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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:

RELATIVITY FASHION, LLC, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-11989 (MEW)

(Jointly Administered)

**NOTICE OF FILING REDLINED PAGES TO  
CORRECTED DISCLOSURE STATEMENT**

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<sup>1</sup>

The Debtors in these chapter 11 cases are: see page (i).

The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Relativity Fashion, LLC (4571); Relativity Holdings LLC (7052); Relativity Media, LLC (0844); Relativity REAL, LLC (1653); RML Distribution Domestic, LLC (6528); RML Distribution International, LLC (6749); RMLDD Financing, LLC (9114); 21 & Over Productions, LLC (7796); 3 Days to Kill Productions, LLC (5747); A Perfect Getaway P.R., LLC (9252); A Perfect Getaway, LLC (3939); Armored Car Productions, LLC (2750); Best of Me Productions, LLC (1490); Black Or White Films, LLC (6718); Blackbird Productions, LLC (8037); Brant Point Productions, LLC (9994); Brick Mansions Acquisitions, LLC (3910); Brilliant Films, LLC (0448); Brothers Productions, LLC (9930); Brothers Servicing, LLC (5849); Catfish Productions, LLC (7728); Cine Productions, LLC (8359); CinePost, LLC (8440); Cisco Beach Media, LLC (8621); Cliff Road Media, LLC (7065); Den of Thieves Films, LLC (3046); Don Jon Acquisitions, LLC (7951); DR Productions, LLC (7803); Einstein Rentals, LLC (5861); English Breakfast Media, LLC (2240); Furnace Films, LLC (3558); Gotti Acquisitions, LLC (6562); Great Point Productions, LLC (5813); Guido Contini Films, LLC (1031); Hooper Farm Music, LLC (3773); Hooper Farm Publishing, LLC (3762); Hummock Pond Properties, LLC (9862); Hunter Killer La Productions, LLC (1939); Hunter Killer Productions, LLC (3130); In The Hat Productions, LLC (3140); J&J Project, LLC (1832); JGAG Acquisitions, LLC (9221); Left Behind Acquisitions, LLC (1367); Long Pond Media, LLC (7197); Madaket Publishing, LLC (9356); Madaket Road Music, LLC (9352); Madvine RM, LLC (0646); Malavita Productions, LLC (8636); MB Productions, LLC (4477); Merchant of Shanghai Productions, LLC (7002); Miacomet Media LLC (7371); Miracle Shot Productions, LLC (0015); Most Wonderful Time Productions, LLC (0426); Movie Productions, LLC (9860); One Life Acquisitions, LLC (9061); Orange Street Media, LLC (3089); Out Of This World Productions, LLC (2322); Paranoia Acquisitions, LLC (8747); Phantom Acquisitions, LLC (6381); Pocomo Productions, LLC (1069); Relative Motion Music, LLC (8016); Relative Velocity Music, LLC (7169); Relativity Development, LLC (5296); Relativity Film Finance II, LLC (9082); Relativity Film Finance III, LLC (8893); Relativity Film Finance, LLC (2127); Relativity Films, LLC (5464); Relativity Foreign, LLC (8993); Relativity India Holdings, LLC (8921); Relativity Jackson, LLC (6116); Relativity Media Distribution, LLC (0264); Relativity Media Films, LLC (1574); Relativity Music Group, LLC (9540); Relativity Production LLC (7891); Relativity Rogue, LLC (3333); Relativity Senator, LLC (9044); Relativity Sky Land Asia Holdings, LLC (9582); Relativity TV, LLC (0227); Reveler Productions, LLC (2191); RML Acquisitions I, LLC (9406); RML Acquisitions II, LLC (9810); RML Acquisitions III, LLC (9116); RML Acquisitions IV, LLC (4997); RML Acquisitions IX, LLC (4410); RML Acquisitions V, LLC (9532); RML Acquisitions VI, LLC (9640); RML Acquisitions VII, LLC (7747); RML Acquisitions VIII, LLC (7459); RML Acquisitions X, LLC (1009); RML Acquisitions XI, LLC (2651); RML Acquisitions XII, LLC (4226); RML Acquisitions XIII, LLC (9614); RML Acquisitions XIV, LLC (1910); RML Acquisitions XV, LLC (5518); RML Bronze Films, LLC (8636); RML Damascus Films, LLC (6024); RML Desert Films, LLC (4564); RML Documentaries, LLC (7991); RML DR Films, LLC (0022); RML Echo Films, LLC (4656); RML Escobar Films LLC (0123); RML Film Development, LLC (3567); RML Films PR, LLC (1662); RML Hector Films, LLC (6054); RML Hillsong Films, LLC (3539); RML IFWT Films, LLC (1255); RML International Assets, LLC (1910); RML Jackson, LLC (1081); RML Kidnap Films, LLC (2708); RML Lazarus Films, LLC (0107); RML Nina Films, LLC (0495); RML November Films, LLC (9701); RML Oculus Films, LLC (2596); RML Our Father Films, LLC (6485); RML Romeo and Juliet Films, LLC (9509); RML Scripture Films, LLC (7845); RML Solace Films, LLC (5125); RML Somnia Films, LLC (7195); RML Timeless Productions, LLC (1996); RML Turkeys Films, LLC (8898); RML Very Good Girls Films, LLC (3685); RML WIB Films, LLC (0102); Rogue Digital, LLC (5578); Rogue Games, LLC (4812); Roguelife LLC (3442); Safe Haven Productions, LLC (6550); Sanctum Films, LLC (7736); Santa Claus Productions, LLC (7398); Smith Point Productions, LLC (9118); Snow White Productions, LLC (3175); Spy Next Door, LLC (3043); Story Development, LLC (0677); Straight Wharf Productions, LLC (5858); Strangers II, LLC (6152); Stretch Armstrong Productions, LLC (0213); Studio Merchandise, LLC (5738); Summer Forever Productions, LLC (9211); The Crow Productions, LLC (6707); Totally Interns, LLC (9980); Tribes of Palos Verdes Production, LLC (6638); Tuckernuck Music, LLC (8713); Tuckernuck Publishing, LLC (3960); Wright Girls Films, LLC (9639); Yuma, Inc. (1669); Zero Point Enterprises, LLC (9558). The location of the Debtors' corporate headquarters is: 9242 Beverly Blvd., Suite 300, Beverly Hills, CA 90210.

PLEASE TAKE NOTICE that on November 18, 2015, the above-captioned debtors (collectively, the “**Debtors**”) filed a *Disclosure Statement for Plan Proponents’ Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (Docket No. 991) (the “**Disclosure Statement**”).

PLEASE TAKE FURTHER NOTICE that on November 20, 2015, the Debtors filed a *Corrected Disclosure Statement for Plan Proponents’ Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (Docket No. 1009) (the “**Corrected Disclosure Statement**”).

PLEASE TAKE FURTHER NOTICE that, attached as Exhibit A hereto are the changed pages after comparing the Disclosure Statement and the Corrected Disclosure Statement.

Dated: November 22, 2015

JONES DAY

/s/ Lori Sinanyan

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**Exhibit A**

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN PROONENTS' PLAN OF REORGANIZATION (THE "PLAN"). ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT") IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT MAY BE REVISED TO REFLECT EVENTS THAT OCCUR AFTER THE DATE HEREOF BUT PRIOR TO BANKRUPTCY COURT APPROVAL OF THE DISCLOSURE STATEMENT.

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:

RELATIVITY FASHION, LLC, *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 15-11989 (MEW)

(Jointly Administered)

**CORRECTED DISCLOSURE STATEMENT FOR  
PLAN PROONENTS' PLAN OF REORGANIZATION  
PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: November 18, 2015

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ATTORNEYS FOR THE PLAN CO-PROONENT,  
DEBTORS AND DEBTORS IN POSSESSION

<sup>1</sup> The Debtors in these Chapter 11 Cases are set forth on page (i).

Media, LLC (“**RML**”) and RML is the direct or indirect owner of the Debtors (the “**Debtor Subsidiaries**”) and the non-Debtor subsidiaries of Relativity Holdco (the “**Non-Debtor Subsidiaries**”) and, together with Relativity Holdco, RML and the Debtors, “**Relativity**”).

## **B. Business Overview**

Relativity is a privately-held entertainment company with an integrated and diversified global media platform that provides, among other things, film and scripted television financing, production and distribution. In addition to its film studio, the Company maintains an integrated suite of complementary and synergistic business units that make up the “360 degree” global media platform. Relativity benefits from the convergence of filmed entertainment with other forms of entertainment and global brands. Specifically, Relativity couples its traditional media and content offerings with a roster of world-class athletes, artists and global consumer brands. By bringing these businesses together, the Company drives value to its films, television shows, brands and managed portfolio of clients through highly unique, integrated promotion opportunities. As of the Petition Date, Relativity had approximately 89 full and part-time employees and 54 independent contractors. In addition, in connection with Relativity’s film and scripted television productions, as of the Petition Date, Relativity employed approximately 760 temporary production personnel that provide Relativity cast and crew services, as well as other production support. As of October 31, 2015 following the sale of the unscripted television business unit described in further detail in Section IV.A below, Relativity has approximately 48 employees.

Relativity’s corporate headquarters are located at 9242 Beverly Blvd., Suite 300, Beverly Hills, California 90210, and Relativity’s primary telephone number is 310-724-7700. Attached hereto as Exhibit C and Exhibit D respectively, are (i) Relativity’s unaudited financial statements for the fiscal year ending December 31, 2014 and (ii) Relativity’s audited financial statement for the fiscal years ending December 31, 2012 and 2013 (collectively, the “**Financial Statements**”).

## **C. Business Operations**

### *1. Key Business Units*

Relativity’s operations are conducted through various subsidiaries and affiliates, which are grouped by business units. Relativity’s key business units include (i) film production and distribution, (ii) scripted television production and distribution, (iii) sports talent management, (iv) marketing/branding, (v) digital media, (vi) music publishing, (vii) education, and (viii) international strategic partnerships. Each business unit is further described below.

#### *a. Relativity’s Film ~~Production and Distribution~~ Studio Division*

The Relativity film business provides a full-service studio with development, production, financing and distribution capabilities (the “**Film Business**”). Since its inception, the Film Business has distributed, produced or arranged financing for over 200 films that have earned over \$23 billion in worldwide box office receipts, with 78 films generating more than \$100 million in worldwide box office receipts, 49 films opening at number one at the domestic box office and 73 films earning Oscar nominations with 11 wins. Relativity has produced 20 films in-house and 169 through distribution or financing arrangements including 127 as part of major studio co-production and financing arrangements.

As Relativity moved away from its slate co-financing arrangements, it developed capabilities to efficiently source, finance, produce and distribute approximately 15 – 20 films theatrically and up to 30 films on television and digital media per year. Relativity’s business model mitigates the traditional risk of a film studio. Through international output deals and tax credits, Relativity typically limits its at-risk capital to domestic Prints and Advertising (“**P&A**”) costs plus 0-25% of a film’s budget versus 100% for a traditional film studio. Relativity’s distribution agreements include: (i) long-dated output arrangements in numerous foreign territories that often cover the majority of a film’s budget, (ii) pre-sale of distribution rights in the foreign territories not covered by output arrangements typically covers an additional significant portion of a film’s budget, and (iii) guaranteed minimum Pay TV revenues from the Netflix output arrangement and government film production tax incentives that further reduce production costs in some territories.

Relativity's proprietary film selection process is rooted in an analytical methodology which considers both quantitative and qualitative factors. Relativity calculates the estimated range of revenue performance for the film by evaluating historical box office performance, looking at the performance of films with similar genre, budget and talent, assessing the competitive landscape around release dates and analyzing the performance of films released on similar dates in previous years. Each film's production and marketing budgets are developed to ensure a film of first class technical quality can be made within the anticipated "below-the-line" (i.e., non-talent related) costs in the production budget and that the "above-the-line" (i.e., talent) costs and profit participations properly align incentives to maximize film profit. Additionally, Relativity utilizes potential "soft money" benefits frequently and creates the P&A budget to efficiently support the intended marketing and distribution plans. Ultimately, the total estimated cost is then compared against the estimated revenue performance to determine the film's profit potential.

The Film Business consists of (i) an acquisition division that purchases film rights; (ii) a single picture division that oversees production of Relativity's films and a group of Special Purpose Entities ("SPEs") that produce particular Relativity films and retain the rights to said films; and (iii) a marketing and distribution division that arranges the domestic and international distribution of Relativity's films. Relativity arranges for the purchases of rights to movies through SPEs, one for each movie. The SPEs own the rights to the movies, and enter into funding agreements with lenders using the movies as collateral. The SPEs, themselves, do not distribute the movies or otherwise directly pay for movie-related expenses. Rather, they license their rights to the movies to one of Relativity's subsidiaries, RML Distribution Domestic, LLC ("**RML Distribution**"), for purposes of distributing the movies in the United States.

As of October 31, 2015, there are seven (7) films that have completed principal photography. The upcoming film slate with anticipated releases over the next 18 months consists of: *Before I Wake*, *Masterminds*, *Disappointments Room*, *Secret Scripture*, *Shot Caller*, *Solace* and *Kidnap*. In addition, there are over 25 film projects in active development.

For the twelve months ending December 31, 2014, the Relativity Film Business generated approximately \$340.7 million in revenue.

b. Relativity's Television ~~Production and Distribution~~ Studio Division

The Relativity television business (the "**TV Business**") started as a television production company in 2008 and, as of the Petition Date, included over 29 television series in production across 25 different networks and more than 46 contracted pilots and presentations, including eight upcoming scripted shows. Examples of these series include: *Catfish: The TV Show* (MTV), *The Great Food Truck Race* (Food Network), *Kim of Queens* (Lifetime Network), *Young & Hungry* (ABC Family), and *Limitless* (CBS). Prior to the Petition Date, the TV Business had approximately 24 employees and 510 temporary production personnel. For the twelve months ending December 31, 2014, the Relativity TV Business generated approximately \$96.6 million in revenue.

On October 20, 2015, the sale of the unscripted TV Business to certain of the Debtors' secured lenders closed.

Following the sale of Relativity's unscripted (reality) TV Business, the Company's television strategy is now focused exclusively on developing and providing scripted television shows in partnerships with major networks, cable companies, and online platforms. The scripted content will be based on existing Relativity IP (films, digital content, etc.) and original IP.

Relativity has already demonstrated the capability for feature film IP to be successfully converted into television content:

- *Catfish* (The TV Show): based on a documentary released by Relativity in 2010, now one of the top-rated shows on MTV.
- *Limitless* (The TV Show): based on Relativity's 2011 feature film starring Bradley Cooper which grossed over \$160 million worldwide, now one of the top new primetime shows airing at 10:00 p.m. on Tuesday on CBS (immediately following NCIS).

Land's Beijing-based management team. Relativity already has released four films in China: *Immortals*, *Mirror Mirror*, *Freebirds*, and *21 & Over*.

Replicating its strategy in China, Relativity entered into a 50/50 joint venture in India - now the 6<sup>th</sup> largest film market in the world with over 1 billion people - focusing on theatrical distribution of Relativity and third-party produced films as well as production of U.S. and Bollywood content.

## 2. *Joint Ventures*

Certain Non-Debtor Subsidiaries that are in the Film Business, the Digital Business, and the Music Business are only partially owned by Relativity (collectively, the “**Joint Ventures**”). Each Joint Venture is discussed below.

### a. *RED*

b. *Relativity EuropaCorp Distribution, LLC (“RED”) is a domestic distribution and marketing joint venture formed and owned 50-50 by RML and EuropaCorp Films USA, Inc. (“EuropaCorp”). RED was created in February 2014 to support each party’s domestic distribution for their respective film slates. ~~RED also provides~~ and to provide marketing and distribution services to both entities. Under the terms of the deal, EuropaCorp paid approximately \$70 million for a 50% stake in the joint venture. As of the Petition Date, RED had approximately 56 employees. As of October 31, 2015, RED employed 51 employees.*

### ~~b.~~ *Relativity Sports*

The Relativity Sports Group is comprised of Relativity Sports Management, LLC (“**Sports Management**”), Relativity Sports, LLC, Relativity Sports Enterprises, LLC, and their subsidiaries (collectively, “**Sports Group**”). The Sports Group represents the first major professional sports management agency that operates as part of a global media company with film production and distribution capabilities “under the same roof.” As of the date hereof, the Sports Group is one of the largest sports management companies in the United States, representing and managing over 300 professional athletes in Major League Baseball, the National Basketball Association, and the National Football League with greater than \$2.5 billion in contracts.

On July 28, 2015, YC Athletic Holdings, LLC exercised warrants to purchase 50% of the equity in Sports Management. As such, RML now owns 50% of Sports Management. Sports Management, in turn, owns 59.71% of Relativity Sports LLC, with the remaining 40.29% owned by certain individuals and other entities.

Relativity Sports, LLC currently holds warrants to purchase 11.48% of Major League Gaming, Inc (“**MLG**”). In addition, Relativity Media also directly holds warrants to purchase 4.86% of MLG. Major League Gaming is in advanced discussions regarding a sale to a buyer for an amount that the Debtors believe to be in the range of \$200 million.

As of October 31, 2015, the Sports Group had 73 employees, including over 20 agents and representatives across the country. For the twelve months ending December 31, 2014, the Relativity Sports Group generated approximately \$26.9 million in revenue.

### c. *Relativity ~~Education~~ University*

Relativity Education, LLC and its direct and indirect subsidiaries (collectively, “**Relativity University**”) is a for-profit accredited branch campus of the Hussian School of Art with 82 students as of November 18, 2015. Relativity University offers an array of film, media, performing arts and graphic arts Bachelor of Fine Arts programs. The programs include curricula developed in collaboration with industry insiders and classes are taught by working professionals operating from an active Hollywood production studio. Relativity owns a minority stake in the Relativity University subsidiaries. Relativity Education, LLC is 36% owned by RML with the remaining 64% owned by a number of third-party and/or affiliate entities outside of Relativity.



### G. Events Leading to Chapter 11 Cases

Prior to the maturity date of the Cortland TLA/TLB Facility, Relativity sought to raise additional funds for its operations and to service existing debt. On or about May 11, 2015, these efforts resulted in the issuance of 5,000,000 Class E Units in Relativity Holdco to entities affiliated with an individual investor and VII Peaks in exchange for \$62,500,000 gross cash proceeds. Simultaneously with the issuance of such equity interests, and at various times subsequent thereto, holders of the aggregate amount of 96.5296 Class C Units exchanged such Class C Units for an aggregate of 6,695,648 Class E Units pursuant to exchange agreements entered into concurrently with the Class E Unit issuance on May 11, 2015. In addition, Relativity had lined up in excess of \$400 million in a combination of debt and equity commitments to refinance or pay off the Cortland TLA/TLB Facility prior to its maturity date. However, unbeknownst to Relativity, certain insiders and fiduciaries of the Company thwarted Relativity's debt and equity raise in breach of their fiduciary duties and in interference with Relativity's refinancing process.

As a result, Specifically, Colbeck Capital Management ("Colbeck"), while acting in multiple capacities including while having representation on Relativity Holdings's Board of Managers, while being paid as consultants to Relativity, and while acting as agent for the TLA/TLB facility with significant management and financial oversight powers and duties, breached their fiduciary duties and other obligations and agreements, through a clandestine plan designed to effectuate a change in control of Relativity for their benefit and to the detriment of the company and its other stakeholders. With full knowledge of Relativity's debt and equity financing efforts, Colbeck intentionally diverted sources of equity and debt financing away from the company's efforts and instead sought to have such sources committed to their clandestine plan. Colbeck recruited Relativity's then CFO Andrew Matthews and then President of Production Matthew Alvarez to join meetings with investors to further promulgate the false perception that Relativity, its Chairman and CEO, and the Board were aware of and supportive of the Colbeck plan. Relativity believes that Colbeck represented to third parties that its efforts were Board authorized and approved, when they were not. As a result of the actions of Colbeck and its co-conspirators, Relativity was unable to conclude its debt and equity refinance efforts and on the maturity date of the Cortland TLA/TLB Facility, over \$360 million in debt became due and payable as of the Petition Date and Relativity was unable to make payment on the Cortland TLA/TLB Facility.

On June 1, 2015, Relativity entered into a forbearance agreement with a majority of TLA Lenders and a majority of TLB Lenders (the "**TLA/TLB Forbearance Agreement**"). On the same day, Relativity executed a forbearance agreement with the Ultimates Lenders under the Ultimates Facility (the "**Ultimates Forbearance Agreement**"), and thereafter, on June 5, 2015, Relativity entered into a forbearance agreement with the P&A Lenders under the P&A Facility (the "**P&A Forbearance Agreement**," and collectively with the TLA/TLB Forbearance Agreement and the Ultimates Forbearance Agreement, the "**Forbearance Agreements**"). On June 25, 2015, the Forbearance Agreements expired in accordance with their terms.

In early July 2015, Catalyst Capital Group, a Toronto-based hedge fund ("**Catalyst**") purchased the outstanding Cortland Term Loan A debt and became the sole lender under the Cortland Term Loan A. Anchorage Capital Master Offshore, Ltd. and Luxor Capital LLC, as lenders under the Cortland Term Loan B (the "**Purchasing TLB Lenders**"), promptly provided notice of their intent to exercise their right under Section 10.17 of the Cortland TLA/TLB Financing Agreement to purchase the outstanding debt under the Cortland Term Loan A. On July 9, 2015, the Purchasing TLB Lenders, along with Catalyst (also a lender under the Cortland Term Loan B) purchased all of the Cortland Term Loan A debt.

On July 16, 2015, the Cortland Borrowers and the Cortland Lenders entered into Amendment No. 1 to the Cortland TLA/TLB Financing Agreement, pursuant to which certain of the Cortland Lenders funded \$15 million of additional Term Loans ("**Term A-1 Loans**") of which \$7.5 million was funded on July 16, 2015 and \$7.5 million was funded on July 20, 2015. The Term A-1 Loans had a maturity date of July 27, 2015 and interest was payable in cash at a rate of 15% per annum. On July 27, 2015, the Term A-1 Loans matured.

Beginning in April of 2015, funds that would otherwise be available to be transferred to the cash collateral account and subsequently transferred to the Debtors' operating accounts to be used for working capital, were swept by the Ultimates Lenders. The sweeps continued through July of 2015, and in aggregate totaled approximately \$32,541,661.20. On July 17, 2015, the Ultimates Lenders swept an additional \$17,881,299.24 on deposit in the

participations and residuals account, a bank account at OneWest in RMLDD Financing's name that is used to pay participations and residuals to the producers, performers, writers and other individuals or entities entitled to compensation for the exhibition of the content developed, produced, and/or distributed by the Debtors and the Non-Debtor Subsidiaries. The swept funds were applied to the outstanding balance of the Ultimates Facility.

Relativity experienced severe liquidity constraints and increasing limitations imposed by the Forbearance Agreements and the new debt issuances. With over \$350 million in outstanding matured secured debt and unable to finalize any further financing due to a variety of factors, Relativity determined it was in its best interest to file for bankruptcy protection.

### III. THE CHAPTER 11 CASES

#### A. Voluntary Petitions

On July 30, 2015, the Debtors commenced these Chapter 11 Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Pursuant to the bankruptcy court's order on July 31, 2015, the Debtors' Chapter 11 Cases have been consolidated for procedural purposes only and are being administered jointly.

The Debtors have continued, and will continue until the Effective Date, to manage their properties as debtors-in-possession, subject to the supervision of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code. An immediate effect of the filing of the Chapter 11 Cases was the imposition of the automatic stay pursuant to Bankruptcy Code § 362, which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, enforcement of liens against any assets of the Debtors and litigation against the Debtors.

#### B. First and Second Day Motions

On the Petition Date, the Debtors filed a number of motions and other pleadings (the "**First Day Motions**"). The First Day Motions were proposed to ensure the Debtors' orderly transition into the chapter 11 proceedings. The court granted the following First Day Motions with certain adjustments or modifications to accommodate the concerns of the Bankruptcy Court, the United States Trustee for the Southern District of New York (the "**U.S. Trustee**") and other parties in interest:

- orders relating to case administration, joint administration and the use of Donlin Recano as the Debtors' Notice and Claims Agent (Dkt. Nos. 36, 185, 79);
- order approving the Debtors' ability to continue prepetition insurance coverage and pay related prepetition obligations (Dkt. Nos. 70, 340);
- order approving the Debtors' ability to pay and continue using prepetition critical vendors and utility services providers (Dkt. Nos. 334, 336);
- order approving the payment of certain employee wages and benefits (Dkt. Nos. 49, 341);
- order approving the Debtors' ability to make certain prepetition residuals and participations payments incurred in the ordinary course of business (Dkt. Nos. 72, 357);
- order approving the Debtors' ability to honor prize obligations under existing production agreements (Dkt. Nos. 50, 338);
- order approving the continued use of the Debtors' existing cash management system (Dkt. No. 51); and
- order approving the Debtors' ability to obtain postpetition financing and use cash collateral (Dkt. Nos. 48, 342) (the "**Final DIP Order**"). Pursuant to the Final DIP Order, the Court authorized the Debtors to obtain \$49,500,000 in postpetition debtor-in-possession financing (the "**Original DIP Facility**").

management's attention and resources. While management believes Relativity has adequate insurance coverage and accrues loss contingencies for all known matters that are probable and can be reasonably estimated, Relativity cannot ensure that the outcome of all current or future litigation will not have a material adverse effect on Relativity and its results of operations.

8. *Reorganized Relativity faces risks from doing business internationally.*

Reorganized Relativity pre-sells foreign motion picture distribution rights through multiple output arrangements in ~~160~~140 countries. It also receives a variety of other income from international territories as part of its business operations. Revenues and results of operations in these territories are subject to risk inherent in international businesses, many of which are beyond Reorganized Relativity's control, including: laws and policies affecting trade, investment and taxes, laws and policies relating to the repatriation of funds and withholding taxes and changes in these laws, differing cultural tastes and attitudes including varied censorship laws, differing degrees of protection for intellectual property and piracy, potential difficult enforcing contracts in some jurisdictions, financial instability and increased market concentration of buyers in foreign markets, the instability of foreign economies and governments, war and acts of terrorism, and fluctuating foreign exchange rates.

9. *In the Sport Representation and Management Business, Relativity is heavily reliant on its key agents.*

Athlete representation is a personal services and relationship business that relies on its agents to remain within the structure to maximize revenues by maintaining and attracting clients. The compensation structure of key agents is aligned with the success of the sports representation and management business. All current agents have been signed to long-term service agreements with restrictive covenants. Relativity's principal agents received equity as a significant portion of the consideration for Relativity's acquisition of their businesses, to better align their interests with those of other owners of Relativity and to incentivize long-term service to Relativity. If, despite these measures, key agents leave, their departure could adversely affect future revenues and business prospects, and accordingly could have an adverse effect on Reorganized Relativity's business, financial condition, and results of operations.

10. *Relativity does not and currently cannot own any equity interest in Sky Land (Beijing) Film-Television Culture Development Ltd., a PRC entity due to government regulation on foreign companies owning equity in China companies engaged in the entertainment and media industry.*

Relativity's PRC operations are conducted through Sky Land (Beijing) Film-Television Culture Development Ltd. ("**Sky Land Beijing**"). Foreign companies, such as Sky Land Entertainment Ltd. (BVI) ("**Relativity Sky Land**"), are not permitted to own equity interest in PRC entities that conduct business in the PRC entertainment and media industry. Relativity relies on Sky Land Beijing to comply with its obligations under contractual business arrangements that have been agreed upon by Relativity and its partners to operate Relativity's motion picture production and distribution business in China, which arrangements may not have been evidenced by written contracts. Such arrangements, whether or not evidenced in writing, may not be as effective in providing the Company with control over Sky Land Beijing as direct ownership. If Sky Land Beijing fails to perform under these arrangement including, without limitation, failing to distribute Relativity's motion pictures or to remit to Relativity 100% of its profits, Relativity may have to incur substantial costs to enforce these arrangements, which may be unsuccessful. Any claims Reorganized Relativity brings would require it to rely on legal remedies under PRC laws, regulations and policies, which may not be favorable to Reorganized Relativity. In the event that Sky Land Beijing no longer cooperates with the Company and the Company is unable to enforce these arrangements, there would be a material adverse effect on Reorganized Relativity's ability to continue to conduct business in the PRC, which could negatively affect Reorganized Relativity's business, financial condition and results of operations.

11. *Relativity will need to attract and retain key employees to rebuild management its management team post-confirmation.*

Reorganized Relativity's ability to compete as a business, and more particularly in the entertainment industry, will depend in part on its ability to attract and retain key personnel. If Reorganized Relativity is unable to