sufficient amount of time for  
16 Moelis to conduct an overbid process, particularly given the breadth of Moelis' pre-bankruptcy  
17 marketing process and Moelis' in-depth knowledge of the Debtor's industry and marketplace  
18 and prospective overbidders, to insure that the highest and best price was obtained from the sale  
19 of the Debtor's assets.  
20

21 Although the Debtor and Pandora had both been operating in the internet radio business  
22 for an extended period of time, the differences in their particular business models, and the way  
23 they had developed, made Pandora a particularly suitable buyer for the Debtor's assets. As  
24 compared to Pandora's music service, the Debtor's service involved more specific  
25 (personalized) customer choice and a tiered-priced subscription service. The Debtor's digital  
26 music service provided both internet radio and subscription on-demand listening experiences.  
27  
28

1 The Debtor secured extensive IP licensing agreements with music labels and publishers,  
2 allowing it to offer a comprehensive library of over 35 million songs. While Pandora ultimately  
3 decided that it would not be continuing the Debtor's existing streaming music service, the  
4 Debtor's technology was of great benefit to Pandora in providing this type of service in the  
5 future. These aspects of the Debtor's business are complimentary and offered opportunities for  
6 Pandora to expand its business model which appeared attractive in the then-present  
7 marketplace.  
8

9 With the assistance of Moelis, the Debtor had been engaged for over one year in an  
10 active marketing process involving contacts with over 110 financially significant potential  
11 investors or purchasers, which included substantial discussions with a number of different  
12 prospective buyers over many months prior to the Petition Date. The negotiations with Pandora  
13 alone continued for over three months from the time Pandora delivered its initial draft of the  
14 LOI. Moelis continued with its efforts to attempt to solicit overbids during the overbid process.  
15 While a number of prospective overbidders signed confidentiality agreements and spent  
16 significant time in the Debtor's data room conducting due diligence, ultimately no party  
17 submitted any overbid to Pandora's offer.  
18

19 The Court approved the Debtor's asset sale to Pandora at a hearing held on December  
20 21, 2015, and the Debtor's asset sale to Pandora closed two days later on December 23, 2015.  
21

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

24 Pulser is the majority equity holder of the Debtor. In turn, the majority stockholder of  
25 Pulser is Iconical Investments LP ("Iconical LP"), a limited partnership that is associated with  
26 Janus Friis Degnbol ("Janus Friis"). Pulser and the Debtor have been primarily funded by  
27 companies associated with Janus Friis. Iconical II, which has made substantial loans to the  
28

1 Debtor and Pulser, is also a limited partnership that is associated with Janus Friis.

2 Iconical II and Iconical LP and their respective affiliated entities (collectively, the  
3 “Iconical Entities”) are funds engaged in making investments in innovative businesses and are  
4 primarily managed by the following directors: Mark Dyne, Janus Friis, and Murray Markiles.  
5 Prior to the Petition Date, the Debtor had four members on its Board of Directors - Mark Dyne,  
6 Janus Friis, Anthony Bay and Andrew Lerner - however, on October 30, 2015, Mark Dyne and  
7 Janus Friis resigned from the Debtor’s Board of Directors (and from the Board of Directors of  
8 Pulser).  
9

10 The Debtor’s Board of Directors sought to add and appoint an independent member to  
11 the Board. Accordingly, on or about November 2, 2015, Peter Kravitz was appointed to the  
12 Debtor’s Board of Directors, joining the other two remaining members of the Board of  
13 Directors (Anthony Bay and Andrew Lerner). Prior to joining the Debtor’s Board of Directors,  
14 Peter Kravitz had no prior affiliation, relationship, connection, or business dealings with the  
15 Debtor, Pulser, or any of the Iconical Entities.  
16

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

1 asset sale to Pandora.

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

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

5 **1. Formation of the Committee**

6 The United States Trustee (the "UST") formed the Committee at the very outset of this  
7 case to represent the interests of general unsecured creditors. The Committee was originally  
8 composed of the following seven members: Roku, Inc.; Sony Music Entertainment; AXS  
9 Digital LLC; Shazam Media Services; Warner Music Group Corp.; UMG Recordings, Inc.; and  
10 Mosaic Networx LLC. Sony Music Entertainment, UMG Recordings, Inc., Warner Music  
11 Group Corp. and Shazam Media Services have since resigned from the Committee. The  
12 Committee is currently comprised of the remaining three members. The Committee is  
13 represented by Pachulski Stang Ziehl & Jones LLP ("PSZJ").  
14  
15

16 **2. Operational Issues**

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

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

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

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

22 At the commencement of this case, the Debtor filed an emergency motion for authority  
23 to pay the Debtor's pre-petition priority wages and related benefits in the ordinary course of  
24 business to avoid the disruption to the Debtor's business from failing to do so. The Court  
25 granted the Debtor's emergency wage motion at a hearing held on November 18, 2015.  
26  
27  
28



1                   iii.     **Emergency Motion to Provide Adequate Assurance of Payment to**  
2 **the Debtor's Utilities**

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

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

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

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

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

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

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

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

3 **3. Administrative Matters**

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

18 **4. Employment of Professionals**

19 The Debtor has employed three professionals: LNBYB as its bankruptcy counsel;  
20 Moelis as its financial advisor to assist the Debtor in the sale process; and Winston & Strawn  
21 LLP ("WS") as special litigation counsel. The Committee has employed two professionals:  
22 PSZJ as its bankruptcy counsel and FTI Consulting as its financial advisor.  
23

24 **5. Sale Transaction**

25 The Court entered the sale order and related findings of fact and conclusions of law on  
26 December 22, 2015, and the Debtor's sale to Pandora closed on December 23, 2015. Pandora's  
27 base purchase price was \$75.0 million. After taking into account the deposit of \$11,250,000  
28

1 which was paid into escrow (the “Escrowed Funds”) as was required by Pandora to protect  
2 Pandora against any claims made against Pandora by creditors of the Debtor, the total net sum  
3 of \$63,750,000 was delivered to the Debtor at the sale closing, which the Debtor deposited into  
4 its general operating account. After adding to this figure the Debtor’s cash on hand as of the  
5 sale closing and deducting from this figure repayment of the post-petition loan to Iconical II and  
6 all of the Debtor’s paid expenses pursuant to the approved budgets and other Court orders, as of  
7 August 2, 2016, the Debtor was holding a total of approximately \$54.2 million (exclusive of the  
8 \$11.25 million of Escrowed Funds) (the “Estate Funds”). The Debtor will continue to pay the  
9 estate’s expenses (including the professional fees incurred by counsel to the Prepetition Secured  
10 Creditors) in accordance with approved budgets out of the Estate Funds. The remaining balance  
11 of Estate Funds together with all funds ultimately paid to the Debtor from the Escrowed Funds  
12 and any and all recoveries obtained by the Debtor from the pursuit of any causes of action will  
13 serve as the source of funding for all payments required to be made under the Plan.  
14  
15

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

17 In connection with the Debtor’s asset sale to Pandora, Pandora was given the right to  
18 designate which executory contracts and unexpired leases Pandora desired to have assigned to it  
19 at the closing, and Pandora had the right to wait up to thirty days to designate any others that  
20 Pandora desired to have assigned to it after the sale closing. Pandora ultimately decided not to  
21 take an assignment of any additional executory contracts or unexpired leases other than the  
22 initial ones that were assumed by the Debtor and assigned to Pandora at the sale closing. The  
23 Debtor therefore took all of the required steps to reject nearly all of its remaining executory  
24 contracts and unexpired leases which were not assigned to Pandora, with such rejection  
25 effective as of the sale closing date of December 23, 2015.  
26  
27  
28

1           **7. Plan Exclusivity**

2           The Debtor filed a timely motion to extend its plan exclusivity periods. The Committee  
3 filed an objection to the Debtor's motion and requested the Court to terminate the Debtor's plan  
4 exclusivity. With the consent of the Debtor, the Committee, and the Prepetition Secured  
5 Creditors, the Debtor's exclusive periods to file and solicit acceptances of a chapter 11 plan  
6 were extended a number of times. The Debtor's plan exclusivity has since terminated. During  
7 the Debtor's extended plan exclusivity periods, the Prepetition Secured Creditors agreed that  
8 they would not initiate any contested matter or adversary proceeding seeking to recover any of  
9 the Pandora sale proceeds pending the Plan confirmation process (except as otherwise already  
10 authorized by the final financing order or the Sale Order).  
11

12           **8. The Committee's Challenge Deadline**

13           As part of the final cash collateral and post-petition financing stipulation approved in  
14 this case, the Committee negotiated for the standing necessary to challenge the validity, priority  
15 and allowability of the pre-petition claims and liens of the Prepetition Secured Creditors and for  
16 a deadline for the Committee or another party in interest with standing and requisite authority,  
17 to commence a timely contested matter or adversary proceeding challenging any of the Debtor's  
18 stipulations regarding the validity, priority and allowability of the Prepetition Secured  
19 Creditors' claims and liens. No party brought such an action by the January 24, 2016 deadline  
20 (the "Challenge Deadline"). However, the Challenge Deadline has been extended with respect  
21 to the Committee only, on multiple occasions, to provide the Debtor, the Committee and the  
22 Prepetition Secured Creditors with the opportunity to attempt to negotiate the terms of a fully  
23 consensual plan of reorganization, recognizing that, with the consent of the Committee, certain  
24 releases of Iconical II, Pulser and their principals were already provided and approved by the  
25 Court in the Court approved cash collateral and post-petition financing stipulation. Such  
26  
27  
28

1 challenge rights have not been bargained away, and, in the event the Plan or another plan  
2 acceptable to the Committee is not confirmed, the challenge rights are preserved for the  
3 Committee.

4 **III. THE COMMITTEE'S ANALYSIS AND THE RECOMMENDATION OF THE**  
5 **COMMITTEE THAT ALL GENERAL UNSECURED CREDITORS VOTE TO**  
6 **ACCEPT THE PLAN**

7  
8 The Committee advised the Debtor that had the Committee not been able to reach a  
9 settlement agreement with the Prepetition Secured Creditors, the Committee would have filed a  
10 "Challenge" lawsuit against the Prepetition Secured Creditors.

11 A detailed discussion of the Committee's investigation of claims against Pulser and  
12 Iconical II (the "Analysis"), which has been prepared by counsel to the Committee, is set forth  
13 below. For the reasons described and as set forth below, the Committee believes that the  
14 settlement embodied by the terms of the Plan is in the best interests of general unsecured  
15 creditors.  
16

17 For the reasons detailed below, when taking into account the costs, risks and delays that  
18 would be associated with the Committee's pursuit of a "Challenge" lawsuit against the  
19 Prepetition Secured Creditors, the Committee believes that the best interests of general  
20 unsecured creditors are served by voting to accept the Plan. **The Committee therefore**  
21 **recommends that all creditors vote to accept the Plan.**

22  
23 **A. Standard for Approval of Compromise Under Bankruptcy Rule 9019**

24 Bankruptcy Rule 9019(a) provides in relevant part that "[o]n motion by the trustee and  
25 after notice and a hearing, the court may approve a compromise or settlement." Fed. R. Bankr.  
26 P. 9019(a). In reviewing proposed settlements, the standard that courts applied under the  
27 former Bankruptcy Act also applies under the Bankruptcy Code. *See In re Carla Leather, Inc.*,  
28

1 44 B.R. 457, 466 (Bankr. S.D.N.Y. 1984), *aff'd*, 50 B.R. 764 (S.D.N.Y. 1985). The U.S.  
2 Supreme Court stated in *Protective Committee v. Anderson*, 390 U.S. 414 (1968), that in order  
3 to approve a proposed settlement under the Bankruptcy Act, a court must have found that the  
4 settlement was “fair and equitable” based on an “educated estimate of the complexity, expense,  
5 and likely duration of . . . litigation, the possible difficulties of collecting on any judgment  
6 which might be obtained and all other factors relevant to a full and fair assessment of the  
7 wisdom of the proposed compromise.” *Carla Leather*, 44 B.R. at 466.

9 A court, however, should not substitute its own judgment for the judgment of a trustee  
10 or a debtor. *Id.* at 465. In reviewing a proposed settlement, a court is not “to decide the  
11 numerous questions of law and fact . . . but rather to canvass the issues and see whether the  
12 settlement falls below the lowest point in the range of reasonableness.” *In re W.T. Grant & Co.*,  
13 699 F.2d 599, 608 (2d Cir. 1983). “When assessing a compromise, courts need not rule upon  
14 disputed facts and questions of law, but rather only canvass the issues. A mini trial on the  
15 merits is not required.” *In re Schmitt*, 215 B.R. 417, 423 (B.A.P. 9th Cir. 1997) (citations  
16 omitted).

18 The Ninth Circuit has held that in considering a proposed compromise, the Court must  
19 evaluate the following factors: (i) the probability of success; (ii) the difficulties, if any, of  
20 collection; (iii) the complexity of litigation involved, and the expense, inconvenience and delay  
21 in necessarily attending to it; and (iv) the paramount interests of creditors. *In re Woodson*, 839  
22 F.2d 610, 620 (9th Cir. 1988) (quoting *In re A & C Properties*, 784 F.2d 1377, 1381 (9th Cir.  
23 1986), *cert. denied sub nom*). Those factors are discussed below.

25 **B. The Probability of Success Factor Favors a Compromise**

26 The proposed settlement discussed above (the “Secured Creditor Settlement”) is the  
27 result of the Committee’s investigation of claims against Pulser and Iconical II. As discussed in  
28

1 the Analysis, the estate's claims against Pulser and Iconical II involve complex issues of fact,  
2 unsettled issues of law and somewhat vague legal standards that make the outcome of litigation  
3 with Pulser and Iconical II unpredictable. Although the Committee believes that \$87 million of  
4 Pulser's total claim in excess of \$180 million is more vulnerable to recharacterization than the  
5 remainder, there is significant risk that the Committee will not prevail on its recharacterization  
6 claim against Pulser and its other causes of action against Pulser and Iconical II. Moreover,  
7 even if the Committee successfully recharacterized the most vulnerable \$87 million portion,  
8 Pulser would still have a secured claim of over \$90 million, leaving general unsecured creditors  
9 entirely out of the money. In this case, the benefit of securing a prompt, meaningful recovery  
10 to unsecured creditors without incurring additional administrative expenses significantly  
11 outweighs the risk and costs of prosecuting highly speculative litigation involving unsettled law  
12 and uncertain legal standards. Accordingly, the Committee submits that the first element of the  
13 traditional test under *A & C Properties* supports approval of the compromise reflected in the  
14 Plan.  
15

16  
17 **C. The Difficulties of Collection are Addressed by the Plan**

18 The second element of the *A & C Properties* test is satisfied. If the Committee pursued  
19 its challenge lawsuit against the Prepetition Secured Creditors and did not prevail, the Debtor's  
20 estate would be saddled with significant administrative claims for professional fees and costs  
21 without the means of satisfying such claims. Moreover, if the Committee pursued litigation, the  
22 Debtor would likely spend several additional months, or longer, in bankruptcy developing a  
23 new plan of reorganization or possibly face conversion to chapter 7 in the event that the  
24 Prepetition Secured Creditors decided not to consent to the use of additional cash collateral. In  
25 contrast, the Plan guarantees a swift exit from bankruptcy and a prompt distribution to the  
26  
27  
28

1 Debtor's general unsecured creditors. In addition, the Plan provides certainty of payment of  
2 administrative and priority claims.

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

4 The third prong of the test under *A & C Properties* is the complexity of litigation  
5 involved, and the expense, inconvenience, and attendant delay. As discussed above regarding  
6 the probability of success, the implementation of the Plan will avoid the expense of protracted  
7 litigation. The Committee has already incurred well over \$100,000 of fees investigating the  
8 claims against the Prepetition Secured Creditors. The Committee believes that just the costs of  
9 litigating such claims would exceed \$1 million. In addition, the contingency fee could amount  
10 to 33% to 40% of any recovery ultimately obtained through a subsequent settlement or  
11 judgment. Inevitable appeals would add further delay and uncertainty even if a favorable  
12 judgment was obtained.  
13  
14

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

16 Finally, as explained above, the settlement embodied in the Plan serves the interests of  
17 creditors. For example, the settlement provides for the payment of administrative claims,  
18 provides a meaningful recovery to general unsecured creditors, and avoids highly speculative  
19 and protracted litigation that would otherwise delay a distribution (if any) to unsecured creditors  
20 by months and likely years. Accordingly, the settlement embodied in the Plan serves the best  
21 interests of creditors.  
22

23 **F. Discussion of Committee's Investigation of Potential Claims and Defenses Against**  
24 **Pulser and Iconical II**

25 The Plan provides for the release of the Debtor's claims against Pulser and Iconical II in  
26 exchange for, among other things, payment by Pulser to the estate in the amount of \$5,725,000  
27 million for the benefit of holders of allowed general unsecured claims other than Sony Music  
28



1 Entertainment (“Sony Music”) and Orchard Enterprises NY, Inc. (“Orchard,” and together, the  
2 “Sony Parties”) and for Pulser to purchase the claims of the Sony Parties, and Pulser’s waiver of  
3 any right to share in any distribution of such funds on account of Pulser’s Allowed Class 4  
4 Claim (the “Secured Creditor Settlement”), except as set forth below. In addition, as part of the  
5 Secured Creditor Settlement, any net recovery by the estate from the pursuit of any causes of  
6 action other than avoidance causes of action (after payment of all related fees and expenses)  
7 shall be distributed to all holders of class 4 allowed claims on a pro rata basis, including Pulser  
8 on account of the Pulser Allowed Class 4 Claim. Further, a component of the settlement  
9 discussions between the Debtor, the Committee, and the Prepetition Secured Creditors, which  
10 resulted in an agreement on the terms of a fully consensual plan of reorganization, was the joint  
11 decision not to pursue any avoidance causes of action or any claims against the Sony Parties.  
12 On the Effective Date, all rights of the Debtor or its estate to pursue any avoidance causes of  
13 action shall be permanently waived.  
14

15  
16 ***The Committee supports the Secured Creditor Settlement.*** The Committee’s counsel  
17 and its financial advisors evaluated the potential claims and defenses that might be asserted  
18 against Pulser and Iconical II in an effort to recharacterize as equity contributions or equitably  
19 subordinate the claims of Pulser and Iconical II to the claims of unsecured creditors. The  
20 Committee compared the risks, costs and benefits of pursuing such litigation to the Secured  
21 Creditor Settlement and concluded that the proposed Secured Creditor Settlement is in the best  
22 interests of the estate and its creditors.  
23

24 The following analysis discusses the basis for the Secured Creditor Settlement. It is  
25 based upon information gained from a review by the Committee’s counsel and financial  
26 advisors of the transactional documents underlying the claims of Pulser and Iconical II, the  
27 Debtor’s books and records produced to the Committee and other information and documents  
28

1 provided by the Debtor, Pulser, and Iconical II. Although litigation has not been commenced  
2 and formal discovery has not been undertaken, the Committee has reviewed thousands of pages  
3 of documents requested from and provided voluntarily by the Debtor, Pulser, and Iconical II.  
4 The documents produced consist primarily of loan and security documents, various financial  
5 records, board minutes and materials reviewed by the boards of Pulser and the Debtor. The  
6 Debtor, Pulser, and Iconical II have not produced any emails relating to the Committee's  
7 analysis, contending that that producing such emails is cost prohibitive. The Committee's  
8 investigation of the Challenge claims began in early December, 2015 and was largely concluded  
9 by mid-February, 2016. The Committee devoted more than 234 attorney hours and incurred  
10 \$164,290 in legal fees conducting the investigation. During its investigation, the Committee  
11 interviewed (i) Elliott Peters, the general counsel of the Debtor, (ii) Anthony Bay, the Chief  
12 Executive Officer and a Director of the Debtor, and (iii) Maikao Grare, the Senior Vice  
13 President of Finance of the Debtor.  
14  
15

16 After reviewing the documents and information provided by the Debtor, Pulser, and  
17 Iconical II, the Committee's counsel and financial advisors are not aware of any basis to  
18 question the accuracy of the facts that are material to the analysis below and to the conclusion  
19 that the Secured Creditor Settlement is prudent and in the best interests of the general unsecured  
20 creditors.  
21

22 **G. Facts Regarding the Secured Creditor Settlement**

23 The Pulser Note

24 Beginning in September 2012, Pulser advanced money to Rdio pursuant to a secured  
25 promissory note dated September 21, 2012 (the "Pulser Note") issued by Rdio, as borrower, in  
26 favor of Mdio, Inc. (n/k/a Pulser), as lender. The Pulser Note was signed by Andrew Lerner as  
27 CEO for both Rdio as borrower and Pulser as lender. Pursuant to the Pulser Note, Pulser agreed  
28

1 to advance, at its sole discretion, up to \$26.2 million at an interest rate of 6% per annum (the  
2 “Interest Rate”), with all principal and accrued interest due on September 21, 2015 (the  
3 “Maturity Date”). Under the Pulser Note and each amendment, discussed below, Pulser  
4 retained discretion, and was never required, to make any advances to Rdio. In addition, the  
5 Pulser Note does not contain any financial covenants that are typically required by a  
6 commercial lender (e.g., maintaining a certain level of working capital or maintaining a  
7 specified debt to equity ratio). The Pulser Note, by its express terms, is governed and construed  
8 under California law.  
9

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

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

21  
22 On January 8, 2013, the Pulser Note was amended (the “First Amended Note”) to permit  
23 advances up to a maximum of \$48,750,010. The First Amended Note was signed by Andrew  
24 Larnar on behalf of both Rdio as the borrower and Pulser as the lender. The Maturity Date and  
25 Interest Rate remained the same, and the liens securing the First Amended Note continued to be  
26 subordinate to the liens held by RIHL. Sometime in late April 2013, Pulser’s advances under  
27 the First Amended Note exceeded the maximum stated amount of \$48,750,010. Pulser  
28

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

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

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

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

26 The Iconical Note

27 On October 19, 2015, Rdio issued a secured promissory note in favor of Iconical II, as a  
28

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

13  
14 The Iconical Note Purchase Agreement recites that it was entered “solely to fund payroll  
15 obligations and general operating expenses” of Rdio. The Iconical Note does not contain any  
16 financial covenants by Rdio. Under the Note Purchase Agreement, Iconical II acted as  
17 collateral agent for itself and other potential lenders, who apparently never materialized. On the  
18 same day that the Iconical Note was issued by Rdio, Iconical II delivered a letter to Pulser and  
19 Rdio, captioned, “Notice of Events of Default and Reservation of Rights.” Iconical II advised  
20 that, subject to its reservation of rights, it would, and did, continue to advance money under the  
21 Iconical Note. Documents produced informally by the lenders indicate that, as of the Petition  
22 Date, Iconical II advanced \$4,335,860.30 to Rdio under the Iconical Note.  
23

24 On October 19, 2015, Pulser guaranteed Rdio’s obligations under the Iconical Note in  
25 favor of Iconical II. On the same day, Iconical II and Pulser entered an intercreditor agreement  
26 (“Intercreditor Agreement”) pursuant to which Pulser’s security interest in Rdio’s assets under  
27 the Third Amended Note were subordinated to Iconical II’s security interest.  
28

1 On October 19, 2015, Rdio, as borrower, and Pulser, as lender, agreed to Amendment  
2 No. 1 to Third Amended and Restated Secured Promissory Note (“Amendment No. 1 to Pulser  
3 Note”), which generally amended and restated the terms of default to include cross default  
4 provisions, and made the Intercreditor Agreement between Pulser and Iconical II controlling  
5 notwithstanding other terms of the Third Amended Note.  
6

7 Based on the post-petition maturity dates of the Third Amended Note and the Iconical  
8 Note, as well as available documents from Rdio, Pulser and Iconical II, the Committee believes  
9 that no principal or interest was paid to either Pulser or Iconical II.

#### 10 Rdio’s Financial Condition and the Sale Process

11 Based on the Committee’s investigation, it appears that the advances by Pulser and  
12 Iconical II made under the Pulser Note, as amended, and the Iconical Note (collectively, the  
13 “Notes”) were the only form of financing available to the Debtor and that Rdio was unable to  
14 repay the Notes from its operating cash flow.  
15

16 According to Elliott Peters’ declaration in support of the first-day motions (“Peters’  
17 Decl.”), in the fall of 2014, Pulser hired an investment bank (Moelis) to raise new equity capital.  
18 When it became clear that they could not raise new equity, Moelis was directed to find a  
19 substantial outside investor, buyer, or merger partner. The Committee believes that the sale  
20 process commenced in earnest in March or April, 2015. Moelis conducted a “broad marketing  
21 process” and identified Pandora as a potential purchaser. Rdio’s assets were ultimately acquired  
22 by Pandora in an asset sale pursuant to section 363 of the Bankruptcy Code. The July 8, 2015  
23 LOI from Pandora to Pulser shows that Pandora initially intended to acquire Rdio as a going  
24 concern, free of debt, through a stock acquisition at a price of \$100 million in Pandora common  
25 stock. Subsequent LOI’s continued to provide for the same overall purchase price (\$100  
26 million) and the same overall structure until Pandora changed its proposal to an asset sale in the  
27  
28

1 September 29, 2015 Executed Non-Binding LOI, which was signed by the parties. That  
2 Executed Non-Binding LOI permitted Pandora, upon its election, to conduct the asset sale under  
3 section 363 of the Bankruptcy Code but the Debtor contends the parties continued to explore  
4 other transaction structures outside of bankruptcy until a short time prior to the signing of their  
5 APA. Only shortly prior to signing the APA, the transaction price was reduced to \$75 million in  
6 cash and was determined to be a purchase of only specified assets and liabilities under section  
7 363 of the Bankruptcy Code. Between December 2012 and June 2015, the monthly accounts  
8 payable only exceeded \$7 million twice, and were typically between \$4-6 million. During the  
9 sale process, Rdio's monthly accounts payable spiked. They went from \$8.4 million in July  
10 2015 to \$13.4 million in October 2015 and to \$17.6 million in November.  
11

#### 12 The Relationship Between Pulser, Iconical II, and the Debtor

13 Pulser owns seventy-nine percent of the equity of Rdio and is its controlling shareholder.  
14 According to the Peters' Decl., an affiliate of Iconical II -- Iconical Investments LP is the  
15 majority shareholder of Pulser although the documents show it as owning only 47.4% of  
16 Pulser's equity. We understand that Iconical II, Iconical Investments LP, and their affiliates  
17 (the "Iconical Entities") are investment funds associated with Janus Friis (the co-creator of  
18 Skype) and are primarily managed by the following directors: Mark Dyne, Janus Friis, and  
19 Murray Markiles. According to the Peters' Decl., Pulser and Rdio have been primarily funded  
20 by companies associated with Mr. Friis. Anthony Bay, Andrew Lerner, Janus Friis, and Mark  
21 Dyne all were board members of Rdio and Pulser at the time the advances were made under the  
22 Notes. Janus Friis and Mark Dyne resigned from Rdio's board and Pulser's board shortly prior  
23 to the Petition Date.  
24  
25

26 Rdio and Pulser shared the same mailing address, which was the physical office space  
27 occupied by Rdio. Anthony Bay served as CEO and President of Pulser and Rdio from  
28

1 November 18, 2013 and currently serves in that capacity for Rdio. He resigned as CEO and  
2 President of Pulser on November 2, 2015. Maikao Grare is the current secretary of Rdio and  
3 served as the secretary of Pulser from May 10, 2013 through November 2, 2015. Andrew  
4 Larner served as CEO of Rdio until November 2013. He signed the Pulser Note and First  
5 Amended Note in his dual capacities as CEO of Rdio and Pulser. Peters served as general  
6 counsel for Rdio. The Committee understands that individuals who held dual positions at Rdio  
7 and Pulser used an Rdio email address.

9 **H. Equitable Recharacterization**

10 The recharacterization of debt to equity is a legal concept rooted primarily in tax law.  
11 *See, e.g., A.R. Lantz Co. v. United States*, 424 F.2d 1330, 1331 (9th Cir. 1970) (“This action  
12 deals with the oft-litigated tax issue of whether certain advances made to a corporation created  
13 debt, or constituted capital contributions.”). No provision of the Bankruptcy Code expressly  
14 authorizes the recharacterization of debt to equity. Most circuits that have addressed this issue,  
15 however, have held that a bankruptcy court may properly order the recharacterization of debt to  
16 equity under the broad authority afforded by section 105(a) of the Bankruptcy Code.<sup>1</sup> These  
17 courts have held that recharacterization is well within the broad powers afforded a bankruptcy  
18 court by section 105(a). The Bankruptcy Code establishes a system in which contributions to  
19 capital receive a lower priority than loans because the essential nature of a capital interest is a  
20 fund contributed to meet the obligations of a business and which is to be repaid only after all  
21 other obligations have been satisfied. *Fairchild Dornier GMBH v. Official Comm. (In re*

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24  
25  
26 <sup>1</sup> The [bankruptcy] court may issue any order, process, or judgment that is necessary or  
27 appropriate to carry out the provisions of this title. No provision of this title providing for the  
28 raising of an issue by a party in interest shall be construed to preclude the court from, *sua*  
*sponte*, taking any action or making any determination necessary or appropriate to enforce or  
implement court orders or rules, or to prevent an abuse of process.” 11 U.S.C. § 105(a).



1 *Dornier Aviation, Inc.*), 453 F.3d 225 (4th Cir.2006) (citing *Cohen v. KB Mezzanine (In re*  
2 *SubMicron Sys. Corp.)*, 432 F.3d 448 (3d Cir. 2006)); *see also Redmond v. Jenkins (In re*  
3 *Alternate Fuels, Inc.)*, 789 F.3d 1139, 1148 (10th Cir. 2015).

4         These courts apply a multi-factor test that is similar to the eleven-factor  
5 recharacterization test enunciated by the Sixth Circuit in *Bayer Corp. v. MascoTech Inc. (In re*  
6 *AutoStyle Plastics, Inc.)*, 269 F.3d 726 (6th Cir.2001). Under *AutoStyle*, bankruptcy courts look  
7 to the following eleven factors to determine whether recharacterization is warranted:  
8

- 9         1. the names given to the instruments, if any, evidencing the indebtedness;
- 10        2. the presence or absence of a fixed maturity date and schedule of payments;
- 11        3. the presence or absence of a fixed rate of interest and interest payments;
- 12        4. the source of repayments;
- 13        5. the adequacy or inadequacy of capitalization;
- 14        6. the identity of interest between the creditor and the stockholder;
- 15        7. the security, if any, for the advances;
- 16        8. the corporation's ability to obtain financing from outside lending institutions;
- 17        9. the extent to which the advances were subordinated to the claims of outside  
18        creditors;
- 19        10. the extent to which the advances were used to acquire capital assets; and
- 20        11. the presence or absence of a sinking fund to provide repayments.

21  
22  
23 269 F.3d at 749-50.

24         The factors are slightly modified by some courts, which may also consider whether  
25 voting rights are granted with the transaction and whether corporate formalities such as board  
26 meetings and minutes support the approval of the loan agreements, as well as other relevant  
27 considerations. *See, e.g., Friedman's Liquidating Trust v. Goldman Sachs Credit Partners, L.P.*  
28

1 (*In re Friedman's Inc.*), 452 B.R. 512, 520 (Bankr. D. Del. 2011); *Autobacs Strauss, Inc. v.*  
2 *Autobacs Seven Co. (In re Autobacs Strauss, Inc.)*, 473 B.R. 525,581 (Bankr. D. Del. 2012). No  
3 one factor is controlling or decisive. The factors must be considered within the particular  
4 circumstances of each case. *AutoStyle*, 269 F.3d at 750.

5  
6 While the Ninth Circuit has held that a court has the authority to recharacterize claims in  
7 a bankruptcy proceeding, it has flatly rejected reliance on section 105(a) as a source of authority  
8 to do so. Instead, it has held that a request to recharacterize a claim is construed as a request to  
9 disallow the claim under section 502(b)(1) of the Bankruptcy Code applying state law to  
10 “determine whether that obligation gives the holder of the obligation a ‘right to payment’ under  
11 state law.” *Official Comm. v. Hancock Park Capital II (In re Fitness Holdings Int’l)*, 714 F.3d  
12 1141, 1148–49 (9th Cir.2013); *see also Grossman v. Lothian (In re Lothian Oil, Inc.)*, 650 F.3d  
13 539, 542–44 (5th Cir.2011).

14  
15 Therefore, federal courts within the Ninth Circuit are not bound to apply the eleven-  
16 factor *AutoStyle* test. Moreover, because California courts have not yet articulated a test under  
17 state law, it is not clear what the proper test is.<sup>2</sup> Other state courts have imported a similar  
18 multi-factor test from federal tax law. *Arch Petroleum, Inc. v. Sharp*, 958 S.W.2d 475, 477 n.3  
19 (Tex. Ct. App. 1997) (“For an oft-cited discussion of the distinction between debt and equity,  
20 including a list of sixteen distinguishing factors, *see Fin Hay Realty Co. v. United States*, 398  
21 F.2d 694, 696 (3d Cir.1968).”). The *AutoStyle* factors were derived from a tax case, *Roth Steel*  
22 *Tube Co. v. Comm’r of Internal Revenue*, 800 F.2d 625, 630 (6th Cir.1986). *AutoStyle*, 269  
23 F.3d at 748. In the tax context, the Ninth Circuit has also identified an eleven-factor test very

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24  
25  
26 <sup>2</sup> Prior to the *Fitness Holdings* decision, the Central District of California applied the *AutoStyle*  
27 factors, using its purported authority under section 105(a) in declining to recharacterize.  
28 *Daewoo Motor Am. Inc. v. Daewoo Motor Co. (In re Daewoo Motor Am., Inc.)*, 471 B.R. 721,  
733-34 (C.D. Cal. 2012), *aff’d*, 554 F. App’x 638 (9th Cir. 2014).

1 similar to the *AutoStyle* factors. *Hardman v. United States*, 827 F.2d 1409, 1411 (9th Cir.  
2 1987).<sup>3</sup>

3 The most recent Circuit level authority on recharacterization is *Redmond v. Jenkins (In*  
4 *re Alternate Fuels, Inc.)*, 789 F.3d 1139 (10th Cir. 2015). It is notable as an example of how  
5 difficult it is for a plaintiff to succeed in recharacterization litigation even where the factors  
6 appear to justify it. The Bankruptcy Court and BAP had both found that the debt at issue should  
7 be recharacterized and the Tenth Circuit reversed. In a 2 to 1 split decision, the Tenth Circuit  
8 ultimately determined that neither equitable subordination, which it deemed “an extraordinary  
9 remedy to be employed by courts sparingly,” nor recharacterization, after application of its own  
10 13-factor test, were appropriate. As a policy consideration, the court refused to overemphasize  
11 the undercapitalization and financial condition of the debtor company because it would  
12 discourage lenders, including insider/ owners, to provide rescue financing in similar situations.  
13 The court also pointed out that the promissory notes in question were not found to be invalid or  
14 unenforceable under applicable state law and that sufficient consideration was exchanged under  
15 state law.

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

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23  
24 <sup>3</sup> These factors are: (1) the names given to the certificates evidencing the indebtedness; (2) the  
25 presence or absence of a maturity date; (3) the source of the payments; (4) the right to enforce  
26 payment of principal and interest; (5) participation and management; (6) a status equal to or  
27 inferior to that of regular corporate creditors; (7) the intent of the parties; (8) “thin” or adequate  
28 capitalization; (9) identity of interest between creditor and stockholder; (10) payment of interest  
only out of “dividend” money; (11) the ability of the corporation to obtain loans from outside  
lending institutions. *Hardman v. United States*, 827 F.2d 1409, 1411-12 (9th Cir. 1987).

1 **I. Equitable Subordination**

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

- 4 (i) the subordinated creditor must have engaged in inequitable misconduct;  
5 (ii) the inequitable conduct must have resulted in injury to other creditors or  
6 conferred an unfair advantage on the creditor to be subordinated; and  
7 (iii) equitable subordination of the claim must not be inconsistent with the other  
8 provisions of the bankruptcy laws.  
9

10 *Henry v. Lehman Commercial Paper, Inc. (In re First Alliance Mortgage Co.)*, 471 F.3d 977,  
11 1006 (9th Cir. 2006).

12 The objecting party has the initial burden of coming forward with material evidence to  
13 overcome the prima facie validity accorded to proofs of claim. The burden shifts to the  
14 claimant to demonstrate the fairness of its conduct. The burden on the claimant is not only to  
15 prove the good faith of the parties to the transaction, but also to show the inherent fairness from  
16 the point of view of the debtor corporation and those with interests therein. *United States v.*  
17 *State St. Bank & Trust Co.*, 520 B.R. at 80.  
18

19 For non-insider claimants, egregious conduct must be established to justify equitable  
20 subordination. *See Friedman v. Sheila Plotsky Brokers, Inc. (In re Friedman)*, 126 B.R. 63, 71  
21 (BAP 9th Cir. 1991) (finding that for non-insider claimants, the objecting party must prove that  
22 the claimant is guilty of gross misconduct tantamount to fraud, overreaching, or spoliation to the  
23 detriment of others). However, the standard is lower for insiders. ““Courts have generally  
24 recognized three categories of misconduct that may constitute inequitable conduct for insiders:  
25 (1) fraud, illegality, and breach of fiduciary duties; (2) undercapitalization; or (3) claimant’s use  
26 of the debtor as a mere instrumentality or alter ego.”” *United States v. State St. Bank & Trust*  
27  
28

1 Co., 520 B.R. at 82 (quoting *In re Mid-American Waste Systems*, 284 B.R. 53, 70 (Bankr. D.  
2 Del (2002)). Undercapitalization of the debtor alone will not justify equitable subordination.  
3 *Wood v. Richmond (In re Branding Iron Steak House)*, 536 F.2d 299, 302 (9th Cir 1976)  
4 (“subordination requires some showing of suspicious, inequitable conduct beyond mere initial  
5 undercapitalization of the enterprise”).

6  
7 The Bankruptcy Code defines an “insider” of a corporate debtor as including (i) director  
8 of the debtor; (ii) officer of the debtor; (iii) person in control of the debtor; (iv) partnership in  
9 which the debtor is a general partner; (v) general partner of the debtor; or (vi) relative of a  
10 general partner, director, officer, or person in control of the debtor. 11 U.S.C. § 101(31)(B).  
11 Thus, Pulser is a statutory insider by virtue of its controlling equity interest and the fact that all  
12 four of Rdio board members also served on Pulser’s board.

13  
14 The making of a secured loan by a controlling shareholder clearly does not constitute  
15 inequitable conduct standing alone. *Sinclair v. Burr (In re Mid-Town Produce Terminal)*, 599  
16 F.2d 389, 392 (10th Cir. 1979) (“We are unwilling to find a dominant shareholder may not loan  
17 money to a corporation in which he is the principal owner and himself become a secured  
18 creditor. To hold the debt may be subordinated on that basis alone would discourage owners  
19 from trying to salvage a business, and require all contributions to be made in the form of equity  
20 capital. We do not think that is desirable as social policy, nor required by the cases.”).  
21 However, where the lien is granted for the purpose of improperly gaining an advantage over  
22 other creditors, courts have held that may be inequitable, depending on the other facts and  
23 circumstances surrounding the extension of the secured debt. *Fabricators, Inc. v. Technical*  
24 *Fabricators, Inc. (In re Fabricators)*, 926 F.2d 1458, 1467 (5th Cir.1991) (finding the insider  
25 claimant’s secured loan was not an isolated act, but was one step interconnected with a series of  
26 actions to gain an advantage over the position of other creditors); see *In re EMB Assoc.*, 92 B.R.  
27  
28

1 9, 17 (Bankr. D.R.I. 1988) (finding insider committed egregious conduct by demanding liens on  
2 the debtor's property while allowing past and future creditors to continue investing money in  
3 the insolvent debtor); *State St. Bank & Trust Co.*, 520 B.R. at 84 (equitably subordinating  
4 insider claims where unsecured debt was subsequently converted to secured debt).

5 **J. Limits on the Scope of the Remedy**

6 Equitable subordination is remedial, not penal, and is applied only to the extent  
7 necessary to offset the specific harm caused by the inequitable conduct. *Stoombus v Kilimnik*,  
8 988 F.2d 949, 960 (9th Cir. 1993) (court should have looked at harm to each of the relevant  
9 creditors to determine whether insider's claim should be subordinated to their claims and, if so,  
10 to what extent). Courts will subordinate a claim "only to the claims of creditors whom the  
11 inequitable conduct has disadvantaged." *Unsecured Cred. Comm v. Banque Paribas (In re*  
12 *Heartland Chems., Inc.)*, 136 B.R. 503 (Bankr. C.D. Ill. 1992) (actual harm suffered by debtor's  
13 trade creditors could only be measured by amount of inventory actually shipped by trade  
14 creditors in reliance on secured creditor's purported misrepresentations); *Enron Corp. v. Avenue*  
15 *Special Sit. Fund (In re Enron Corp.)*, 333 B.R. 205 (Bankr. S.D. N.Y. 2005) (court may  
16 subordinate a claim only to the extent necessary to offset the harm suffered by the debtor and its  
17 creditors on account of that harmful conduct); *Cosoff v. Rodman (In re W.T. Grant Co.)*, 699  
18 F.2d 599 (2d Cir. 1983) (court must consider less drastic alternatives).

19 The Committee has not discovered facts showing that Iconical II engaged in inequitable  
20 conduct with respect to Rdio's creditors and does not believe it will prevail on a claim to  
21 equitably subordinate the debt owed to Iconical II. The equitable subordination claims against  
22 Pulser are stronger but subject to much uncertainty with respect to the extent to which  
23 unsecured creditors were harmed by Pulser's conduct.  
24  
25  
26  
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28

1 **K. Claims Against the Debtor's Officers and Directors**

2 Any claims the Debtor may have against its officers and directors based on their roles in  
3 serving both Pulser and the Debtor would be based under breaches of their fiduciary duties of  
4 care and loyalty under Delaware law. The Committee believes the claims are subject to the  
5 same uncertainties as the equitable subordination claims.  
6

7 **L. Preferences**

8 The fact that Pulser's advances under the First Amended Note exceeded the maximum  
9 face amount of the note, *may* have resulted in a preferential transfer that was not entirely offset  
10 by new value when those advances were incorporated into the Second Amended Note and  
11 additional security was granted. To a large extent, this analysis depends on collateral values in  
12 December 2014.  
13

14 However, regardless of the collateral values in December 2014, the Secured Creditor  
15 Settlement is in the best interests of the general unsecured creditors for three reasons. First, the  
16 preference analysis is irrelevant if the debt is recharacterized; it only matters if Pulser prevails  
17 on the recharacterization claim. Second, any preference received by Pulser would be largely, if  
18 not entirely, offset by subsequent advances. Third, Pulser would share in any preference  
19 recovery and would likely receive most of it based on its very substantial deficiency claim.  
20

21 **M. Conclusion**

22 All of the foregoing claims as well as any other claims are released under the Secured  
23 Creditor Settlement and the terms of the Plan. Litigation of the foregoing claims is highly  
24 speculative and fact intensive. Moreover, the Committee expects Pulser and Iconical II to  
25 vigorously defend the litigation, ensuring that it will be protracted and expensive. While it is  
26 possible the Committee may ultimately – after years of litigation and appeals – succeed on  
27 certain of the foregoing claims, and although a fee agreement was not executed, the Committee  
28

1 had determined that a well-regarded law firm was willing to prosecute the Challenge Claim on a  
2 contingency fee basis and advance costs, there is significant risk that it will not result in a better  
3 recovery for unsecured creditors than the Secured Creditor Settlement because for this to occur  
4 the Committee would need to be successful in recharacterizing or subordinating nearly \$150  
5 million of Pulser’s secured claim to have any meaningful impact on recoveries to general  
6 unsecured creditors.  
7

8 Accordingly, the Committee believes that the Secured Creditor Settlement embodied in  
9 the Plan will provide an immediate and substantial distribution to general unsecured creditors,  
10 resolve complex and potentially cost prohibitive litigation, and is ultimately in the best interests  
11 of general unsecured creditors. **The Committee therefore recommends that all creditors**  
12 **vote to accept the Plan.**  
13

14 **IV. THE ANALYSIS OF THE DEBTOR AND THE PREPETITION SECURED**  
15 **CREDITORS AND THEIR RECOMMENDATION THAT ALL GENERAL**  
16 **UNSECURED CREDITORS VOTE TO ACCEPT THE PLAN**

17 The Debtor and the Prepetition Secured Creditors believe that the Committee would be  
18 unsuccessful in the pursuit of any “Challenge” lawsuit. The Debtor and the Prepetition Secured  
19 Creditors further believe that even if the Committee was able to prevail in any aspect of any  
20 “Challenge” lawsuit, general unsecured creditors would not receive any distribution from this  
21 estate until 2017 at the earliest. The Debtor and the Prepetition Secured Creditors further  
22 believe that the only way that general unsecured creditors would have any chance of obtaining a  
23 higher recovery as a result of the Committee pursuing a “Challenge” lawsuit is if the Committee  
24 wins the lawsuit and is successful in recharacterizing the entirety of Pulser’s \$184 million  
25 secured claim as equity or equitably subordinating the entirety of Pulser’s \$184 million secured  
26 claim – both of which the Debtor and the Prepetition Secured Creditors believe would constitute  
27  
28



1 extremely difficult and highly speculative litigation. Given the sheer magnitude of Pulser's  
2 \$184 million secured claim, the Debtor and the Prepetition Secured Creditors believe that if the  
3 Committee was only successful in avoiding Pulser's liens but not recharacterizing or equitably  
4 subordinating Pulser's claims, then Pulser would be entitled to share pro rata in the Estate Funds  
5 which are distributed to general unsecured creditors in which case Pulser would receive the vast  
6 majority of the Estate Funds and the economic result for general unsecured creditors would be  
7 worse than what is being offered under the Plan. **The Debtor and the Prepetition Secured**  
8 **Creditors therefore recommend that all creditors vote to accept the Plan.**

10 **V. SONY PARTIES CONVERSION MOTION, SONY'S NEW YORK LAWSUIT**  
11 **AND THE MEDIATION**

12 The Sony Parties filed a motion to convert the Debtor's chapter 11 case to chapter 7,  
13 which will be considered by the Court in the event the Plan is not confirmed. Sony contends in  
14 its conversion motion that if a chapter 7 trustee is appointed, the chapter 7 trustee would be able  
15 to pursue the Challenge Claims with contingency counsel to achieve in Sony's view a  
16 potentially higher return to creditors than what was proposed by the Debtor in prior versions of  
17 the Plan. The Debtor, the Prepetition Secured Creditors, and the Committee all oppose the  
18 conversion motion and believe that the right to pursue the Challenge Claims has expired with  
19 respect to all parties other than the Committee and that a chapter 7 trustee would not have the  
20 right to pursuant any Challenge Claims. Subject to the execution of a settlement agreement,  
21 immediately following the confirmation of the Plan, the Sony Parties will withdraw their  
22 conversion motion.  
23  
24

25 On April 4, 2016, Sony filed an action in the United States District Court for the  
26 Southern District of New York asserting fraudulent inducement and unjust enrichment claims  
27 against Anthony Bay, Elliott Peters, and Jim Rondinelli, the Debtor's current CEO, the Debtor's  
28

1 General Counsel and the Debtor's Senior Vice President and Head of Licensing and Catalog,  
2 respectively. *Sony Music Entertainment vs. Anthony Bay et al.*, Index No. 16 Civ. 02505 (RJS)  
3 (S.D.N.Y.) (the "New York Action"). The complaint alleges that each of the Debtor's  
4 executives induced Sony to extend its content agreement and defer substantial payments totaling  
5 more than \$5.5 million, even though Sony contends that each of the executives knew that the  
6 Debtor had no intention of performing under the agreement, that the Debtor would be filing for  
7 bankruptcy protection and ceasing operations, and that the Debtor would be selling substantially  
8 all of its assets to Pandora. The Debtor believes that the Sony lawsuit has absolutely no merit.  
9 The Debtor believes that if the Sony lawsuit is not dismissed or settled and proceeds to trial, the  
10 Debtor's executives will prevail. The Debtor believes that Sony's lawsuit, and any other  
11 lawsuit brought against any of the Debtor's officers and/or directors, could result in the  
12 allowance of indemnity claims brought against the Debtor ("Indemnity Claims"). As explained  
13 below, subject to the confirmation of the Plan, the holders of any such Indemnity Claims will  
14 not be permitted to receive any distributions from the Unsecured Creditors Fund on account of  
15 any such Indemnity Claims.  
16  
17

18 The Debtor, the Committee and the Sony Parties agreed to participate in a voluntary  
19 mediation in an effort to resolve the objection of the Sony Parties to the Debtor's prior plan of  
20 reorganization to attempt to reach an agreement on the terms of a fully consensual plan of  
21 reorganization and resolve the New York Action. The parties participated in a full-day of  
22 mediation on August 4, 2016 before retired bankruptcy judge Allan Gropper. The parties  
23 continued with their own settlement discussions following the conclusion of the mediation. As  
24 a result, and subject to written documentation, the parties were able to reach an agreement on  
25 the terms of a fully consensual plan of reorganization, the terms of which are contained in the  
26  
27  
28

1 Plan and are explained in this Disclosure Statement as well as resolve all other disputes between  
2 the parties, including the New York Action.

3 Pursuant to the settlement, Pulser will purchase all of the Sony Parties Claims on the  
4 Effective Date, the Sony Parties will dismiss the New York Action with prejudice, the Debtor  
5 Releasing Parties will provide the releases to the Sony Parties described in Section VI.D.9  
6 below, and the fees and expenses incurred by Judge Gropper related to the mediation will be  
7 shared equally by the Debtor, the Prepetition Secured Creditors and the Sony Parties as agreed  
8 by the parties in the stipulation filed as Docket No. 376). The Sony Parties will also exchange  
9 mutual releases with Pulser and Iconical II and their affiliates and with the defendants in the  
10 New York Action. The settlement agreement will contain other terms and conditions, including  
11 confidentiality, non-disparagement and other similar clauses. If there is any inconsistency  
12 between the Plan and the written settlement agreement, the written settlement agreement will  
13 control.  
14  
15

16 The claims being settled are described more fully in prior filings with the Court. (See,  
17 e.g., Docket Nos. 305, 310, 327, 329, 341, 342, 350, 352, 361.) The Debtor and the Committee  
18 believe that this settlement easily satisfies the applicable legal standard set forth in section II.D  
19 above and is in the best interest of the Debtor, the Debtor's estate, and all parties in interest.  
20

## 21 **VI. CLAIMS SUMMARY**

### 22 **A. Secured Claims**

23 The Debtor believes that it has two pre-petition secured creditors consisting of  
24 \$184,000,000 owing to Pulser and approximately \$4,500,000 to Iconical II. The Debtor  
25 believes that both secured claims are secured by a lien against all or substantially all of the  
26 Debtor's assets, with Iconical II's lien having priority over Pulser's lien. The full amount of the  
27 Iconical II post-petition loan was paid in full at the time of the Pandora sale closing.  
28

1 **B. Administrative Claims**

2 The Debtor does not believe that it has any outstanding post-petition debt other than the  
3 outstanding fees and expenses of the professionals employed by the Debtor and the  
4 professionals employed by the Committee, an allowed administrative claim in the amount of  
5 \$14,033.82 in favor of SoundExchange on account of post-petition royalties for the digital  
6 performance and reproduction of recordings (see Docket Numbers 330 and 331), and an  
7 allowed administrative claim in the amount of \$14,006.08 in favor of CMRRA-SODRAC Inc.  
8 (“CSI”) (see Docket Numbers 392 and 393). Roku, Inc. (“Roku”) has asserted an  
9 administrative claim in the amount of \$785,398 for alleged post-petition sales of its remote  
10 control associated with its hardware devices that feature an Rdio button. The Debtor and the  
11 Committee are attempting to obtain additional information from Roku to determine the extent  
12 and validity of Roku’s asserted claim and to determine whether any portion of Roku’s claim is  
13 entitled to administrative claim status. Universal has informed the Debtor that there may be  
14 amounts owed for post-petition services provided by Universal to the Debtor. Universal’s  
15 agreements with the Debtor terminated by their own terms on November 30, 2015, and, at the  
16 request of the Debtor, Universal extended its agreements until December 23, 2015. Universal  
17 has received certain payments for the post-petition period but has not received a reconciliation  
18 of amounts due. The Debtor has agreed to work with Universal to determine whether there are  
19 any additional amounts due for the post-petition period. Regardless of how these matters are  
20 resolved, the Debtor has sufficient funds on hand to satisfy these foregoing alleged  
21 administrative claims. The Debtor will be requesting the Court to include in the Plan  
22 Confirmation Order an administrative claims bar date which is thirty days following the  
23 Effective Date.  
24  
25  
26  
27  
28

1 **C. Pre-Petition Priority Wage Claims**

2 A detailed explanation of the Debtor's outstanding pre-petition priority wage claims is  
3 set forth in Section III(C)(2) below.

4 **D. Pre-Petition Priority Tax Claims**

5 A detailed explanation of the Debtor's outstanding pre-petition priority wage claims is  
6 set forth in Section III(B)(2) below.

7 **E. General Unsecured Claims**

8  
9 The Debtor believes that it owed as of the Petition Date a total of approximately  
10 \$25,599,617 of non-priority general unsecured debt. This figure does not take into account any  
11 disputed, unliquidated or contingent unsecured debt, any claims asserted in filed proofs of  
12 claim, or any debt which may arise as a result of the Debtor's rejection of unexpired leases or  
13 executory contracts or breaches or terminations of license agreements. There would be a total  
14 of approximately \$49,209,344 of non-priority general unsecured claims if every claim asserted  
15 in a timely filed proof of claim is allowed in the amount asserted. The Debtor has classified all  
16 general unsecured claims into one class – class 4. A chart detailing all of the Debtor's  
17 scheduled non-priority general unsecured debt as well as all non-priority general unsecured debt  
18 asserted in timely filed proofs of claim, excluding the Pulser Unsecured Claim and excluding  
19 any claims of Universal, Warner or the Sony Parties, is attached as Exhibit "3" to this  
20 Disclosure Statement (the "Class 4 Claims Chart"). The Debtor is continuing with its review of  
21 the scheduled and filed general unsecured claims. The Class 4 Claims Chart also indicates all  
22 additional general unsecured claims which were asserted in timely filed proofs of claim. The  
23 Class 4 Claims Chart does not include any claims which were filed after the claims bar date.  
24 The Debtor is investigating those claims and will update the Class 4 Claims Chart and/or file  
25 objections to the late filed claims as appropriate.  
26  
27  
28

1 **VII. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

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

3 As required by the Bankruptcy Code, the Plan classifies claims and interests in various  
4 classes according to their right to priority. The Plan states whether each class of claims or  
5 interests is impaired or unimpaired. The Plan sets out the treatment each class will receive.  
6

7 **B. Unclassified Claims**

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

12 **1. Administrative Expenses**

13 Administrative expenses are claims for costs or expenses of administering the Debtor's  
14 chapter 11 case which are allowed under Bankruptcy Code Section 507(a)(2). The Bankruptcy  
15 Code requires that all administrative claims be paid in full on the Effective Date unless a  
16 particular claimant agrees to a different treatment.  
17

18 The following chart lists all of the Debtor's § 507(a)(2) administrative claims and their  
19 treatment under the Plan.<sup>4</sup>  
20

<u>Name</u>	<u>Amount Owed</u>	<u>Treatment</u>
Clerk's Office Fees	\$0	Paid in full on the Effective Date out of the Estate Funds
Office of the U.S. Trustee	\$0	Paid in full on the

24  
25 <sup>4</sup> The Debtor intends to pay the \$14,033.82 allowed administrative claim of SoundExchange  
26 prior to the Plan confirmation hearing. In any event, the \$14,033.82 allowed administrative  
27 claim of SoundExchange will be paid within five days following the Effective Date. The  
28 Debtor also intends to pay the \$14,006.08 allowed administrative claim of CSI prior to the Plan  
confirmation hearing. In any event, the \$14,006.08 allowed administrative claim of CSI will be  
paid within five days following the Effective Date.

Fees		Effective Date out of the Estate Funds
Levene, Neale, Bender, Yoo & Brill L.L.P. (" <u>LNBYB</u> "), bankruptcy counsel to the Debtor	\$1,000,000.00 (est.), which would be in addition to the post-petition fees and expenses paid to LNBYB by the Debtor	Paid in full (or in such other amount as agreed among LNBYB, the Debtor, and the Prepetition Secured Creditors) out of the Estate Funds within the later of (i) five days following the Effective Date and (ii) five days following the date of entry of an order of the Court allowing such fees and expenses
Winston & Strawn LLP, special litigation counsel to the Debtor	The Debtor has paid a \$100,000 post-petition retainer to WS. The balance of any fees earned by WS will be paid in the manner described in the Debtor's amended application to employ to WS (filed as docket number 305). The Debtor currently estimates this additional balance will be approximately \$250,000.	Treatment will be as described in the Debtor's amended application to employ WS (filed as docket number 305).
Moelis & Company (" <u>Moelis</u> "), financial advisor to the Debtor	\$0 (est.) as Moelis has already been paid the full amount of its allowed fees and expenses	N/A
Pachulski Stang Ziehl & Jones LLP (" <u>PSZJ</u> "), bankruptcy counsel to the Committee	\$500,000.00 (est.), which would be in addition to the post-petition fees and expenses already paid to PSZJ by the Debtor and those agreed to be paid from Estate Funds	Paid in full within the later of (i) five days following the Effective Date and (ii) five days following the date of entry of an order of the Court allowing such fees and expenses out of the Unsecured Creditor Funds and the Estate Funds as explained below
FTI Consulting (" <u>FTI</u> "), financial advisor to the Committee	\$150,000.00 (est.), which would be in addition to the post-petition fees and expenses already paid to FTI by the Debtor	Paid in full within the later of (i) five days following the Effective Date and (ii) five days following the date of entry of an order of the Court allowing such fees and expenses out of the Unsecured Creditor Funds and the Estate

		Funds as explained below
Post-Petition Non-Professional Fee Administrative Claims	\$0 (est.) as the Debtor expects that all such administrative claims will have been paid in full prior to Plan confirmation	Paid in full (or in such other amount as agreed among the administrative claimant, the Debtor, and the Prepetition Secured Creditors) out of the Estate Funds within the later of (i) five days following the Effective Date or (ii) if the Debtor and other parties disagree about the amount owed, five days following the date of entry of an order of the Court allowing such administrative claim
<b>TOTAL</b>	\$1,900,000.00 est.	Paid in the manner described above

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

Payment:

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



1 the Debtor and its counsel are required to engage in any such substantial litigation, LNBYB and  
2 any other professionals who will be employed by the Debtor are likely to incur professional fees  
3 and expenses in excess (and possibly substantially in excess) of the estimated figures set forth  
4 above. By voting to accept the Plan, creditors are not acknowledging the validity of, or  
5 consenting to the amount of, any of these administrative claims, and creditors are not waiving  
6 any of their rights to object to the allowance of any of these administrative claims. Similarly,  
7 professionals who have been employed in this case are not being deemed to have agreed that the  
8 figures set forth above represent any ceiling on the amount of fees and expenses that they have  
9 incurred or are entitled to seek to be paid pursuant to Court order as such fees and expenses are  
10 just estimates provided at the time of the preparation of the Plan.  
11

12 At a hearing held on April 1, 2016, the Court awarded (i) LNBYB fees and expenses of  
13 \$907,034.56 through February 29, 2016; (ii) PSZJ fees and expenses of \$422,714.74 through  
14 January 31, 2016<sup>5</sup>; and (iii) FTI fees of \$262,631 through February 29, 2016. Of the  
15 \$1,380,000 which the Debtor had deposited into a segregated account for the benefit of these  
16 professionals pursuant to previously agreed upon Court orders and budgets (the “Professional  
17 Fee Account”), the Court authorized payment of (i) \$861,410.72 to LNBYB – leaving an unpaid  
18 balance of \$45,623.84 through February 29, 2016; (ii) \$269,168.62 to PSZJ – leaving an unpaid  
19 balance of \$153,546.12 through January 31, 2016; and (iii) \$249,420.66 to FTI – leaving an  
20 unpaid balance of \$13,210.34 through February 29, 2016. These unpaid balances total  
21 \$212,380.30. With the agreement of the Debtor, the Prepetition Secured Creditors and the  
22 Committee, this total unpaid balance of \$212,380.30, which has already been allowed by the  
23  
24  
25

26  
27 <sup>5</sup> The order of the Court entered as Docket No. 220 provides that the approved fees and  
28 expenses of PSZJ were through February 29, 2016, when they are actually through January 31,  
2016.

1 Court, will be paid out of the Estate Funds (inclusive of any funds which have been deposited  
2 into the Professional Fee Account after April 1, 2016). The unpaid balance of \$153,546.12  
3 owing to PSZJ and the unpaid balance of \$13,210.34 owing to FTI described above are  
4 collectively referred to herein as the “Committee Professionals Unpaid Balances”. All fees and  
5 expenses incurred by PSZJ from February 1, 2016 and FTI from March 1, 2016 through the  
6 Plan Effective Date, which are allowed by the Court, will be paid out of the Unsecured  
7 Creditors Fund. All fees and expenses incurred by LNBYB through the Plan Effective Date,  
8 which are allowed by the Court, will be paid out of the Estate Funds. Fees and expenses  
9 incurred by professionals after the Plan Effective Date will be paid in the manner set forth  
10 below in the section of this Disclosure Statement entitled “Means of Effectuating the Plan and  
11 Implementation of the Plan”. The \$100,000 post-petition retainer the Debtor paid to WS was  
12 paid out of the Estate Funds, and the expenses incurred by WS will be paid out of the Estate  
13 Funds. All further fees to be paid to WS will be paid out of the Estate Funds or out of the  
14 Unsecured Creditors Fund, computed in the manner described in the Debtor’s amended  
15 application to employ WS (filed as docket number 305).

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

19 Priority tax claims include certain unsecured income, employment and other taxes  
20 described by Section 507(a)(8) of the Bankruptcy Code. Section 1129(a)(9)(C) of the  
21 Bankruptcy Code requires that each holder of such a Section 507(a)(8) priority tax claim receive  
22 regular installment payments of a total value, as of the Effective Date, equal to the allowed  
23 amount of such allowed tax claims, over a period ending not later than five years after the  
24 Petition Date. As set forth in the Debtor’s bankruptcy schedules, the Debtor believes that it  
25 owed as of the Petition Date a total of approximately \$130,326 to taxing agencies, which  
26 amounts are entitled to priority under 11 U.S.C. § 507(a)(8). A chart setting forth the identities  
27  
28

1 of each of these taxing agencies and the amounts of their priority tax claims is set forth in  
2 exhibit “2” to this Disclosure Statement (the “Priority Tax Claims Chart”).<sup>6</sup> The Debtor is  
3 continuing with its review of the scheduled and filed priority tax claims. The Debtor will file  
4 objections to any filed tax claims which the Debtor believes are not valid. The Priority Tax  
5 Claims Chart also indicates all additional priority tax claims which were asserted in timely filed  
6 proofs of claim. The Priority Tax Claims Chart also indicates all additional priority tax claims  
7 which were asserted in timely filed proofs of claim. The Debtor has included such filed tax  
8 claims in the Priority Tax Claims Chart for information purposes only. The Debtor is not  
9 agreeing to the allowance of any such filed tax claims, and the Debtor reserves all rights to file  
10 and prosecute objections to any such filed tax claims. The Debtor will pay allowed priority tax  
11 claims in full out of the Estate Funds on the Effective Date unless there is a dispute with any  
12 such priority tax claim. If there is a dispute, the Debtor will pay any such disputed priority tax  
13 claim within ten days following the date of entry of an order of the Court allowing such  
14 disputed priority tax claim, inclusive of interest accrued following the Effective Date at the  
15 statutory rate.  
16  
17

18 **C. Classified Claims and Interests**

19 **1. Classes of Secured Claims**

20 Secured claims are claims secured by liens on property of the Debtor’s estate. The  
21  
22

---

23 <sup>6</sup> The Debtor believes that the scheduled priority claims of the San Francisco Tax Collector (in  
24 the total amount of \$106,890.44), and the filed proof of claim (Claim No. 22-1) of the San  
25 Francisco Tax Collector (filed as a secured claim) have been satisfied. The Debtor is in the  
26 process of contacting the San Francisco Tax Collector in order to obtain confirmation that these  
27 claims have been satisfied. The Debtor will either enter into a stipulation with the San  
28 Francisco Tax Collector indicating that these claims have been satisfied, or the Debtor will  
amend its Schedules of Assets and Liabilities to reflect that no amounts are due to the San  
Francisco Tax Collector and the Debtor will object to the proof of claim filed by the San  
Francisco Tax Collector.

1 following is a description of the Plan's treatment of the classes containing the Debtor's known  
2 secured claims:

3       Class 1 - Class 1 is comprised of the pre-petition secured claim of Iconical II, which  
4 shall be deemed allowed in the amount of \$4,220,833, plus all accrued interest, fees, and other  
5 amounts due and payable thereunder (with the final class 1 allowed claim estimated to be  
6 approximately \$4,500,000). The class 1 claim is secured by a first priority lien against all or  
7 substantially all of the assets of the Debtor's estate. The class 1 claim is not impaired under the  
8 Plan and is therefore not entitled to vote on the Plan. The class 1 allowed claim will be paid in  
9 full in cash from the Estate Funds on the Effective Date.  
10

11       Class 2 - Class 2 is comprised of the pre-petition secured claim of Pulser. Pursuant to  
12 the Secured Creditor Settlement, the total claim of Pulser shall be deemed allowed in the  
13 amount of \$184,000,000, which is inclusive of all accrued interest, fees, and other amounts due  
14 and payable thereunder through the Petition Date. The class 2 secured claim of Pulser is  
15 secured by a second priority lien (junior only to the lien of Iconical II) against all or  
16 substantially all of the assets of the Debtor's estate. Pulser's class 2 allowed claim will be  
17 equal to all remaining Estate Funds on the Effective Date after all required Plan payments have  
18 been made plus all future recoveries by the Debtor or its bankruptcy estate from the Escrowed  
19 Funds.  
20

21       The class 2 secured claim of Pulser is estimated to be in the amount of approximately  
22 \$47,229,009 if Pulser is ultimately paid the full amount of the Escrowed Funds and there are no  
23 future recoveries from any causes of action.<sup>7</sup> The balance of Pulser's allowed claim, estimated  
24 to be in the amount of approximately \$136,770,991 (the "Pulser Unsecured Claim"), will be  
25

26 \_\_\_\_\_  
27 <sup>7</sup> Attached as Exhibit "5" to this Disclosure Statement is a computation setting forth the  
28 estimated amount of the class 2 secured claim of Pulser.

1 included in class 4 as a class 4 allowed claim but, as part of the global resolution reached, will  
2 not receive any distribution from this estate on account of the Pulser Unsecured Claim. The  
3 class 2 claim is impaired under the Plan and is therefore entitled to vote on the Plan. On  
4 account of its class 2 secured claim, Pulser will receive all of the Estate Funds remaining on the  
5 Effective Date after all required Plan payments have been made plus all future recoveries by the  
6 Debtor or its bankruptcy estate from the Escrowed Funds.  
7

8 In addition, in consideration of the Prepetition Secured Creditors permitting the Debtor  
9 to use cash collateral during the chapter 11 case and to use the remaining Estate Funds, which  
10 constitutes Pulser's collateral, to fund all payment obligations under the Plan (including, but not  
11 limited to the establishment and funding of the Unsecured Creditors Fund), on the Effective  
12 Date (i) the Debtor and the Debtor's bankruptcy estate will be permanently deemed to have  
13 released the "Lender Released Parties" (as defined in Exhibit "7" of this Disclosure Statement),  
14 which includes Pulser and all Pulser Affiliates, from any and all claims or causes of action that  
15 the Debtor or the Debtor's bankruptcy estate (or any representative of the Debtor's bankruptcy  
16 estate, including the Committee and any subsequently appointed trustee) may have against any  
17 of the Lender Released Parties, including Pulser or any of the Pulser Affiliates; (ii) the class 2  
18 secured claim of Pulser and the liens which secure Pulser's class 2 claim shall be deemed  
19 permanently valid and allowed; (iii) the Debtor and the Debtor's bankruptcy estate will be  
20 permanently deemed to have released Iconical II and all Iconical Affiliates from any and all  
21 claims or causes of action that the Debtor or the Debtor's bankruptcy estate (or any  
22 representative of the Debtor's bankruptcy estate, including the Committee and any subsequently  
23 appointed trustee) may have against Iconical II or any of the Iconical Affiliates; and (iv) the  
24 class 1 claim of Iconical II and the liens which secure Iconical II's class 1 claim shall be  
25 deemed permanently valid and allowed.  
26  
27  
28

1           **2.       Class of Priority Unsecured Claims**

2           Certain priority claims that are referred to in Bankruptcy Code Sections 507(a)(3), (4),  
3 (5), (6), and (7) are required to be placed in classes. These types of claims are entitled to  
4 priority treatment as follows: the Bankruptcy Code requires that each holder of such a claim  
5 receive cash on the Effective Date equal to the allowed amount of such claim. However, a class  
6 of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of  
7 the Effective Date, equal to the allowed amount of such claim. The Debtor paid all of the  
8 priority wage related claims of those employees who were still employed by the Debtor as of  
9 the Petition Date. As set forth in the Debtor’s bankruptcy schedules, the Debtor believes that it  
10 owes a total of approximately \$273,909 to former employees which amounts are entitled to  
11 priority under 11 U.S.C. § 507(a)(4). Those claims have since been reduced and are now in the  
12 outstanding amount of \$138,096.96. A chart setting forth the identities of each of these  
13 individuals and the amounts of their current outstanding claims that the Debtor believes are  
14 entitled to priority is set forth in exhibit “1” to this Disclosure Statement (the “Priority Wage  
15 Claims Chart”). The claims bar date in this case was March 21, 2016. The Debtor is continuing  
16 with its review of the scheduled and filed priority wage related claims. The Debtor will file  
17 objections to any filed priority wage related claims which the Debtor believes are not valid.  
18 The Priority Wage Claims Chart also indicates all additional priority wage claims which were  
19 asserted in timely filed proofs of claim. All allowed non-tax priority claims will be treated as  
20 class 3 claims under the Plan. The Debtor will pay all allowed non-tax priority claims in full  
21 out of the Estate Funds on the Effective Date unless there is a dispute with any such non-tax  
22 priority claim. If there is a dispute, the Debtor will pay any such disputed non-tax priority claim  
23 within ten days following the date of entry of an order of the Court allowing such disputed non-  
24 tax priority claim.  
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1           **3.       Class of General Unsecured Claims**

2           General unsecured claims are pre-petition unsecured claims which are not entitled to  
3 priority under Bankruptcy Code Section 507(a). The following identifies the Plan's treatment of  
4 the class containing all of the Debtor's non-priority general unsecured claims:  
5

6           Class 4 - Class 4 is comprised of all non-priority general unsecured claims. The Class 4  
7 Claims Chart attached as Exhibit "3" to this Disclosure Statement contains the details of all of  
8 the Debtor's scheduled class 4 claims as well as all class 4 claims asserted in timely filed proofs  
9 of claim, excluding the Pulser Unsecured Claim.<sup>8</sup> Exclusive of the Pulser Unsecured Claim,  
10 the Debtor estimates a preliminary low case estimate of approximately \$25,599,617 of class 4  
11 claims (if no filed proofs of claim are allowed in amounts which are higher than scheduled by  
12 the Debtor), and the Debtor estimates a preliminary high case estimate of approximately  
13 \$49,209,344 of class 4 claims (if every timely filed proof of claim is allowed in the amount  
14 which is higher than scheduled by the Debtor).<sup>9</sup> These figures include the claims of Universal,  
15 Warner and the Sony Parties which are not included in the Class 4 Claims Chart because they  
16 are all being settled. The Debtor is continuing with its review of the scheduled and filed class 4  
17 claims and will update the Class 4 Claims Chart as appropriate. Including a claim in the Class 4  
18 Claims Chart is not an acknowledgement by the Debtor of the validity of any class 4 claim.  
19 Except with respect to class 4 claims allowed pursuant to an order of the Court, the Debtor  
20 reserves all rights to object to any class 4 claim at any time, and the rights of all other parties in  
21 interest to object to any class 4 claim (other than the Pulser Unsecured Claim, the Sony Parties  
22 Claims, and the claims of Warner and Universal which are being settled under the Plan) at any  
23  
24  
25

26 \_\_\_\_\_  
27 <sup>8</sup> The Class 4 Claims Chart may not include certain unliquidated claims.

28 <sup>9</sup> The claims bar date in this case was March 21, 2016 and has therefore passed.

1 time are strictly preserved. Class 4 claims are impaired under the Plan and are therefore entitled  
2 to vote on the Plan.

3 **Treatment:**

4 As explained in more detail below, the Sony Parties have asserted total general  
5 unsecured claims of \$17,002,410 (the “Sony Parties Claims”). Pulser and the Sony Parties have  
6 reached an agreement under which Pulser will purchase all of the Sony Parties Claims on the  
7 Effective Date. Under the Plan, each holder of a class 4 allowed claim other than Warner,  
8 Universal and the Sony Parties (“Non-Label Class 4 Allowed Claims”) and other than Pulser  
9 will receive a payment from the Unsecured Creditors Fund equal to its pro rata share of the  
10 Unsecured Creditors Fund remaining after payment of the Committee Professional Fees and the  
11 liquidated settlement payments (discussed immediately below) are paid to Warner and to  
12 Universal.  
13  
14

15 The form of ballot for class 4 claim holders to use is attached as Exhibit “8” to this  
16 Disclosure Statement.

17 Universal Settlement. The Debtor scheduled UMG Recordings, Inc., Universal Music  
18 Canada, Inc., and Universal International Music B.V. (collectively, “Universal”) as having a  
19 royalty claim in the amount of \$219,267.65 and a contract claim of \$590,724.06 for a total  
20 claim of \$809,991.71. Universal filed three proofs of claim asserting a claim in the amount of  
21 \$482,496.68 for Universal International Music B.V., a claim in the amount of \$629,374.16 for  
22 UMG Recordings, Inc., and a claim in the amount of \$189,305 for Universal Music Canada,  
23 Inc. (for total claims of \$1,301,175.84). The Debtor and Universal have agreed that Universal  
24 will have an allowed claim of \$1,111,871. The Debtor scheduled Universal Music Group  
25 Distribution as having a claim in the amount of \$590,724.06. That specific Universal entity did  
26 not file any proof of claim, but the Debtor assumes that this claim is subsumed in the three  
27  
28



1 claims filed by Universal. The Debtor and Universal have reached a settlement agreement,  
2 which is supported by the Committee, under which Universal will be paid \$125,000.00 from the  
3 Unsecured Creditors Fund on the Effective Date in full settlement of Universal's general  
4 unsecured claims. There will be mutual releases, discovery waivers, and related provisions.  
5 The Debtor's settlement with Universal will be the subject of a written settlement agreement  
6 (the "Universal Settlement Agreement") that will be part of a separately filed settlement motion  
7 with the Court. The Debtor intends to have the Universal Settlement Agreement approved as  
8 soon as possible, and anticipates that a hearing to approve the Universal Settlement Agreement  
9 will be held in advance of the Plan confirmation hearing. In the event of any inconsistency  
10 between the terms of the Plan and the terms of the Universal Settlement Agreement which is  
11 approved by the Court, the terms of the Universal Settlement Agreement shall govern and  
12 control, and, if there is an inconsistency, nothing in the Plan shall modify or be deemed to  
13 modify the provisions of the Universal Settlement Agreement. The class 4 claims of Universal  
14 are impaired under the Plan and are therefore entitled to vote on the Plan. The Debtor believes  
15 that the treatment of the class 4 claims of Universal is less favorable than the treatment being  
16 afforded to holders of Non-Label Class 4 Allowed Claims. By receiving \$125,000 in full  
17 settlement and satisfaction of its class 4 claims, Universal is (i) receiving a payment equal to  
18 approximately 11.2% of Universal's allowed claim and (ii) providing third party releases.

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20  
21  
22 Warner Settlement. The Debtor scheduled Warner Music Inc., WEA International Inc.,  
23 and Warner Music Brasil Ltda. (collectively, "Warner") as having a royalty claim in the amount  
24 of \$137,500 and a contract claim of \$432,909.22 for a total claim of \$570,409.22. Warner has  
25 filed a proof of claim asserting a claim in the amount of \$619,796.62. The Debtor and Warner  
26 have reached a settlement agreement, which is supported by the Committee, under which  
27 Warner will be paid \$100,000.00 from the Unsecured Creditors Fund on the Effective Date in  
28

1 full settlement of Warner's general unsecured claims. There will be mutual releases, discovery  
2 waivers, and related provisions. The Debtor's settlement with Warner will be the subject of a  
3 written settlement agreement (the "Warner Settlement Agreement") that will be part of a  
4 separately filed settlement motion with the Court. The Debtor intends to have the Warner  
5 Settlement Agreement approved as soon as possible, and anticipates that a hearing to approve  
6 the Warner Settlement Agreement will be held in advance of the Plan confirmation hearing. In  
7 the event of any inconsistency between the terms of the Plan and the terms of the Warner  
8 Settlement Agreement which is approved by the Court, the terms of the Warner Settlement  
9 Agreement shall govern and control, and, if there is an inconsistency, nothing in the Plan shall  
10 modify or be deemed to modify the provisions of the Warner Settlement Agreement. The class  
11 4 claims of Warner are impaired under the Plan and are therefore entitled to vote on the Plan.  
12  
13 The Debtor believes that the treatment of the class 4 claims of Warner is less favorable than the  
14 treatment being afforded to holders of Non-Label Class 4 Allowed Claims. By receiving  
15 \$100,000 in full settlement and satisfaction of its class 4 claims, Warner is (i) receiving a  
16 payment equal to approximately 16.1% of its asserted general unsecured claims and (ii)  
17 providing third party releases.  
18

19 The Claims of the Sony Parties. The Debtor scheduled Sony Music as having a royalty  
20 claim in the amount of \$147,403.76 and a contract claim of \$2,599,232.82 for a total claim of  
21 \$2,746,636.58. The Debtor scheduled Orchard as having a claim of \$493,945.89. Sony filed a  
22 proof of claim asserting a general unsecured claim in the amount of \$12,419,314.00, and  
23 Orchard filed a proof of claim asserting a general unsecured claim in the amount of  
24 \$4,583,096.96, for a total combined general unsecured claim of \$17,002,410. As explained  
25 above, subject to execution of a settlement agreement, Pulser and the Sony Parties have reached  
26 an agreement under which Pulser will purchase all of the Sony Parties Claims on the Effective  
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1 Date. There will also be mutual releases, discovery waivers, and related provisions in the  
2 settlement agreement. In the event of any inconsistency between the terms of the Plan, this  
3 Disclosure Statement and the terms of the settlement agreement with the Sony Parties, the terms  
4 of the settlement agreement shall govern and control, and, if there is an inconsistency, nothing  
5 in the Plan or this Disclosure Statement shall modify or be deemed to modify the provisions of  
6 the settlement agreement. Pulser agrees not to be paid any money from the Unsecured Creditors  
7 Fund on account of the Sony Parties Claims that Pulser will have purchased.  
8

9         Assuming the Committee Professional Fees total \$500,000, and after payment of the  
10 various settlement amounts to Universal and Warner, a balance of \$5,000,000 will remain in the  
11 Unsecured Creditors Fund for distribution to all holders of Non-Label Class 4 Allowed Claims.  
12 As reflected in the Class 4 Claims Chart, the Debtor currently estimates that there will be a total  
13 of approximately \$21,346,038-\$29,574,381 of Non-Label Class 4 Allowed Claims. If the final  
14 amount of Non-Label Class 4 Allowed Claims is the mid-point between the amounts scheduled  
15 by the Debtor and the amounts asserted by creditors in their filed proofs of claim, the final  
16 amount of Non-Label Class 4 Allowed Claims will be \$25,460,209. If that occurs, then based  
17 upon the assumptions above, the Debtor estimates that the ultimate distribution to holders of  
18 Non-Label Class 4 Allowed Claims will be approximately 19.6% of the amounts of their Non-  
19 Label Class 4 Allowed Claims. If, on the other hand, the Non-Label Class 4 Claims are allowed  
20 as filed in the Court's claims register, then based upon the assumptions above, the Debtor  
21 estimates that the ultimate distribution to holders of Non-Label Class 4 Allowed Claims will be  
22 approximately 16.9%.  
23  
24

25         All of the foregoing percentage recoveries are simply estimates by the Debtor based  
26 upon the information known to the Debtor today and taking into account the various  
27 assumptions set forth above. These are not guaranteed percentage recoveries for holders of  
28

1 Non-Label Class 4 Allowed Claims. A change in any of the foregoing variables or assumptions  
2 would alter the final distribution percentage paid to holders of Non-Label Class 4 Allowed  
3 Claims.

4 Additional Recovery from Causes of Action

5 In addition to the recoveries described above, each holder of a non-label class 4 allowed  
6 claim will receive its pro rata distribution of any net recovery by the estate from the pursuit of  
7 any causes of action other than avoidance causes of action. The Debtor is not currently aware  
8 of the existence of any such causes of action.

9  
10 The distribution to holders of Non-Label Class 4 Allowed Claims will be made within  
11 the later of (i) thirty days following the Effective Date; and (ii) thirty days after the final  
12 disputed class 4 claim is resolved by final order (or as soon as reasonably practicable  
13 thereafter). The Creditors Trustee reserves the right to seek an order of the Court, after notice  
14 and a hearing, authorizing the Creditors Trustee to make one or more interim distributions to  
15 holders of Non-Label Class 4 Allowed Claims. As part of any such request by the Creditors  
16 Trustee to make such an interim distribution, the Creditors Trustee will seek an order of the  
17 Court, after notice and a hearing, providing for the Creditors Trustee to maintain a sufficient  
18 reserve to enable the Creditors Trustee to make a pro rata payment to holders of then disputed  
19 class 4 claims in the event such disputed class 4 claims become Non-Label Class 4 Allowed  
20 Claims.  
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22

23 **THE DEBTOR URGES EACH CLASS 4 CLAIM HOLDER TO READ THE**  
24 **LETTER FROM THE COMMITTEE ATTACHED AS EXHIBIT “6” TO THIS**  
25 **DISCLOSURE STATEMENT. AN ADDITIONAL COPY OF THE COMMITTEE**  
26 **LETTER HAS BEEN PROVIDED TO YOU AS A STAND ALONE LETTER IN BLUE**  
27  
28

1 **COLOR IN THE PLAN SOLICITATION PACKAGE THAT HAS BEEN SENT TO**  
2 **EACH CLASS 4 CLAIM HOLDER.**

3 **4. Class of Interest Holders**

4 Interest holders are the parties who hold an ownership interest (i.e., equity interest) in  
5 the Debtor. The following identifies the Plan's treatment of the class of interest holders:  
6

7 Class 5 - Class 5 is comprised of all equity interests in the Debtor. While class 5  
8 interests are impaired under the Plan, holders of class 5 interests are not entitled to vote on the  
9 Plan as they are deemed not to have accepted the Plan under 11 U.S.C. §1126(g). Class 5  
10 interest holders will not receive any of the Estate Funds or any other distribution from this estate  
11 on account of their class 5 equity interests.

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

13 **1. Funding for the Plan**

14 The Plan will be funded from the Estate Funds in the manner described herein and from  
15 any recoveries obtained by the Debtor's estate, including from any return of the Escrowed  
16 Funds, and from the pursuit of any other causes of action other than avoidance causes of action.  
17 Specifically, on the Effective Date, the Debtor shall transfer the sum of \$5,500,000 (the  
18 "Unsecured Creditors Fund") to the "Creditors Trust" (defined below) for the purposes of  
19 funding the Committee Professional Fees and all distributions to be made to holders of Non-  
20 Label Class 4 Allowed Claims in accordance with the terms of the Plan This is the sum  
21 remaining from the \$5,725,000 being provided for the benefit of holders of Non-Label Class 4  
22 Allowed Claims after deducting the settlement payments to be made to Universal and to  
23 Warner.  
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1           **2. Post-Effective Date Management of the Reorganized Debtor and**  
2 **Employment of Professionals By the Reorganized Debtor**

3           The Debtor currently anticipates that the post-Effective Date management of the  
4 Reorganized Debtor will be comprised of all or a portion of the Debtor’s current management.  
5 At least ten days prior to the Plan confirmation hearing, the Debtor will file a supplemental  
6 pleading with the Court identifying the names and compensation of the people who will serve as  
7 post-Effective Date management of the Reorganized Debtor. The role of the post-Effective  
8 Date management of the Reorganized Debtor shall include taking any and all actions that such  
9 management determines to be appropriate, including overseeing and helping to effectuate or  
10 facilitate the wind down and/or dissolution of the Debtor’s many foreign subsidiaries. The post-  
11 Effective Date management of the Reorganized Debtor shall have the right to cause the  
12 Reorganized Debtor to employ any professionals they deem appropriate to represent the  
13 Reorganized Debtor and to pay the fees and expenses incurred by such professionals after the  
14 Effective Date out of the Reserve without any further order of the Court. The Debtor currently  
15 anticipates that the Reorganized Debtor will retain LNBYB as its counsel to assist the  
16 Reorganized Debtor to perform all of its functions as the Reorganized Debtor. The Debtor does  
17 not expect the total compensation to be paid to the management of the Reorganized Debtor and  
18 the professionals to be employed by the Reorganized Debtor to exceed the amount of the  
19 Reserve (i.e., \$300,000).  
20  
21  
22

23           **3. Disbursing Agent**

24           The Reorganized Debtor shall serve as the disbursing agent for purposes of making all  
25 distributions required to be made under the Plan out of the Estate Funds and to make the  
26 settlement payments to Universal and to Warner. The Reorganized Debtor will not charge any  
27 disbursing agent fee for making such Plan distributions. The Creditors Trustee shall serve as  
28

1 the disbursing agent for purposes of making all distributions required to be made under the Plan  
2 out of the Unsecured Creditors Fund.

3 **4. Dissolution of the Committee**

4 On the Effective Date, the Committee shall be deemed automatically dissolved, and the  
5 members of the Committee shall be discharged of any further duties involving this estate. The  
6 members of the Committee shall have the right, but not the obligation, to participate in any role  
7 in the Creditors Trust that the Committee and its members deem appropriate.  
8

9 **5. Objections to Claims**

10 Following the Effective Date, the Trustee of the Creditors Trust (the "Creditors  
11 Trustee") will file objections (or continue with the prosecution of all pending objections) to any  
12 disputed class 4 claims which were not resolved to final order by the Effective Date unless the  
13 Creditors Trustee deems the amount in dispute to be insignificant and not warrant further  
14 objection. With respect to disputed class 4 claims which are not resolved prior to the Effective  
15 Date, the Creditors Trustee will have the authority, in his/her sole discretion and in the  
16 reasonable exercise of his/her business judgment, to settle or compromise any disputed class 4  
17 claim without further Court approval provided notice of such settlement or compromise is filed  
18 with the Court. Following the Effective Date, the Reorganized Debtor will file objections (or  
19 continue with the prosecution of all pending objections) to all claims other than class 4 disputed  
20 claims which are disputed by Pulser (since Pulser is the only creditor which would be  
21 economically affected by the allowance of such claims) and which were not resolved by final  
22 order prior to the Effective Date unless Pulser deems the amount in dispute to be insignificant  
23 and not warrant further objection. With respect to non-class 4 disputed claims which are not  
24 resolved prior to the Effective Date, the Reorganized Debtor will have the authority, in its sole  
25 discretion and in the reasonable exercise of its business judgment, to settle or compromise any  
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1 disputed non-class 4 disputed claim without further Court approval provided Pulser consents to  
2 such settlement or compromise and provided notice of such settlement or compromise is filed  
3 with the Court. As provided by Section 502(c) of the Bankruptcy Code, the Court may estimate  
4 for purpose of allowance any contingent or unliquidated claim, the fixing or liquidation of  
5 which, as the case may be, would unduly the administration of this case. Both the Creditors  
6 Trustee and the Reorganized Debtor, as applicable, shall have the authority to file any  
7 objections to claims following the Effective Date, subject to the limitations described above,  
8 and the Court shall retain jurisdiction over the Reorganized Debtor and this case and estate to  
9 resolve or adjudicate such objections to claims following Plan confirmation regardless of  
10 whether such objections to claims were first commenced before or after Plan confirmation.  
11 Nothing contained in the Plan shall constitute a waiver or release by the Reorganized Debtor or  
12 the Creditors Trustee of any rights of setoff or recoupment, or of any defense, the Reorganized  
13 Debtor or the Creditors Trustee may have with respect to any claim. The deadline for any  
14 objections to be filed to any timely filed claim shall be the date which is thirty days after the  
15 Effective Date (the "Claims Objection Bar Date"). Any timely filed claim for which no  
16 objection was filed by the Claims Objection Bar Date shall be deemed to constitute an allowed  
17 claim.  
18  
19

## 20 **6. Avoidance Actions and Recoveries**

21 The Debtor has done a preliminary analysis of all payments made during the ninety-day  
22 preference period for non-insiders and the one-year period for insiders on account of antecedent  
23 debt which would or may be avoidable as preference payments. The Debtor preliminarily  
24 believes that all or most of such payments would likely be subject to some form of ordinary  
25 course, contemporaneous exchange or new value defense. A schedule showing all such  
26 payments made by the Debtor during the ninety-day preference period for non-insiders and the  
27  
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1 one-year period for insiders is attached as Exhibit "4" to this Disclosure Statement. Also  
2 attached as Exhibit "4" to this Disclosure Statement is a summary of the Debtor's preliminary  
3 analysis of all such payments and potential preference exposure. The Committee played no role  
4 in the preparation of this preliminary analysis. The Debtor will continue to analyze these  
5 payments made and to determine whether any updates or changes should be made to this  
6 schedule. The Debtor is not aware of any fraudulent conveyances which have occurred and  
7 which need to be or should be avoided. A component of the settlement discussions between the  
8 Debtor, the Committee, and the Prepetition Secured Creditors, which resulted in an agreement  
9 on the terms of a fully consensual plan of reorganization, was the joint decision not to pursue  
10 any avoidance causes of action or to pursue any actions against the Sony Parties, Universal or  
11 Warner. As a result, on the Effective Date, all rights of the Debtor or its estate to pursue any  
12 avoidance causes of action shall be permanently waived.  
13  
14

#### 15 **7. Non-Avoidance Actions and Recoveries**

16 The Debtor will continue to analyze whether there are any causes of action available to  
17 this estate other than avoidance actions— recognizing that at this time the Debtor is not aware of  
18 the existence of any such causes of action. On the Effective Date, the standing of this estate to  
19 commence any such causes of action (or to continue with the pursuit of any such pending causes  
20 of actions) shall be automatically deemed assigned and transferred to the Creditors Trust. All  
21 fees and expenses incurred by the Creditors Trust in connection with the filing and prosecution  
22 of any such causes of action shall be funded solely from the Unsecured Creditors Fund. The  
23 Court shall retain jurisdiction over the Reorganized Debtor, the Creditors Trust, the Creditors  
24 Trustee, this case and this estate to resolve or adjudicate any and all such causes of action which  
25 are filed regardless of whether such causes of action were first commenced by the Debtor before  
26 the Effective Date or first commenced by the Creditors Trustee after the Effective Date. Any  
27  
28

1 net recovery by the estate from the pursuit of any such causes of action (after payment of all  
2 related fees and expenses) shall be distributed on a pro rata basis to all holders of Non-Label  
3 Class 4 Allowed Claims excluding Pulser.

4 **8. Release of Pulser, Pulser Affiliates, Iconical II and Iconical Affiliates**

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

16 **(a) Release by the Debtor of Lender Released Parties and Debtor Affiliates**

17 In consideration of the Prepetition Secured Creditors agreement to permit the use of cash  
18 collateral and to permit the Debtor to use the Estate Funds to make all of the payments to  
19 creditors required to be made under the Plan and to fund the other Plan obligations, on the  
20 Effective Date, the Debtor on behalf of itself and all of the "Debtor Releasing Parties" (as  
21 defined in Exhibit "7" to this Disclosure Statement) releases, discharges, and acquits the  
22 Prepetition Secured Creditors and each of the "Lender Released Parties" and each of the Debtor  
23 Affiliates (as defined in Exhibit "7" to this Disclosure Statement) from any and all "Released  
24 Claims" (as defined in Exhibit "7" to this Disclosure Statement) that any such releasing party  
25 ever had or claimed to have, or has or claims to have presently or at any future date, against any  
26  
27  
28

1 of the Lender Released Parties or the Debtor Affiliates arising from or related in any way  
2 whatsoever to the Debtor.

3 **(b) Incorporation of Final DIP Order**

4 The admissions, stipulations, and agreements of, and release by, the Debtor set forth in  
5 the Final DIP Order<sup>10</sup> are incorporated herein by reference and shall be irrevocable and binding  
6 on the Debtor and all parties in interest in the Debtor's chapter 11 case and shall not be subject  
7 to further "Challenge" (as defined in the Final DIP Order) by the Committee or any other party  
8 in interest. For the avoidance of doubt, the Retained Claims do not include any claim of any  
9 party in interest that has been released pursuant to the Final DIP Order or the right to prosecute  
10 any "Challenge" (as defined in the Final DIP Order).

11  
12 **9. Release by the Debtor Releasing Parties of Universal, Warner and the Sony**  
13 **Parties**

14 On the Effective Date, the Debtor, on behalf of itself and all of the Debtor Releasing  
15 Parties (as defined in Exhibit "7" to this Disclosure Statement) hereby releases, discharges and  
16 acquits Universal, Warner and the Sony Parties and each of their respective present and former  
17 predecessors, successors, assigns, affiliates, members, partners, managers, current and former  
18 equity holders, officers, agents, employees, attorneys, affiliates, directors, direct and indirect  
19 parents, direct and indirect subsidiaries and sister companies (the "Label Released Parties")  
20 from the Released Claims (as defined in Exhibit "7" to this Disclosure Statement). With respect  
21 to the Label Released Parties, the Released Claims include, without limitation, any and all  
22  
23  
24

25  
26 <sup>10</sup> As used herein, "Final DIP Order" means the Final Order: (I) Authorizing Debtor to Obtain  
27 Postpetition Financing Pursuant to 11 U.S.C. § 105, 362, 363, and 364; (II) Granting Liens and  
28 Superpriority Claims to Postpetition Lender Pursuant to 11 U.S.C. § 364 and 507; (III)  
Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363; and (IV) Providing Adequate  
Protection to Prepetition Security Parties Pursuant to 11

1 claims arising (i) under any antitrust or competition laws or rules, (ii) under any consumer  
2 protection or business trade laws, (iii) out of or relating in any way to “Most Favored Nations”  
3 clauses or provisions or practices with similar effect found in any agreement involving or with  
4 any of the Label Released Parties, or (iv) relating in any way to the contractual relationship  
5 between the Label Released Parties and the Debtor Releasing Parties. In addition:

6  
7 (i) The Debtor Releasing Parties shall not sue any of the Label Released Parties  
8 with respect to any Released Claim or to assist any third party in commencing or  
9 maintaining any Proceeding (“Proceeding” shall include any lawsuit, litigation, claim,  
10 investigation, or any other action or activity in which or as a result of which legal or  
11 equitable remedies, sanctions, damages or penalties could be sought or imposed)  
12 against any of the Label Released Parties related in any way to any claim released by  
13 the Debtor Releasing Parties herein;

14  
15 (ii) The Debtor Releasing Parties will not (a) disparage or denigrate in any way  
16 the Label Released Parties; (b) seek any discovery from the Label Released Parties, or  
17 (c) assist any third party in commencing or maintaining any Proceeding against the  
18 Label Released Parties (for the avoidance of doubt, this provision prohibits the Debtor  
19 Releasing Parties from making any allegations concerning the Label Released Parties in  
20 any Proceeding); and

21  
22 (iii) The Debtor Releasing Parties will not file any motion(s) pursuant to  
23 Bankruptcy Rule 2004, or any similar discovery enabling rule or procedure, seeking  
24 any documents or information from any of the Label Released Parties or an  
25 examination of any of the Label Released Parties, nor will they join or participate in  
26 any such motion(s), and the Debtor shall withdraw any such pending Bankruptcy Rule  
27 2004 motions.  
28

1           **10.    Applicability of Releases of Unknown Claims**

2           On the Effective Date, all rights of the Debtor Releasing Parties to challenge any of the  
3 releases being provided herein, whether pursuant to Section 1542 of the California Civil Code  
4 or otherwise, shall be deemed permanently waived, regardless of whether the Debtor, this  
5 estate, the Debtor Releasing Parties, or any other party in interest, discovers or obtains any  
6 information in the future pertaining to matters being released herein which they did not know or  
7 have as of the Effective Date or any date prior thereto. The releases being provided herein are  
8 expressly intended to cover and include a release of any claims, demands or causes of action  
9 which arise out of, relate to, are connected with, or are incidental to any such information which  
10 may be discovered or obtained in the future. The Debtor Releasing Parties therefore expressly  
11 waive the provisions of Section 1542 of the Civil Code of the State of California which provides  
12 as follows:  
13  
14

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

22           **11.    Exclusions from Releases**

23           Notwithstanding anything to the contrary in the Plan, nothing herein shall be deemed as  
24 releasing the Debtor or the Debtor’s estate, any Lender Released Parties, Pandora or any Debtor  
25 Affiliates from any claims of Universal arising from the breach by any of such persons of the  
26 Sale Order, the Transitional Services Agreement dated December 23, 2015 entered into between  
27 the Debtor and Pandora (the “Transitional Services Agreement”), any obligations to Universal  
28 under the Sale Order or the Transitional Services Agreement, or any administrative claim of  
Universal.

1           **12. Continuing Confidentiality Obligations/Non Disparagement**

2           The confidentiality obligations of the Debtor and the Debtor’s estate to Universal and to  
3 the Sony Parties as set forth in the agreements between Universal or the Sony Parties and the  
4 Debtor or with any of the Debtor Affiliates survive the Effective Date and remain in full force  
5 and effect. The Creditors Trust shall return to Universal and to the Sony Parties (as applicable)  
6 all originals and copies of the Universal and Sony Parties agreements, and any other reports,  
7 information or other documents related to Universal or the Sony Parties, or destroy them at the  
8 option of the Creditors Trustee, within five days after the Effective Date or as otherwise  
9 provided in any settlement agreement with Universal or with the Sony Parties.  
10

11           The Debtor and any of the Debtor Releasing Parties with knowledge of the terms of the  
12 settlement agreement among the Sony Parties, Pulser and other parties (the “Sony Settlement  
13 Agreement”) shall maintain the confidentiality of the Sony Settlement Agreement and shall not  
14 disclose the terms of the Sony Settlement Agreement to any third party except (i) as required by  
15 law; or (ii) as required by any Court or other governmental agency with authority to require  
16 such disclosure or otherwise compelled by judicial process, including subpoena (provided that  
17 written notice of any such perceived requirement of law under clause (i) or demand, subpoena  
18 or order under clause (ii) is promptly provided to the Sony Parties sufficiently prior to  
19 disclosure of any information to allow the Sony Parties a reasonable opportunity to seek relief  
20 from the requirement, demand, subpoena or order or to obtain an appropriate protective order).  
21 The Debtor Releasing Parties shall not make, or induce or cause another person or entity to  
22 make (including by the exercise or control of such other person or entity by contract or  
23 otherwise), any communication of any form to anyone that denigrates, disparages, criticizes,  
24 defames or is derogatory of any Sony Released Party with respect to the Debtor. To the extent  
25 the foregoing paragraph conflicts with the terms of the Sony Settlement Agreement, the Sony  
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28

1 Settlement Agreement controls as to the parties thereto.

2 The Sony Parties shall not make, or induce or cause another person or entity to make  
3 (including by the exercise or control of such other person or entity by contract or otherwise),  
4 any communication of any form to anyone that denigrates, disparages, criticizes, defames or is  
5 derogatory of any of the Debtor Releasing Parties with respect to the Debtor.  
6

7 **13. Compliance with Transitional Services Agreement**

8 The Debtor has complied with its obligations owing to Universal and to any of the Sony  
9 Parties under the the Transitional Services Agreement and the Sale Order.

10 **14. Exemption from Transfer Taxes**

11 Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange  
12 of a security, or the making or delivery of an instrument of transfer under a plan confirmed  
13 under section 1129 of the Bankruptcy Code, may not be taxed under any law imposing a stamp  
14 tax or similar tax. Transfers under the Plan that are exempt from taxes under section 1146(c) of  
15 the Bankruptcy Code include all transfers by the Debtor after the commencement of its chapter  
16 11 case in contemplation of the Plan but prior to the Effective Date, and all transfers to and by  
17 the Reorganized Debtor or the Creditors Trustee as contemplated by the Plan, including all  
18 payments made to claim holders in accordance with the terms of the Plan. The taxes from  
19 which such transfers are exempt include stamp taxes, recording taxes, sales and use taxes,  
20 transfer taxes, and other similar taxes.  
21

22 **15. Establishment of the Reserve**

23 Following the confirmation of the Plan and prior to the Effective Date, the Debtor shall  
24 deposit the total sum of \$300,000.00 from the Estate Funds into a segregated account (the  
25 “Reserve”), with such funds to be used solely to pay for (i) the post-Effective Date fees and  
26 expenses of the professionals retained by the Reorganized Debtor, (ii) the post-Effective Date  
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28

1 fees and costs owing to the Clerk of the Bankruptcy Court and the quarterly fees owing to the  
2 UST (which shall be paid by the Reorganized Debtor out of the Reserve), (iii) any post-  
3 Effective Date third-party expenses owing by the Reorganized Debtor, and (iv) the  
4 compensation to be paid to the management of the Reorganized Debtor. The funds shall remain  
5 in the Reserve until the entry of a final decree closing this bankruptcy case. If the funds in the  
6 Reserve ultimately prove to be insufficient to pay all of fees, costs and expenses, and  
7 compensation described above for which the Reserve is being established, Pulser shall have the  
8 right to supplement the Reserve with additional Estate Funds, as needed, but only with Pulser's  
9 consent in its sole discretion. If any funds remain in the Reserve upon the entry of a final  
10 decree closing this bankruptcy case, such excess funds shall be paid to Pulser.  
11

12 **16. Formation of the Creditors Trust and Appointment of the Creditors Trustee**

13 On the Effective Date, a trust will be formed (the "Creditors Trust") solely for the  
14 benefit of all Non-Label Class 4 Allowed Claims. As explained above, on the Effective Date,  
15 the Reorganized Debtor shall transfer the sum of \$5,500,000 (i.e., the "Unsecured Creditors  
16 Fund") to the Creditors Trust. The Committee will file the form of the Creditors Trust  
17 agreement with the Court, and the Committee will identify the person who will serve as the  
18 Creditors Trustee, at least ten days prior to the Plan confirmation hearing.  
19

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

22 The Creditors Trustee shall have the authority to employ professionals as the Creditors  
23 Trustee deems appropriate and to pay the fees and expenses incurred by such professionals after  
24 the Effective Date out of the Unsecured Creditors Fund without any further order of the Court.  
25 The Debtor expects that the Creditors Trustee will retain PSZJ as his/her counsel and FTI as  
26 his/her financial advisor to assist the Creditors Trustee to perform all of his/her functions as the  
27  
28



1 Creditors Trustee. The Committee has advised the Debtor that the Committee does not expect  
2 the fees and expenses of the Creditors Trustee and the professionals employed by the Creditors  
3 Trustee to exceed \$250,000.

4 **18. Distributions to be Made Pursuant to the Plan**

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

18 **19. Exculpations and Releases**

19 To the maximum extent permitted by law, neither the Debtor, the Committee or its  
20 members, the Prepetition Secured Creditors, the Reorganized Debtor nor the Creditors Trustee,  
21 nor any of their employees, officers, directors, shareholders, agents, members, representatives,  
22 or professionals employed or retained by any of them, shall have or incur liability to any person  
23 or entity for any act taken or omission made in good faith in connection with or related to this  
24 bankruptcy case or the formulation and implementation of the Plan, or a contract, instrument,  
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1 release, or other agreement or document created in connection therewith, the solicitation of  
2 acceptances for or confirmation of the Plan, or the consummation and implementation of the  
3 Plan and the transactions contemplated therein, provided, however, that the foregoing  
4 provisions shall have no effect on the liability of any person or entity that would otherwise  
5 result from the failure to perform any obligation under the Plan or that would otherwise result  
6 from any act or omission to the extent that such act or omission is determined by a final order of  
7 the Court to have constituted negligence, gross negligence or willful misconduct (including  
8 fraud).

## 10 **20. Injunctions**

11 The Plan Confirmation Order shall enjoin the prosecution, whether directly, derivatively  
12 or otherwise, of any claim, obligation, suit, judgment, damage, demand, debt, right, cause of  
13 action, liability or interest released or terminated pursuant to the Plan. Except as provided in the  
14 Plan or the Plan Confirmation Order, as of the Effective Date, all entities that have held,  
15 currently hold or may hold a claim or other debt or liability that is released or terminated or an  
16 interest or other right of a creditor or equity security holder that is released, terminated or  
17 extinguished pursuant to the terms of the Plan are permanently enjoined from taking any of the  
18 following actions against the Debtor, the Committee (or its members), the Reorganized Debtor  
19 or the Creditors Trustee, or their property on account of any such released, terminated or  
20 extinguished claims, debts or liabilities or extinguished interests or rights: (i) commencing or  
21 continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing,  
22 attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii)  
23 creating, perfecting or enforcing any lien or encumbrance; and (iv) commencing or continuing  
24 any action in any manner, in any place, that does not comply with or is inconsistent with the  
25 provisions of the Plan. By accepting a distribution made pursuant to the Plan, each holder of an  
26  
27  
28

1 allowed claim which receives a distribution pursuant to the Plan shall be deemed to have  
2 specifically consented to the injunctions set forth in this Section.

3 **21. Executory Contracts and Unexpired Leases**

4 All of the Debtor's remaining executory contracts and unexpired leases which have not  
5 previously been assumed or rejected by the Debtor, if any, shall be deemed to be rejected by the  
6 Debtor effective as of 11:59 PST on the Effective Date. The Debtor believes that there are at  
7 most only a very limited number of any such remaining executory contracts and unexpired  
8 leases. **THE BAR DATE FOR FILING A PROOF OF CLAIM BASED ON A CLAIM**  
9 **ARISING FROM THE REJECTION OF AN UNEXPIRED LEASE OR EXECUTORY**  
10 **CONTRACT WHICH IS REJECTED ON THE EFFECTIVE DATE WILL BE THIRTY**  
11 **DAYS AFTER THE EFFECTIVE DATE.** Any claim based on the rejection of an unexpired  
12 lease or executory contract will be barred if the proof of claim is not timely filed, unless the  
13 Court orders otherwise.  
14  
15

16 **22. Changes in Rates Subject to Regulatory Commission Approval**

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

18 **23. Retention of Jurisdiction**

19 After confirmation of the Plan and occurrence of the Effective Date, in addition to  
20 jurisdiction which exists in any other court, the Court will retain such jurisdiction as is legally  
21 permissible including for the following purposes:  
22

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

25 ii. To determine the allowability, classification, or priority of claims and  
26 interests upon objection by the Debtor, the Reorganized Debtor, the Creditors Trustee, or by  
27  
28

1 other parties in interest with standing to bring such objection or proceeding and to consider any  
2 objection to claim or interest whether such objection is filed before or after the Effective Date;

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

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

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

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

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

18           viii. To determine all applications, motions, adversary proceedings, contested  
19 matters, and any other litigated matters instituted during the pendency of this case whether  
20 before, on, or after the Effective Date;

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

23           x. To modify the Plan under Section 1127 of the Bankruptcy Code in order  
24 to remedy any apparent defect or omission in the Plan or to reconcile any inconsistency in the  
25  
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28

1 Plan so as to carry out its intent and purpose;

2 xi. Except as otherwise provided in the Plan or the Plan Confirmation Order,  
3 to issue injunctions, to take such other actions or make such other orders as may be necessary or  
4 appropriate to restrain interference with the Plan or the Plan Confirmation Order, or the  
5 execution or implementation by any person or entity of the Plan or the Plan Confirmation  
6 Order;  
7

8 xii. To issue such orders in aid of consummation of the Plan and the Plan  
9 Confirmation Order, notwithstanding any otherwise applicable nonbankruptcy law, with respect  
10 to any person or entity, to the fullest extent authorized by the Bankruptcy Code or Bankruptcy  
11 Rules; and

12 xiii. To enter a final decree closing this chapter 11 case.  
13

#### 14 **24. Indemnity Claims Stipulation**

15 It shall be a condition precedent to the Effective Date that the Debtor, the Committee,  
16 and the Prepetition Secured Creditors shall have entered into a stipulation which has been  
17 approved by the Court to the effect that: (a) the Committee shall use good faith efforts to  
18 support the stay of claims under applicable nonbankruptcy law against holders of Indemnity  
19 Claims; (b) the automatic stay shall be lifted to the extent necessary to allow such holders to  
20 access available D&O insurance policies, and (c) subject to the confirmation of the Plan, upon  
21 the occurrence of the Effective Date, the holders of Indemnity Claims shall withdraw their  
22 Indemnity Claims and waive any right to receive any distributions from the Unsecured  
23 Creditors Fund.  
24

### 25 **VIII. TAX CONSEQUENCES OF THE PLAN**

26 CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN  
27 MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN  
28

1 ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of  
2 possible tax consequences is intended solely for the purpose of alerting readers about possible  
3 tax issues the Plan may present to this estate. The Debtor CANNOT and DOES NOT represent  
4 that the tax consequences contained below are the only tax consequences of the Plan because  
5 the Tax Code embodies many complicated rules which make it difficult to state completely and  
6 accurately all of the tax implications of any action.  
7

8 The Debtor does not anticipate that confirmation of the Plan will have any significant or  
9 materially negative effect on any tax liability of this estate. However, the Debtor does believe  
10 that it is possible or even likely that the confirmation of the Plan may serve to reduce or  
11 eliminate all or a portion of the Debtor's current net operating loss (NOL). The Debtor has not  
12 performed any detailed analysis of the extent to which, if any, the confirmation of the Plan may  
13 have on the retention or loss of NOL or ability of any party to use any such NOL in the future.  
14 The Debtor does not have the financial wherewithal or funding available to it to employ a  
15 bankruptcy tax expert to assist the Debtor in this regard or to analyze the negative impact, if  
16 any, of the confirmation of the Plan on any such NOL. Any NOL which may be preserved  
17 through Plan confirmation shall be preserved under and by the Plan. The Debtor makes no  
18 representations regarding the potential tax consequences to creditors or interest holders from the  
19 confirmation of or implementation of the Plan.  
20  
21

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

#### 24 **IX. 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 Debtor  
3 CANNOT and DOES NOT represent that the discussion contained below is a complete  
4 summary of the 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,  
7 whether the plan pays creditors at least as much as creditors would receive in a chapter 7  
8 liquidation, and whether the plan is feasible. These requirements are not the only requirements  
9 for confirmation.  
10

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

12 Any party in interest may object to the confirmation of the Plan, but, as explained below,  
13 not everyone is entitled to vote to accept or reject the Plan.  
14

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

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

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

20 As noted above, a creditor or interest holder must first have an allowed claim or interest  
21 to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a  
22 party in interest files an objection to the claim or interest. When an objection to a claim or  
23 interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless  
24 the Court, after notice and hearing, either overrules the objection or allows the claim or interest  
25 for voting purposes.  
26  
27  
28

1 THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE ON  
2 ACCOUNT OF NON-GOVERNMENTAL PRE-PETITION CLAIMS WAS MARCH 21,  
3 2016. A creditor or interest holder may have an allowed claim or interest even if a proof of  
4 claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the  
5 Debtor's schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and  
6 (2) no party in interest has objected to the claim. An interest is deemed allowed if it is  
7 scheduled and no party in interest has objected to the interest.  
8

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

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

16 The Debtor believes that classes 1 and 3 are not impaired and that classes 2, 4, and 5 are  
17 impaired. Members of classes 2 and 4 are entitled to vote to accept or reject the Plan. Members  
18 of class 5 are deemed to have rejected the Plan pursuant to the provisions of 11 U.S.C.  
19 §1126(g). Parties who dispute the Debtor's characterization of their claim or interest as being  
20 impaired or unimpaired may file an objection to the Plan contending that the Debtor has  
21 incorrectly characterized the class.  
22

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

24 The following four types of claims are not entitled to vote: (1) claims that have been  
25 disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to  
26 Bankruptcy Code Sections 507(a)(2), (a)(3), and (a)(8); and (4) claims in classes that do not  
27 receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote  
28



1 because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant  
2 to Bankruptcy Code Sections 507(a)(2), (a)(3), and (a)(8) are not entitled to vote because such  
3 claims are not placed in classes and they are required to receive certain treatment specified by  
4 the Bankruptcy Code. Claims in classes that do not receive or retain any value under the Plan  
5 do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR  
6 CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO  
7 OBJECT TO THE CONFIRMATION OF THE PLAN.  
8

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

10 A creditor whose claim has been allowed in part as a secured claim and in part as an  
11 unsecured claim is entitled to accept or reject the Plan in both capacities by casting one ballot  
12 for the secured part of the claim and another ballot for the unsecured claim.  
13

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

15 If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one  
16 impaired class has accepted the Plan without counting the votes of any insiders within that class,  
17 and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be  
18 confirmed by "cramdown" on non-accepting classes, as discussed below.  
19

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

21 A class of claims is considered to have accepted the Plan when more than one-half (1/2)  
22 in number and at least two-thirds (2/3) in dollar amount of the claims which actually voted on  
23 the plan, voted in favor of the plan. A class of interests is considered to have "accepted" a plan  
24 when at least two-thirds (2/3) in amount of the interest-holders of such class which actually  
25 voted on the plan, voted to accept the plan.  
26  
27  
28

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

2 As noted above, even if all impaired classes do not accept the Plan, the Court may  
3 nonetheless confirm the Plan if the non-accepting classes are treated in the manner required by  
4 the Bankruptcy Code. The process by which non-accepting classes are forced to be bound by  
5 the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Code allows the  
6 Plan to be "crammed down" on non-accepting classes of claims or interests if it meets all  
7 consensual requirements except the voting requirements of 1129(a)(8) and if the Plan does not  
8 "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted  
9 to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.  
10

11 **J. Request for Confirmation Despite Nonacceptance By Impaired Class(es)**

12 The Debtor will ask the Court to confirm the Plan by cramdown on any and all impaired  
13 classes that do not vote to accept the Plan.  
14

15 **K. Liquidation Analysis**

16 Another confirmation requirement is the "Best Interest Test", which requires a  
17 liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an  
18 impaired class and that claimant or interest holder does not vote to accept the Plan, then that  
19 claimant or interest holder must receive or retain under the Plan property of a value not less than  
20 the amount that such holder would receive or retain if the Debtor was liquidated under chapter 7  
21 of the Bankruptcy Code.  
22

23 In a chapter 7 case, the Debtor's assets are usually liquidated by a chapter 7 trustee.  
24 Secured creditors are paid first from the sales proceeds of properties subject to their lien.  
25 Administrative claims are paid next. Next, unsecured creditors are paid from any remaining  
26 sales proceeds, according to their rights to priority. Unsecured creditors with the same priority  
27 share in proportion to the amount of their allowed claim in relationship to the amount of total  
28

1 allowed unsecured claims. Finally, interest holders receive the balance that remains after all  
2 creditors are paid, if any.

3 For the Court to be able to confirm the Plan, the Court must find that all creditors and  
4 interest holders who do not accept the Plan will receive at least as much under the Plan as such  
5 holders would receive under a chapter 7 liquidation of the Debtor. The Debtor maintains that  
6 this requirement is clearly met. Simply put, the Debtor believes that all of the Estate Funds and  
7 all other assets of this estate, other than avoidance actions, constitute the collateral of Iconical II  
8 and/or Pulser. As a result, the Debtor believes that in a chapter 7 liquidation of the Debtor,  
9 Iconical II and Pulser would simply foreclose on the Estate Funds and upon all other assets of  
10 this estate and that all claim holders in this estate other than Iconical II and Pulser would receive  
11 absolutely nothing, unless there were recoveries from the pursuit of avoidance actions where the  
12 amount of net recoveries exceeds the total amount of administrative and priority claims in this  
13 case and the total amount of the fees and expenses of the chapter 7 trustee and the professionals  
14 employed by the chapter 7 trustee.  
15

16  
17 As explained above, the Debtor believes that the right to pursue the Challenge Claims  
18 has expired with respect to all parties other than the Committee and that a chapter 7 trustee  
19 would not have the right to pursuant any Challenge Claims. The Debtor therefore believes that  
20 in the event of a conversion of this chapter 11 case to chapter 7, the only asset of the chapter 7  
21 estate of any possible value would be from the pursuit of preference claims against the Debtor's  
22 pre-petition creditors. As explained above, from the Debtor's preliminary analysis of all  
23 payments made during the ninety-day preference period for non-insiders and the one-year  
24 period for insiders on account of antecedent debt, the Debtor preliminarily believes that all or  
25 most of such payments would likely be subject to some form of ordinary course,  
26 contemporaneous exchange or new value defense. Even if any recoveries could be obtained  
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1 from the pursuit of preference actions, in order for there to be any distribution to holders of  
2 Non-Label Class 4 Allowed Claims, the chapter 7 trustee would have to recover a sufficient  
3 amount of money from the pursuit of preference actions to pay all of the chapter 7  
4 administrative claims in full (which would include the fees and expenses of the chapter 7 trustee  
5 and the fees and expenses of the professionals employed by the chapter 7 trustee), all chapter 11  
6 administrative claims in full, and all pre-petition priority claims in full. The Debtor estimates  
7 that this figure would likely be in excess of \$3 million. The Debtor therefore estimates that a  
8 chapter 7 trustee would have to recover more than \$3 million from the pursuit of preference  
9 actions in order for there to be any distribution to holders of Non-Label Class 4 Allowed  
10 Claims. However, if that occurred, then Pulser would be entitled to receive its pro rata share of  
11 such recoveries on account of the Pulser Unsecured Claim. When the \$136,770,991 estimated  
12 Pulser Unsecured Claim is added to the midpoint figure of \$37,404,480 of total other class 4  
13 claims if the mid-point of scheduled and filed claims is used, that results in a total of  
14 \$174,175,471 of class 4 claims who would share pro rata in any recovery from the pursuit of  
15 preference actions after the payment of all senior claims. As a result, in order for holders of  
16 Non-Label Class 4 Allowed Claims to receive the same 19.6% estimated distribution under the  
17 Plan, the Debtor estimates that a chapter 7 trustee would have to recover more than \$38 million  
18 from the pursuit of preference actions. Since the Debtor's total disbursements during the  
19 preference period was less than this amount, this would be impossible. The Debtor therefore  
20 believes that it is clear that holders of Non-Label Class 4 Allowed Claims will receive more  
21 (and substantially more) under the Plan than they would receive in a chapter 7 liquidation of the  
22 Debtor. In fact, the Debtor believes that it is likely that holders of Non-Label Class 4 Allowed  
23 Claims would receive no distribution at all in a chapter 7 liquidation of the Debtor.  
24  
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28

1 In contrast, under the Plan, Pulser is permitting its collateral to be used to (i) pay all of  
2 the allowed fees and expenses of the professionals employed by the Debtor, \$166,756.46 of the  
3 allowed fees and expenses of the professionals employed by the Committee, all allowed priority  
4 tax claims and all allowed non-tax priority claims, (ii) fund the settlement payments to  
5 Universal and Warner, and (iii) and provide \$5.5 million to the Unsecured Creditors Fund to  
6 provide for the payment of the Committee Professional Fees and for a sizeable distribution to be  
7 made to holders of Non-Label Class 4 Allowed Claims.  
8

9 The Debtor therefore believes that it is clear that all holders of Non-Label Class 4  
10 Allowed Claims will receive *more (and substantially more)* under the Plan than they would  
11 receive in any chapter 7 liquidation of the Debtor.  
12

13 Below is a chart showing that every holder of a Non-Label Class 4 Allowed Claim will  
14 receive at least as much under the Plan than they would receive in a chapter 7 liquidation of the  
15 Debtor (recognizing that the Debtor believes that holders of Non-Label Class 4 Allowed Claims  
16 will receive *substantially more* under the Plan than they would receive in a chapter 7 liquidation  
17 of the Debtor).

18 **Plan Treatment:**

19 \$5,725,000 settlement funds

20 [\$225,000] settlement payments to Universal and Warner

21 [\$500,000] fees and expenses of Creditors Trustee's professionals

22 \$5,000,000 net settlement funds available for distribution to holders of Non-Label Class 4  
23 Allowed Claims

24 \$25,460,209 total Non-Label Class 4 Allowed Claim assuming the mid-point between the  
25 amount of the claims asserted in every timely filed class 4 claim and the amounts scheduled by  
26 the Debtor  
27  
28

1 **19.6%** estimated distribution to each holder of a Non-Label Class 4 Allowed Claim

2 **Chapter 7 Liquidation Analysis:**

3 **Total Estimated Liquidation Value of Assets in Chapter 7:**

4 \$65,450,000 – Estate Funds (comprised of \$54,200,000 of funds held by the Debtor and the  
5 \$11,250,000 of Escrowed Funds)

6 Less (\$ 1,500,000) – Remaining Estimated Operating Expenses, Post-Petition Interest, UST  
7 Quarterly Fees and Bankruptcy Service Copying and Mailing Costs

8 Less (\$ 250,000) – Taxes and Accounting Fees Resulting from Pandora Sale

9 Less (\$ 166,756) - Committee Professionals Unpaid Balances

10 Less (\$ 1,250,000) – Estimated Fees/Expenses of the Debtor’s Counsel

11 Less (\$ 650,000) – Remaining Estimated Fees/Expenses of the Committee’s Professionals  
12 Beyond the Committee Professionals Unpaid Balances

13 Less (\$ 1,000,000) – Estimated Fees/Expenses of Secured Creditors’ Counsel

14 Less (\$ 130,326) – Priority Tax Claims

15 Less (\$ 4,500,000) – Estimated Class 1 Claim (Secured)

16 Less (\$ 138,096) – Class 3 Claims

17 Less (\$184,000,000) – Estimated Class 2 Claim (Secured)

18 Balance Available for Payment to General Unsecured Creditors = \$0

19 Percentage of Claims Which Unsecured Creditors Would Receive or Retain in a Chapter 7  
20 Liquidation = **0%**

21 Percentage of Claims Which Unsecured Creditors Are Projected to Receive under the Plan =

22 **16.9%-19.6% (estimated)**

23 While class 5 interest holders are receiving no distribution under the Plan, they would  
24 also receive no distribution in a chapter 7 liquidation of the Debtor. As a result, class 5 interest  
25 holders are also receiving *not less* than they would receive in any chapter 7 liquidation of the  
26  
27  
28

1 Debtor. Class 2 has indicated a willingness to vote to accept the Plan (and the Plan could not be  
2 confirmed over the dissent of class 2) so the Debtor does not need to satisfy the “best interest of  
3 creditors test” with respect to class 2. The Debtor has satisfied the “best interest of creditors  
4 test” with respect to members of class 4 who do not vote to accept the Plan and with respect to  
5 members of class 5. The Debtor submits that the Plan provides fair and equitable treatment of  
6 all classes of creditors and the greatest feasible recovery for all creditors.  
7

8 **L. Feasibility**

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

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

25 **X. RISK FACTORS REGARDING THE PLAN**

26 Since the Plan is a liquidating Plan, where all Estate Funds, the Unsecured Creditors  
27 Fund and any other recoveries by this estate will be distributed to holders of allowed claims in  
28

1 accordance with the terms of the Plan, there is no traditional “risk” to the ability of the Debtor  
2 to perform under the Plan.

### 3 **XI. EFFECT OF CONFIRMATION OF THE PLAN**

#### 4 **A. Discharge**

5 The Debtor will not receive a discharge under the Plan because the requirements of  
6 Section 1141 of the Bankruptcy Code necessary for the Debtor to receive a discharge are not  
7 present.  
8

#### 9 **B. Modification of the Plan**

10 The Debtor reserves the right to modify the Plan at any time before confirmation and  
11 seek confirmation of such modified Plan consistent with the Bankruptcy Code and, as  
12 appropriate, not resolicit votes on such modified Plan. The Debtor may also seek to modify the  
13 Plan at any time after confirmation of the Plan but before the Effective Date so long as (1) the  
14 Plan has not been substantially consummated and (2) the Court authorizes the proposed  
15 modifications after notice and a hearing. The Reorganized Debtor may seek to modify the Plan  
16 after the Effective Date. Notwithstanding the foregoing, any modification of the Plan, whether  
17 before or after confirmation, shall require the prior consent of the Prepetition Secured Creditors,  
18 and any modification of the Plan that adversely affects the Sony Parties shall require the consent  
19 of the Sony Parties.  
20

#### 21 **C. Post-Confirmation Status Reports**

22 Until a final decree closing the Debtor’s chapter 11 case is entered, the Reorganized  
23 Debtor and/or the Creditors Trustee shall file quarterly status reports with the Court explaining  
24 what progress has been made toward consummation of the confirmed Plan, and the Reorganized  
25 Debtor shall pay the post-confirmation quarterly fees to the UST out of the Reserve.  
26  
27  
28



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

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

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1 **E. Final Decree**

2 Once this estate has been fully administered as referred to in Bankruptcy Rule 3022, the  
3 Reorganized Debtor shall file a motion with the Court to obtain a final decree to close this  
4 chapter 11 case. The Reorganized Debtor shall be responsible for the timely payment of all  
5 fees incurred pursuant to 28 U.S.C. Section 1930(a)(6) and shall pay all such fees out of the  
6 Reserve.  
7

8 Dated: August 18, 2016

9 Presented By:

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

11  
12 By: /s/ Ron Bender  
13 RON BENDER  
14 PHILIP A. GASTEIER  
15 KRIKOR J. MESHEFEJIAN  
Attorneys for Chapter 11  
Debtor and Plan Proponent

16 RDIO, INC.

17  
18 By: /s/ Elliott Peters  
19 ELLIOTT PETERS  
Its: Senior Vice President and General Counsel

20  
21 RDIO, INC.

22  
23 By: /s/ Anthony Bay  
24 ANTHONY BAY  
Its: President and Chief Executive Officer

# EXHIBIT "1"

Employee name	Amount still outstanding
Armenia, Joseph	2,463.35
Auffenberg, Ryan	4,596.40
Bates, Matthew	3,044.20
Bryan, Alexander	880.93
Burton, Christopher	6,267.75
Carroll, Matthew	4,023.88
Chen, John	583.11
Claghorn, Allan	717.82
Cohen, Emily	2,093.45
Dumont, John	3,953.01
Ehrhardt, Kenneth	1,885.63
Gilgan, Michelle	1,365.05
Harris, Rex	3,579.59
Heiman, Jared	6,446.23
Hughes, Tiffany	681.55
Kangas, Gabriel	70.78
Kapolka, Marek	2,555.68
Koops, Geoffrey	2,228.01
Libano Monteiro Antas, Maria Luisa	874.66
Long, Nicholas	1,527.09
Mao, Elaine	1,277.28
Masio, Richard	6,769.89
Matsuo, Tetsu	4,857.95
Millet, Jennifer	2,250.87
Murphy, Francis	5,901.31
Naber, Rod	4,150.66
Nordman, Ryan	123.56
Norton, Joseph	1,104.99
Powers, Dana	5,050.85
Rahbar, Yunus	315.76
Rosario, Melissa	1,728.00
Russell, Jason	5,389.11
Sarao, Siddhartha	1,941.75
Schleef, David	1,312.86
Schory, Matthew	1,906.91
Sevilla, Devin	2,705.83
Shen, Stephanie	5,221.60
Sher, Jeremy	2,006.80
Sinclair, Sydney	350.73
Singh, Mohitdeep	6,222.33

Smith, Sean	3,019.07
Strack, Elizabeth	444.27
Stumpf, Emily	4,114.88
Tan, Hubert	2,592.23
Towber, Michael	305.03
Wilson, Brandon	6,624.71
Wong, Alison	3,740.00
Wu, Ho-Hsiang	6,073.63
Yuan, Seward	128.74
Zhu, Lu	627.20
	<b>138,096.96</b>

# EXHIBIT "2"

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

# EXHIBIT "3"



Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
(Criteo LTD) AD-X Limited			\$0.00			\$0.00	\$0.00	
12FPS Inc.		\$9,675.00	\$9,000.00			\$9,000.00	\$9,675.00	Late filed claim
360			\$60.00			\$60.00	\$60.00	
807 Broadway Revival			\$0.00			\$0.00	\$0.00	
A-Train Entertainment	13	\$5,363.07	\$4,836.79			\$4,836.79	\$5,363.07	
A-Train Entertainment	15	\$5,363.07				\$0.00	\$0.00	Duplicate of Claim No. 13
Aaron Gillespie			\$20.00			\$20.00	\$20.00	
Accretive Solutions			\$46,962.50			\$46,962.50	\$46,962.50	
AEG Live SF, LLC			\$2,081.50			\$2,081.50	\$2,081.50	
Agridoce			\$10.00			\$10.00	\$10.00	
Akamai Technologies, Inc.			\$38,456.88			\$38,456.88	\$38,456.88	
Alhambra			\$0.00			\$0.00	\$0.00	
Almah			\$30.00			\$30.00	\$30.00	
Amazon Web Services			\$17,043.00			\$17,043.00	\$17,043.00	
Amazon Web Services LLC			\$91,511.38			\$91,511.38	\$91,511.38	
Amcos	40	\$26,319.14	\$8,693.46			\$8,693.46	\$26,319.14	
Amplifier			\$247.41			\$247.41	\$247.41	
Amplitude			\$30,000.00			\$30,000.00	\$30,000.00	
Ampush LLC			\$701.02			\$701.02	\$701.02	
Ampush Media			\$80,692.10			\$80,692.10	\$80,692.10	
Anderson Tax LLC	23	\$6,250.00	\$6,250.00			\$6,250.00	\$6,250.00	
Ando Media LLC			\$124,433.74			\$124,433.74	\$124,433.74	
Apple Inc.			\$22,192.34			\$22,192.34	\$22,192.34	
Apptree OU			\$51.13			\$51.13	\$51.13	
Apra Australasian Performing Right	39	\$26,319.14	\$9,662.39			\$9,662.39	\$26,319.14	
APRA New Zealand	41	\$1,668.54				\$0.00	\$1,668.54	
AMCOS New Zealand	42	\$1,668.54				\$0.00	\$1,668.54	
ArcadeFire			\$1,247.52			\$1,247.52	\$1,247.52	
ARIN American Registry for Internet			\$200.00			\$200.00	\$200.00	
Arnaldo Baptista			\$10.00			\$10.00	\$10.00	
Artist First Srl			\$367.54			\$367.54	\$367.54	
ASCAP (Publishing)	34	\$1,200,000.00	\$1,200,000.00			\$1,200,000.00	\$1,200,000.00	
AT&T			\$0.00			\$0.00	\$0.00	
Awal			\$2.56			\$2.56	\$2.56	
AXS Digital LLC (also scheduled as AEG/AXS)	55	\$1,902,329.10	\$2,750,410.00			\$1,902,329.10	\$1,902,329.10	
Bad Religion			\$30.00			\$30.00	\$30.00	
Baker & McKenzie LLP	30	\$85,171.39	\$32,973.14			\$32,973.14	\$85,171.39	
Baker Tilly Virchow Krause, LLP	14	\$10,515.00	\$10,515.00			\$10,515.00	\$10,515.00	
Bank of the West	63					\$0.00	\$0.00	This claim has been withdrawn. See ECF No. 337.
Barbara Eugenia			\$10.00			\$10.00	\$10.00	
Basic Corporate			\$0.00			\$0.00	\$0.00	
Bay, Anthony	67	Unliquidated				Unknown	Unknown	Unliquidated Claim
Believe			\$141,530.08			\$141,530.08	\$141,530.08	
Ben Caplan			\$20.00			\$20.00	\$20.00	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Bentata Abogados	21	\$810.20	\$2,887.48			\$810.20	\$810.20	
Benztown			\$55,642.84			\$55,642.84	\$55,642.84	
Benztown Branding USA, LLC	17	\$64,000.00	\$64,000.00			\$64,000.00	\$64,000.00	
bit.ly			\$5,970.00			\$5,970.00	\$5,970.00	
Black Hole			\$591.74			\$591.74	\$591.74	
Sound Stage, LLC	9	\$1,500.00	\$1,500.00			\$1,500.00	\$1,500.00	
Blood on the Dance Floor			\$10.00			\$10.00	\$10.00	
Blueback Global			\$0.00			\$0.00	\$0.00	
BMI (Publishing)	32	\$1,136,000.00	\$1,000,000.00			\$1,000,000.00	\$1,136,000.00	
Bob Weir			\$140.00			\$140.00	\$140.00	
Boss in Drama			\$20.00			\$20.00	\$20.00	
Brandon christison			\$20.00			\$20.00	\$20.00	
Brendan Benson			\$30.00			\$30.00	\$30.00	
CA Dragon Boat			\$5,000.00			\$5,000.00	\$5,000.00	
cadiz			\$139.42			\$139.42	\$139.42	
Camryn			\$20.00			\$20.00	\$20.00	
Canteen Refreshment			\$5,498.78			\$5,498.78	\$5,498.78	
Canteen Refreshment			\$2,000.00			\$2,000.00	\$2,000.00	
Carlos Carega			\$10.00			\$10.00	\$10.00	
Carrillo & Asociados	36	\$3,000.00	\$3,000.00			\$3,000.00	\$3,000.00	
Casete Upload SA de CV			\$293.19			\$293.19	\$293.19	
Catapult Reservatory, LLC	16	\$3,269.64	\$3,269.64			\$3,269.64	\$3,269.64	
CD Baby	25	\$70,490.78	\$70,490.78			\$70,490.78	\$70,490.78	
CDW, LLC	1	\$2,107.79	\$2,107.79			\$2,107.79	\$2,107.79	
Cecilia Bernardes			\$10.00			\$10.00	\$10.00	
Cee Lo			\$80.00			\$80.00	\$80.00	
Chambers Art & Desi			\$0.00			\$0.00	\$0.00	
Chef Software Inc.			\$9,600.00			\$9,600.00	\$9,600.00	
China Basin Ballpark Company LLC			\$125,000.00			\$125,000.00	\$125,000.00	
Chriscom			\$1,640.89			\$1,640.89	\$1,640.89	
Christopher Norman			\$10.00			\$10.00	\$10.00	
Chromeo			\$10.00			\$10.00	\$10.00	
Cimoroni & Company			\$10,791.22			\$10,791.22	\$10,791.22	
Cine			\$30.00			\$30.00	\$30.00	
Cinq Music Group			\$272.21			\$272.21	\$272.21	
CMRRA-SODRAC, Inc. (Scheduled as CSI Publishing)	60	\$1,776,739.07	\$1,434,942.23			\$1,803,586.72	\$1,803,586.72	
cobalt			\$268.08			\$268.08	\$268.08	
CodePath	10	\$50,000.00	\$50,000.00			\$50,000.00	\$50,000.00	
Cold Busted Record Company			\$29.83			\$29.83	\$29.83	
Comcast			\$0.00			\$0.00	\$0.00	
COMPAS Technology			\$5,400.00			\$5,400.00	\$5,400.00	
Concur Technologies, Inc.	38	\$3,395.25	\$1,697.63			\$1,697.63	\$3,395.25	
Consolidated Independent Ltd.			\$60,000.00			\$60,000.00	\$60,000.00	
Corporate Tax Incentives			\$24,367.14			\$24,367.14	\$24,367.14	
Corporation Services Company			\$150.30			\$150.30	\$150.30	
Cravath, Swaine & Moore LLP			\$143,235.99			\$143,235.99	\$143,235.99	
Creation Road Radio Show			\$30.00			\$30.00	\$30.00	
CroCo-Deal			\$97.83			\$97.83	\$97.83	
CSC			\$1,341.52			\$1,341.52	\$1,341.52	
CTI			\$77,014.25			\$77,014.25	\$77,014.25	
Cybersource			\$42,753.30			\$42,753.30	\$42,753.30	
CyberSource Corporation			\$14,641.68			\$14,641.68	\$14,641.68	
Dan Carlevaro			\$0.00			\$0.00	\$0.00	
Dan Mangan			\$50.00			\$50.00	\$50.00	
Dani Gurgel			\$10.00			\$10.00	\$10.00	
Daniella Alcarpe			\$10.00			\$10.00	\$10.00	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Dannemann Siemsen Bigler & IpanemaMoreir			\$2,685.74			\$2,685.74	\$2,685.74	
Daredo (Rdio Inc.)			\$550.89			\$550.89	\$550.89	
DashGo (Rdio Inc.)			\$5,050.38			\$5,050.38	\$5,050.38	
Dave Godowsky			\$10.00			\$10.00	\$10.00	
Deacons			\$12,370.31			\$12,370.31	\$12,370.31	
Deaf Services of Palo Alto, Inc			\$328.88			\$328.88	\$328.88	
Deckdisc (Rdio Inc)			\$47.31			\$47.31	\$47.31	
Delaware Secretary of State			\$15,623.78			\$15,623.78	\$15,623.78	
Dell Financial Services			\$599,647.84			\$599,647.84	\$599,647.84	
digiplug			\$47.74			\$47.74	\$47.74	
Digital Realty Trust LP/Digital 720 2nd, LLC	43	\$52,898.61	\$190,889.63			\$0.00	\$0.00	This claim has been, or will be, satisfied. See ECF No. 309
Digitalpressure			\$155.32			\$155.32	\$155.32	
Dirty Ghosts			\$20.00			\$20.00	\$10.00	
Disques Passeport	2	\$284.75	\$284.60			\$284.60	\$284.75	
Distrokid			\$19,353.44			\$19,353.44	\$19,353.44	
Divergent Language Solutions, LLC			\$939.54			\$939.54	\$939.54	
DLA Piper LLP			\$3,453.24			\$3,453.24	\$3,453.24	
Do512, LLC			\$3,500.00			\$3,500.00	\$3,500.00	
DP 1550 Bryant LLC			\$111,549.15			\$111,549.15	\$111,549.15	
Dr. Shlomo Cohen & Co	12	\$1,347.00	\$1,347.00			\$1,347.00	\$1,347.00	
Dreddro			\$10.00			\$10.00	\$10.00	
Duncan/Channon, Inc.	29	\$74,328.90	\$74,328.90			\$74,328.90	\$74,328.90	
Dynamic Network Services			\$0.00			\$0.00	\$0.00	
Dyne, Mark	74	Unliquidated				Unknown	Unknown	Unliquidated Claim
E3 Media			\$0.38			\$0.38	\$0.38	
EdgeCast Networks Inc.	56	\$40,914.70	\$79,777.18			\$40,914.70	\$40,914.70	
Edmonton Block Heater			\$30.00			\$30.00	\$30.00	
EMI Music Distribution			\$87.94			\$87.94	\$87.94	
Emma-Lee			\$10.00			\$10.00	\$10.00	
Empire			\$14,964.94			\$14,964.94	\$14,964.94	
emuzyka			\$791.16			\$791.16	\$791.16	
Environics Communications Inc.	3	\$50,422.69	\$36,422.69			\$36,422.69	\$50,422.69	
EPM (Rdio)			\$3,783.03			\$3,783.03	\$3,783.03	
Estudio Carey Ltda			\$1,900.00			\$1,900.00	\$1,900.00	
Europlay Capital Advisors, LLC	78	\$52,875.70	\$52,831.88			\$52,831.88	\$52,875.70	
Evernote Corporation			\$960.00			\$960.00	\$960.00	
Facebook, Inc			\$2,228.07			\$2,228.07	\$2,228.07	
Facebook.com Ads			\$495,548.90			\$495,548.90	\$495,548.90	
Faro Latino			\$313.47			\$313.47	\$313.47	
FDMS			\$194.75			\$194.75	\$194.75	
FineTunes (Rdio Inc.)			\$6,680.56			\$6,680.56	\$6,680.56	
Firestarter			\$47.58			\$47.58	\$47.58	
Flatiron Capital	31	\$670.00	\$1,940.05			\$670.00	\$5,820.00	Worst case scenario is premised upon secured portion of filed claim (\$5,150) being allowed as general unsecured claim
Forcedexposure			\$54.73			\$54.73	\$54.73	
Fortis Partners, LLC	57	\$38,000.00	\$38,000.00			\$38,000.00	\$38,000.00	
Foundation			\$1,396.62			\$1,396.62	\$1,396.62	
Frank Hannon			\$10.00			\$10.00	\$10.00	
FreddieRecords			\$1,438.07			\$1,438.07	\$1,438.07	
Friis, Janus	75	Unliquidated				Unknown	Unknown	Unliquidated Claim
Gema Nada Pertiwi (GNP)			\$0.78			\$0.78	\$0.78	
Genga & Associates, PC			\$9,094.00			\$9,094.00	\$9,094.00	
Global App Testing			\$4,950.00			\$4,950.00	\$4,950.00	
Golden Dynamic			\$24.27			\$24.27	\$24.27	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
good to go			\$5,183.30			\$5,183.30	\$5,183.30	
Gourmet Catering Bay Area			\$5,952.52			\$5,952.52	\$5,952.52	
Goyal Music (Rdio, Inc.)			\$2.63			\$2.63	\$2.63	
Grare, Maikao	65	Unliquidated				Unknown	Unknown	Unliquidated Claim
Greenberg Traurig			\$41,871.74			\$41,871.74	\$41,871.74	
Greenberg Traurig			\$9,331.79			\$9,331.79	\$9,331.79	
Greencopper Publishing, Inc			\$30,950.00			\$30,950.00	\$30,950.00	
Greg Thomas			\$10.00			\$10.00	\$10.00	
Hackbright Academy			\$21,000.00			\$21,000.00	\$21,000.00	
Harmada			\$20.00			\$20.00	\$20.00	
Hedley			\$40.00			\$40.00	\$40.00	
Hillsong Music Australia			\$426.85			\$426.85	\$426.85	
Hits Magazine, Inc.			\$7,500.00			\$7,500.00	\$7,500.00	
Hoefler & Frere-Jones			\$5,499.00			\$5,499.00	\$5,499.00	
Horrorshow			\$10.00			\$10.00	\$10.00	
House of Scandinavia			\$74.71			\$74.71	\$74.71	
Iconical Investments II LP						N/A	N/A	Not Applicable
imusica (inc)			\$133.32			\$133.32	\$133.32	
Independent Digital			\$0.02			\$0.02	\$0.02	
Independent Online Distribution Alliance			\$4.20			\$4.20	\$4.20	
independentdigital			\$380.97			\$380.97	\$380.97	
Internal Revenue Service	7 (amended)		\$0.00			\$0.00	\$0.00	
Intervision Systems Technologies, Inc.			\$130,908.27			\$130,908.27	\$130,908.27	
Isolation Network, Inc.	48	\$1,911,219.90	\$130,087.46			\$130,087.46	\$1,911,219.90	
Jars of Clay			\$30.00			\$30.00	\$30.00	
Jim James			\$10.00			\$10.00	\$10.00	
Jumbo			\$50.00			\$50.00	\$50.00	
JYP Entertainment			\$47.81			\$47.81	\$47.81	
Kahuna, Inc.	18	\$330,000.00	\$240,000.00			\$240,000.00	\$330,000.00	
Kaiser Health Insurance			\$0.00			\$0.00	\$0.00	
kdigitalmedia			\$28.61			\$28.61	\$28.61	
Kellman & Kleiman			\$3,756.00			\$3,756.00	\$3,756.00	
Kincaid, Melissa R.	79					\$0.00	\$0.00	This claim was incorrectly docketed in the wrong case. See Court Notice, ECF No. 206, titled Notice of Defective Proof of Claim.
Kompakt			\$230.70			\$230.70	\$230.70	
Kravitz, Peter	68	Unliquidated				Unknown	Unknown	Unliquidated Claim
Krissy Krissy			\$10.00			\$10.00	\$10.00	
La Cupula (Inc)			\$1,003.04			\$1,003.04	\$1,003.04	
Larner, Andrew Scott	69	Unliquidated				Unknown	Unknown	Unliquidated Claim
Les Disues Passeport			\$536.16			\$536.16	\$536.16	
Lewitt, Hackman, Shapiro Marshall			\$12,262.44			\$12,262.44	\$12,262.44	
Libertad			\$76,314.62			\$76,314.62	\$76,314.62	
Libertad			\$40,000.00			\$40,000.00	\$40,000.00	
Linkshare Corp. (Rakuten Marketing LLC)			\$4,303.95			\$4,303.95	\$4,303.95	
Lionbridge Technologies			\$18,672.75			\$18,672.75	\$18,672.75	
Los Bunkers			\$50.00			\$50.00	\$50.00	
Loudr-re:discover, Inc.	35	\$10,024.00	\$11,502.34			\$10,024.00	\$10,024.00	
Louis Hoxter			\$10.00			\$10.00	\$10.00	
Love Da Group CompanyLtd			\$33.18			\$33.18	\$33.18	
Luciana			\$10.00			\$10.00	\$10.00	
Lulina			\$20.00			\$20.00	\$20.00	
Luma Optics			\$3,283.16			\$3,283.16	\$3,283.16	
Lvlstudio			\$84,587.53			\$84,587.53	\$84,587.53	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Lykke Li			\$10.00			\$10.00	\$10.00	
Magnum PR (Aus)			\$8,850.39			\$8,850.39	\$8,850.39	
ManualMusic			\$103.59			\$103.59	\$103.59	
Mapa Records			\$17.95			\$17.95	\$17.95	
Marchais			\$1,078.36			\$1,078.36	\$1,078.36	
Mark Rae			\$10.00			\$10.00	\$10.00	
Matt York			\$10.00			\$10.00	\$10.00	
Mazzika			\$3.46			\$3.46	\$3.46	
Mbox			\$684.90			\$684.90	\$684.90	
Media Arts Lawyers Pty Ltd			\$7,175.94			\$7,175.94	\$7,175.94	
Memory America			\$8,048.16			\$8,048.16	\$8,048.16	
Merlin BV			\$271,219.33			\$271,219.33	\$271,219.33	
Merrill Communications LLC	24	\$14,143.50	\$6,852.60			\$6,852.60	\$14,143.50	
Meshell Ndegeocello			\$10.00			\$10.00	\$10.00	
MGM Distribution Pty Ltd			\$1,893.27			\$1,893.27	\$1,893.27	
Minister of Revenue Quebec			\$4,106.32			\$4,106.32	\$4,106.32	
Mkmusic			\$104.45			\$104.45	\$104.45	
MN2S			\$72.80			\$72.80	\$72.80	
MNDR			\$10.00			\$10.00	\$10.00	
Mobile 1 Music			\$1.98			\$1.98	\$1.98	
Modular Sarl			\$2,168.65			\$2,168.65	\$2,168.65	
monkeywrench			\$27.51			\$27.51	\$27.51	
Morrison & Foerster LLP	44	\$41,359.21	\$40,106.69			\$40,106.69	\$41,359.21	
Mosaic NetworX LLC	37	\$644,097.00	\$229,578.90			\$229,578.90	\$644,097.00	
Mother Mother Music, Inc			\$10.00			\$10.00	\$10.00	
MRI (Publishing)			\$66,731.15			\$66,731.15	\$66,731.15	
Music KickUp			\$356.95			\$356.95	\$356.95	
Music Reports, Inc.	47	\$1,203,735.63	\$339,235.63			\$1,203,735.63	\$1,203,735.63	
Musikator			\$5.38			\$5.38	\$5.38	
Muzak LLC			\$85.09			\$85.09	\$85.09	
Nagadatta and Doyle Ltd.			\$11,181.60			\$11,181.60	\$11,181.60	
National Public Media, LLC	71	\$100,000.00	\$100,000.02			\$100,000.00	\$100,000.02	
National Public Radio, Inc.	70	\$50,575.00	\$50,575.00			\$50,575.00	\$50,575.00	
New Relic, Inc.			\$19,800.00			\$19,800.00	\$19,800.00	
New York Department of Taxation	8	\$108.77	\$0.00			\$0.00	\$108.77	
Nichol Robertson			\$20.00			\$20.00	\$20.00	
Nigro Karlin Segal Feldstein & Bolno			\$2,127.50			\$2,127.50	\$2,127.50	
NSP LLC			\$0.00			\$0.00	\$0.00	
nventive inc.			\$404,918.25			\$404,918.25	\$404,918.25	
Of Montreal			\$10.00			\$10.00	\$10.00	
OI Musica			\$123.91			\$123.91	\$123.91	
One Stop Music			\$29.74			\$29.74	\$29.74	
OneZeroOne (Rdio Inc.)			\$3,697.69			\$3,697.69	\$3,697.69	
Operative Media Inc.			\$14,220.00			\$14,220.00	\$14,220.00	
Orchard			\$33,750.00			\$33,750.00	\$33,750.00	
Oseao Media Group, LLC			\$137.23			\$137.23	\$137.23	
Paty Cantu			\$160.00			\$160.00	\$160.00	
Peters, Elliott	66	Unliquidated				Unknown	Unknown	Unliquidated Claim
PG&E			\$0.00			\$0.00	\$0.00	
Pineda Bocanegra			\$2,300.00			\$2,300.00	\$2,300.00	
Pink Martini			\$40.00			\$40.00	\$40.00	
Pinnacle Solutions	6	\$5,696.50	\$5,696.50			\$5,696.50	\$5,696.50	
Pitty			\$90.00			\$90.00	\$90.00	
Plasmapool			\$91.75			\$91.75	\$91.75	
PN Agency			\$915.55			\$915.55	\$915.55	
Pollstar			\$168.23			\$168.23	\$168.23	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Psilicyber			\$10.00			\$10.00	\$10.00	
Pulp-PR LLC	19	\$41,000.00	\$41,000.00			\$41,000.00	\$41,000.00	
Pulser Media, Inc.	76					N/A	N/A	Not Applicable
QBI LLC			\$3,356.25			\$3,356.25	\$3,356.25	
Quality/Junk			\$2,224.36			\$2,224.36	\$2,224.36	
Qualtrics, LLC			\$10,000.00			\$10,000.00	\$10,000.00	
Questlove			\$40.00			\$40.00	\$40.00	
Ra Ra Riot			\$10.00			\$10.00	\$10.00	
Radio Silence			\$23,500.00			\$23,500.00	\$23,500.00	
Rakuten Marketing			\$250.00			\$250.00	\$250.00	
rebeat (Rdio Inc.)			\$3,783.48			\$3,783.48	\$3,783.48	
RecordUnion (Rdio Inc.)			\$1,282.30			\$1,282.30	\$1,282.30	
Reg Schwager			\$10.00			\$10.00	\$10.00	
Rehan Dalal			\$10.00			\$10.00	\$10.00	
Republic of Music			\$579.52			\$579.52	\$579.52	
Revelator, Inc.			\$5.02			\$5.02	\$5.02	
Riddell Williams	20	\$9,136.40	\$8,785.00			\$8,785.00	\$9,136.40	
Ring 2 Communications LLC			\$513.75			\$513.75	\$513.75	
Ring2 Communications LLC dba LoopUp			\$2,470.35			\$2,470.35	\$2,470.35	
Roba Music Publishing			\$887.03			\$887.03	\$887.03	
Rocket Group			\$19.60			\$19.60	\$19.60	
Rogers & Cowan			\$82,314.39			\$82,314.39	\$82,314.39	
CMGRP, Inc.								
ROI DNA, Inc.	49	\$114,000.00	\$114,000.00			\$114,000.00	\$114,000.00	
Roku, Inc.			\$1,000,000.00			\$0.00	\$0.00	This scheduled claim is incorporated in analysis immediately hereinbelow.
Roku, Inc.	64	\$6,631,000.00	\$2,759,423.00			\$3,759,423.00	\$6,631,000.00	
RouteNote			\$61,281.69			\$61,281.69	\$61,281.69	
Rovi Data Solutions, Inc.			\$93,200.00			\$93,200.00	\$93,200.00	
RSM US LLP (formerly McGladrey LLP)			\$242,731.00			\$242,731.00	\$242,731.00	
Ruxin, Marc	28 (Amended)	\$231,849.45				\$0.00	\$231,849.45	In addition to \$231,849.45 claim, this claimant also asserts unliquidated indemnification claims
Salesforce.com, Inc.			\$4,477.20			\$4,477.20	\$4,477.20	
Sampology			\$10.00			\$10.00	\$10.00	
San Francisco Tax Collector	22		\$22,743.44			\$22,743.44	\$22,743.44	
San Francisco Tax Collector			\$112,196.00			\$112,196.00	\$112,196.00	
Pugliese, Allesandro	73	\$187,500.00	\$187,500.00			\$187,500.00	\$187,500.00	
Pugliese, Allesandro	81	\$187,500.00	\$0.00			\$0.00	\$0.00	Duplicate of Claim No. 73 and late filed claim
SAS Institute Inc.	33	\$14,875.00	\$15,750.00			\$14,875.00	\$14,875.00	
Scissor Sisters, Inc			\$10.00			\$10.00	\$10.00	
Scrimshire			\$10.00			\$10.00	\$10.00	
Sean Hayes			\$20.00			\$20.00	\$20.00	
Seed (Rdio Inc.)			\$7,925.31			\$7,925.31	\$7,925.31	
Select			\$3,095.37			\$3,095.37	\$3,095.37	
SESAC			\$12,846.78			\$12,846.78	\$12,846.78	
SESAC			\$13,412.00			\$13,412.00	\$13,412.00	
Seu Jorge			\$30.00			\$30.00	\$30.00	
Shazam		See Claim No. 11	\$1,463,990.15			\$1,463,990.15	\$1,463,990.15	
Shazam Media Services	11	\$2,921,191.75	\$1,171,118.76			\$1,171,118.76	\$2,921,191.75	
Shock (Rdio Inc)			\$172.63			\$172.63	\$172.63	
Shorty Goldstein's			\$0.00			\$0.00	\$0.00	
Siritzky Law, PLLC			\$805.00			\$805.00	\$805.00	
SixZeroFour (Rdio Inc.)			\$2,989.78			\$2,989.78	\$2,989.78	
Snoop Dogg			\$70.00			\$70.00	\$70.00	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
SOCAN			\$92,832.47			\$92,832.47	\$92,832.47	
SOCAN (Publishing)			\$46,416.24			\$46,416.24	\$46,416.24	
Solution One Holding			\$5.86			\$5.86	\$5.86	
SomLivre (rdio Inc.)			\$0.16			\$0.16	\$0.16	
soulspazm (Rdio Inc.)			\$585.86			\$585.86	\$585.86	
SoundExchange	46	\$19,422.69	\$0.00			\$46,787.57	\$46,787.57	See Stipulation and Order regarding claim, ECF Nos. 330 and 331.
Soundhound Inc.			\$103,843.00			\$103,843.00	\$103,843.00	
Sprint			\$281.32			\$281.32	\$281.32	
srlnetworks			\$1.75			\$1.75	\$1.75	
Stubbs Alderton & Markiles			\$124,306.37			\$124,306.37	\$124,306.37	
Stump Fluff, LLC			\$25,270.00			\$25,270.00	\$25,270.00	
Sun Entertainment			\$519.41			\$519.41	\$519.41	
Super Cassettes Industries Private Ltd. (Scheduled as T-Series)	59	\$311,000.00	\$311,000.00			\$311,000.00	\$311,000.00	
Swale			\$10.00			\$10.00	\$10.00	
SweetNLow			\$72.19			\$72.19	\$72.19	
Switch	62	\$475,772.76	\$13,079.73			\$13,079.73	\$475,772.76	
Symphonic (Rdio Inc.)			\$3,137.56			\$3,137.56	\$3,137.56	
T-Series (Rdio, Inc.)			\$3,000.93			\$3,000.93	\$3,000.93	
Tesla Motors Netherlands B.V.	61	\$329,303.51				\$0.00	\$329,303.51	
The Balconies			\$10.00			\$10.00	\$10.00	
The Darcys			\$40.00			\$40.00	\$40.00	
The Marc Joseph Band			\$10.00			\$10.00	\$10.00	
The Presets			\$30.00			\$30.00	\$30.00	
The Source			\$2,081.83			\$2,081.83	\$2,081.83	
The Zolas			\$10.00			\$10.00	\$10.00	
Thievery Corporation			\$10.00			\$10.00	\$10.00	
Third Eye Blind			\$10.00			\$10.00	\$10.00	
Tim White			\$10.00			\$10.00	\$10.00	
Tips Industries (Rdio, Inc.)			\$237.77			\$237.77	\$237.77	
TMI Associates			\$0.00			\$0.00	\$0.00	
Townsquare Media			\$50,000.00			\$50,000.00	\$50,000.00	
Triple Vision Record Distribution			\$160.54			\$160.54	\$160.54	
Tuff Gong			\$1.14			\$1.14	\$1.14	
Tune, Inc	5	\$12,579.79	\$1,000.00			\$1,000.00	\$12,579.79	
TUNE, Inc.	5	see above	\$6,579.79			\$6,579.79	\$6,579.79	
Tunecore	27	\$298,689.22	\$272,153.03			\$272,153.03	\$298,689.22	
Tunecore Japan	26 (as amended)	\$299.79	\$287.68			\$287.68	\$299.79	
Turn			\$75,000.00			\$75,000.00	\$75,000.00	
Turn Inc.			\$92,757.82			\$92,757.82	\$92,757.82	
Twilio			\$40.29			\$40.29	\$40.29	
Two Dudes in Love			\$20.00			\$20.00	\$20.00	
UMGI (Rdio Inc.)			\$243.13			\$243.13	\$243.13	
UNISYS Infosolutions Pvt. Ltd			\$567.73			\$567.73	\$567.73	
United Healthcare			\$0.00			\$0.00	\$0.00	
United Healthcare Insurance Company			\$0.00			\$0.00	\$0.00	
Universal McCann Sydney	58	\$19,329.72	\$17,456.50			\$17,456.50	\$19,329.72	
Valerie Frederikson & Company	4	\$9,890.88	\$9,600.00			\$9,600.00	\$9,890.88	
Valleyarm			\$339.38			\$339.38	\$339.38	
Verbalizeit, Inc.			\$46,646.99			\$46,646.99	\$46,646.99	
Verizon Wireless			\$476.16			\$476.16	\$476.16	
Vidzone Digital Media			\$464.29			\$464.29	\$464.29	
VM Ware			\$6,000.00			\$6,000.00	\$6,000.00	
Walter Dandy			\$10.00			\$10.00	\$10.00	

Creditor	FILED CLAIM		SCHEDULED CLAIM	C/U/D	OBJECTION?	PRELIMINARY LOW CASE ESTIMATE	PRELIMINARY HIGH CASE ESTIMATE	NOTES
	Claim No.	General Unsecured	Schedule "F" Unsecured			General Unsecured	General Unsecured	
Wenner Media LLC	72	\$100,000.00	\$100,000.00			\$100,000.00	\$100,000.00	
WjoDistribution			\$2.79			\$2.79	\$2.79	
Worx (Rdio Inc.)			\$51,662.18			\$51,662.18	\$51,662.18	
Xamarin Inc.			\$40,000.00			\$40,000.00	\$40,000.00	
Xelon Entertainment Pty Ltd			\$376.22			\$376.22	\$376.22	
Youngblood Hawke			\$20.00			\$20.00	\$20.00	
Zee Cook's, LLC			\$0.00			\$0.00	\$0.00	
zojak (Rdio Inc.)			\$3,189.17			\$3,189.17	\$3,189.17	
<b>TOTAL</b>		<b>\$22,928,997.54</b>	<b>\$21,149,639.91</b>			<b>\$21,346,038.27</b>	<b>\$29,574,381.22</b>	



# EXHIBIT "4"

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

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

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

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

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

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

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

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



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

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

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

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

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

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

**Non-Insider Preference Ana**

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

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

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



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



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

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

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

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

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

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

# EXHIBIT "5"

\$65,450,000 – Estate Funds (comprised of \$54,200,000 of funds held by the Debtor and the \$11,250,000 of Escrowed Funds)  
(\$ 1,500,000) – Estimated Operating Expenses, Post-Petition Interest, UST Quarterly Fees and Bankruptcy Service Copying and Mailing Costs Through Plan Effective Date<sup>1</sup>  
(\$ 500,000) – Estimated Foreign Subsidiary Wind Down Expenses  
(\$ 250,000) – Taxes and Accounting Fees Resulting from Pandora Sale  
(\$ 300,000) – Estimated Fees and Expenses of Special Litigation Counsel  
(\$ 166,756) - Committee Professionals Unpaid Balances  
(\$ 1,000,000) – Estimated Fees/Expenses of the Debtor’s Counsel  
(\$ 1,000,000) – Estimated Fees/Expenses of Secured Creditors’ Counsel  
(\$ 300,000) – Plan Reserve Inclusive of Payment of Post-Confirmation UST Quarterly Fees  
(\$ 130,326) – Priority Tax Claims  
(\$ 4,500,000) – Estimated Class 1 Claim  
(\$ 138,096) – Class 3 Claims  
(\$ 8,300,000) – Unsecured Creditors Fund  
\$47,364,822

$\$47,364,822 / \$184,000,000 = 25.7\%^2$

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<sup>1</sup> Assuming a Plan Effective Date of September 30, 2016

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



# EXHIBIT "6"



LAW OFFICES  
LIMITED LIABILITY PARTNERSHIP

SAN FRANCISCO, CA  
LOS ANGELES, CA  
WILMINGTON, DE  
NEW YORK, NY

150 CALIFORNIA STREET  
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919 NORTH MARKET STREET  
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NEW YORK  
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36th FLOOR  
NEW YORK  
NEW YORK 10017-2024

TELEPHONE: 212/561 7700  
FACSIMILE: 212/561 7777

WEB: [www.pszjlaw.com](http://www.pszjlaw.com)

John D. Fiero

August 18, 2016

415.263.7000

**Re: In re Rdio, Inc., Case No. 15-31430**

Dear Unsecured Creditor:

This letter explains why the Official Committee of Unsecured Creditors (the “Committee”), appointed in the chapter 11 bankruptcy case of Rdio, Inc., urges you to vote to **ACCEPT** the enclosed *Debtor’s Plan of Reorganization (Dated August 18, 2016)* (the “Plan”), **WHICH YOU CAN DO BY (A) COMPLETING AND RETURNING THE ENCLOSED PLAN BALLOT (BY RETURNING IT IN THE SELF-ADDRESSED PRE-PAID ENVELOPE OR (B) EMAILING IT.**

By way of introduction, the Committee’s members are: (i) Roku, Inc., (ii) AXS Digital LLC, (iii) and Mosaic Networkx LLC. Joseph Hollinger of Roku, Inc. is the Committee’s chair. Sony Music Entertainment (“Sony”), Universal Music Group Recording (“Universal”), and Warner Music Group (“Warner” and, collectively with Sony and Universal, the “Labels”) resigned from the Committee over the course of the bankruptcy case. Later, Shazam also resigned. The Committee has met regularly by conference call as the major events in the Rdio bankruptcy have unfolded over the past nine months. The Committee participated in the bankruptcy case with the assistance of experienced bankruptcy counsel (Pachulski Stang Ziehl & Jones LLP) and financial advisors (FTI Consulting, Inc.).

You are urged to read the enclosed Disclosure Statement thoroughly because the information contained in the Disclosure Statement has been vetted by Rdio’s counsel, the Committee’s counsel, and the Bankruptcy Court to make sure it contains enough information to allow you to make an informed decision regarding the Plan.

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August 18, 2016  
Page 2

All general unsecured creditors are included in class 4. The Debtor has reached separate settlement agreements with the Labels which are described in detail in the Disclosure Statement. All other members of class 4 who hold allowed general unsecured claims are defined in the Disclosure Statement as “Non-Label Class 4 Allowed Claims”.

**Treatment:**

The Committee has negotiated an agreement with the Debtor and the Debtor’s primary secured creditor (known as Pulser), which the Committee believes to be a favorable result under the circumstances of this case. A very detailed description of the work and analysis performed by the Committee and its professionals is contained in the Disclosure Statement.

Under the Plan, Pulser has agreed to make available out of its collateral the total cash sum of \$5.5 million to be used solely for the payment of Non-Label Class 4 Allowed Claims and the remaining outstanding fees and expenses of the professionals employed by the Committee beyond what has already been paid and the portion that will be paid separately by the Debtor.

As explained in the Disclosure Statement, the Debtor estimates that if the remaining outstanding fees and expenses of the professionals employed by the Committee do not exceed \$500,000, holders of Non-Label Class 4 Allowed Claims will likely receive under the Plan a cash payment shortly after Plan confirmation equal to approximately 16.9% of the amounts of their Non-Label Class 4 Allowed Claims depending upon the ultimate final amount of Non-Label Class 4 Allowed Claims.

As reflected in the Class 4 Claims Chart attached as Exhibit “3” to the Disclosure Statement, the Debtor currently estimates that there will be a total of approximately \$21,346,038-\$29,574,381 of Non-Label Class 4 Allowed Claims. The 16.9% estimate above assumes that the claims are allowed at the maximum amount. If, however, the final amount of Non-Label Class 4 Allowed Claims is less – then the recovery would be higher. For example, if the claims are ultimately allowed at the mid-point between the amounts scheduled by the Debtor and the amounts asserted by creditors in their filed proofs of claim, the final amount of Non-Label Class 4



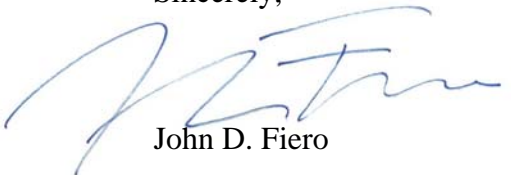
August 18, 2016  
Page 3

Allowed Claims will be \$25,460,209. The Debtor further estimates if that occurs, then based upon the assumptions contained in the Disclosure Statement, the ultimate distribution to holders of Non-Label Class 4 Allowed Claims could be approximately 19.6% of the amounts of their Non-Label Class 4 Allowed Claims.

**Based on its negotiations with the Debtor and its review of the Plan, the Committee urges all class 4 unsecured creditors to vote to ACCEPT the Plan. This recommendation is based upon the Committee's belief that the Plan represents the most expedient path to a meaningful dividend to creditors in this case.**

Once you have read the Disclosure Statement and Plan, you are welcome to make up your own mind. If you have questions, you can contact Committee counsel, or any Committee member. John Fiero can be reached at (415) 217-5101 or by email at [jfiero@pszjlaw.com](mailto:jfiero@pszjlaw.com).

Sincerely,



John D. Fiero

# EXHIBIT "7"

## EXHIBIT "7" – DEFINED TERMS

**“Debtor Affiliates”** means any and all of the Debtor’s current and former officers, directors, agents, employees, representatives, affiliates, attorneys, predecessors and successors in interest.

**“Debtor Releasing Parties”** means the Debtor, on behalf of itself, its estate, and its present and former affiliates, heirs, executors, administrators, predecessors, successors, assigns, managers, officers, directors, accountants, employees, attorneys, representatives, consultants, agents, and any and all other persons, parties, or entities claiming under or through them (including, without limitation, the Committee and its members, the Creditors Trust, the Creditors Trustee and their respective professionals).

**“Lender Released Parties”** means the Prepetition Secured Creditors and each of their respective present and former predecessors, successors, assigns, affiliates, members, partners, managers, current and former equity holders, officers, agents, employees, attorneys, and affiliates.

**“Released Claims”** means any and all claims, counterclaims, disputes, liabilities, suits, demands, defenses, liens, actions, administrative proceedings, and causes of action of every kind and nature, or for any type or form of relief, and from all damages, injuries, losses, contributions, indemnities, compensation, obligations, costs, attorneys’ fees and expenses, of whatever kind and character, whether past or present, known or unknown, suspected or unsuspected, fixed or contingent, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, whether in law or equity, whether sounding in tort or contract, whether arising under federal or state statutory or common law, or any other applicable international, foreign, or domestic law, rule, statute, regulation, treaty, right, duty, or requirement, and claims of every kind, nature, and character whatsoever, including, without limitation, avoidance claims, causes of action, and rights of recovery arising under chapter 5 of the Bankruptcy Code and any and all claims based on avoidance powers under any applicable non-bankruptcy law.

# EXHIBIT "8"

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

In re: ) Case No. 15-31430  
)  
RDIO, INC., ) CHAPTER 11  
)  
Debtor and Debtor in Possession. ) **BALLOT FOR CLASS 4 CREDITOR TO USE TO ACCEPT**  
) **OR REJECT THE DEBTOR'S PLAN OF**  
) **REORGANIZATION DATED AUGUST 18, 2016**  
)  
) Plan Confirmation Hearing:  
) Date: September 27, 2016  
) Time: 11:00 a.m.  
) Place: U.S. Bankruptcy Court  
) Courtroom 17  
) 450 Golden Gate Ave., 16<sup>th</sup> Floor  
) San Francisco, CA 94102  
) Judge: The Hon. Dennis Montali  
)  
)

---

**CLASS 4 BALLOT FOR ACCEPTING OR REJECTING THE PLAN**

Rdio, Inc., the Debtor and Debtor in Possession in the above-referenced Chapter 11 bankruptcy case (the "Debtor"), has filed its Plan of Reorganization (Dated August 18, 2016) (the "Plan").

The Plan referred to in this Ballot can be confirmed by the Bankruptcy Court and made binding on you if it is accepted by creditors that timely vote on the Plan and that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class of creditors. Only timely completed and returned Ballots will be counted.

The Bankruptcy Court has approved a Disclosure Statement with respect to the Plan. The Disclosure Statement provides information to assist you in deciding how to vote your Ballot. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan.

If the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless confirm the Plan pursuant to §1129(b) of the United States Bankruptcy Code if the Bankruptcy Court finds that the Plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan. If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

**Your claim has been placed in Class 4 under the Plan.** If you hold claims or equity security interests in more than one Class, you will receive a Ballot for each Class in which you are entitled to vote.

**To have your vote count, a completed Ballot must be received no later than September 20, 2016 by counsel to the Debtor, whose contact information is as follows:**



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

Attn: Ron Bender, Esq.

10250 Constellation Boulevard, Suite 1700

Los Angeles, California 90067

Telephone: (310) 229-1234

Facsimile: (310) 229-1244

Email: rb@lnbyb.com

**ACCEPTANCE OR REJECTION OF THE PLAN**

The undersigned, a class 4 claim holder under the Plan, with an allowed claim in the amount of:

\$\_\_\_\_\_, hereby (check only one):

**ACCEPTS** the Plan

**REJECTS** the Plan

Print or Type Name:\_\_\_\_\_

Signature:\_\_\_\_\_ Dated:\_\_\_\_\_

Title (if corporation or partnership):\_\_\_\_\_

Address:\_\_\_\_\_

Telephone:\_\_\_\_\_ Facsimile:\_\_\_\_\_

# PROOF OF SERVICE OF DOCUMENT

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

A true and correct copy of the foregoing document **DISCLOSURE STATEMENT DESCRIBING DEBTOR'S PLAN OF REORGANIZATION DATED AUGUST 18, 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 **August 18, 2016**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Ron Bender rb@lnbyb.com
- Kathryn M.S. Catherwood kcatherwood@foley.com, vgoldsmith@foley.com
- Andrea Cheuk acheuk@teslamotors.com, scastro@teslamotors.com
- Shawn M. Christianson schristianson@buchalter.com
- David N. Crapo dcrapo@gibbonslaw.com
- John D. Fiero jfiero@pszjlaw.com, ocarpio@pszjlaw.com
- Stephen D. Finestone sfinestone@pobox.com
- Donald W. Fitzgerald dfitzgerald@ffwplaw.com, shoang@ffwplaw.com
- Philip A. Gasteier pag@lnbrb.com
- Julie M. Glosson julie.m.glosson@usdoj.gov
- Debra I. Grassgreen dgrassgreen@pszjlaw.com, hphan@pszjlaw.com
- Irvin M. Gross img@lnbyb.com
- Stephan Hornung hornung@lsellp.com
- Lynette C. Kelly lynette.c.kelly@usdoj.gov, ustpreion17.oa.ecf@usdoj.gov
- Monica Y. Kim myk@lnbyb.com
- Andy S. Kong kong.andy@arentfox.com
- Paul J. Laurin plaurin@btlaw.com, slmoore@btlaw.com
- Annie Li annie.li@skadden.com, Brigitte.Travaglini@skadden.com
- John William Lucas jlucas@pszjlaw.com, ocarpio@pszjlaw.com
- Thor D. McLaughlin tmclaughlin@allenmatkins.com
- Krikor J. Meshefejian kjm@lnbyb.com
- Office of the U.S. Trustee / SF USTPRegion17.SF.ECF@usdoj.gov, ltroxas@hotmail.com
- Paul J. Pascuzzi ppascuzzi@ffwplaw.com, JNiemann@ffwplaw.com
- Valerie Bantner Peo vbantnerpeo@buchalter.com
- J. Alexandra Rhim arhim@hrhlaw.com
- Richard A. Rogan rrogan@jmbm.com, jb8@jmbm.com
- Jason Rosell jrosell@pszjlaw.com, sshoemaker@pszjlaw.com
- Jane K. Springwater jspringwater@friedmanspring.com
- Michael St. James ecf@stjames-law.com
- Sabrina L. Streusand streusand@slollp.com, prentice@slollp.com
- Bennett G. Young byoung@jmbm.com, jb8@jmbm.com

**2. SERVED BY UNITED STATES MAIL:** On **August 18, 2016**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **August 18, 2016**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**Served by Overnight Mail**

The Hon. Dennis Montali  
U.S Bankruptcy Court  
450 Golden Gate Avenue, 16<sup>th</sup> Floor  
Courtroom 17  
San Francisco, CA 94102

Service information continued on attached page

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

Date	Type Name	Signature
August 18, 2016	Lourdes Cruz	/s/ Lourdes Cruz