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

In re:

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

Reorganized Debtors.

Chapter 11

Case No.: 15-11989 (MEW)

(Jointly Administered)

**MOTION TO CONVERT CASES FROM CHAPTER 11 TO CHAPTER 7**

Relativity Secured Lender LLC (“RSL”) and JGJ Equity Holdings LLC (“JGJ” and, together with RSL, the “Movants”) submit this Motion seeking the entry of an Order converting these Chapter 11 cases to cases under Chapter 7. In support of this Motion, the Movants respectfully state as follows:

<sup>1</sup> The Reorganized Debtors in these chapter 11 cases are as set forth on page (i).

The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized 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); Tuckemuck Music, LLC (8713); Tuckemuck Publishing, LLC (3960); Wright Girls Films, LLC (9639); Yuma, Inc. (1669); Zero Point Enterprises, LLC (9558). The location of the Reorganized Debtors' corporate headquarters is: 9242 Beverly Blvd., Suite 300, Beverly Hills, CA 90210.

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this matter pursuant to 28 USC §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 USC § 157(b).
2. The venue is proper before this Court pursuant to 28 USC §§ 1408 and 1409.
3. The statutory predicates for relief are Section 1112(b)(4)(N) and Section 105(a) of Title 11 of the United States Code, 11 USC § 101et seq. (the “Bankruptcy Code”). Additionally, the Court retained jurisdiction to consider motions such as this in Paragraph 63 of its Findings of Fact, Conclusions of Law and Order Confirming, Pursuant to Section 1129 of the Bankruptcy Code, the Plan Proponents’ Fourth Amended Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code dated February 8, 2016 [Docket No. 1573] (the “Confirmation Order”) and Section XI of the Plan Proponents’ Fourth Amended Plan of Reorganization dated February 8, 2016 [Docket No. 1572] (the “Plan”).

BACKGROUND

4. On July 30, 2015 each of the Reorganized Debtors filed a Voluntary Petition for Relief under Chapter 11 of the Bankruptcy Code.
5. On February 8, 2016, the Court entered the Confirmation Order approving the Plan.
6. On April 14, 2016 (the “Effective Date”), the Plan went effective and was substantially consummated.
7. The Plan contemplated a substantial capital raise in mid-2016, but this never occurred. Investment banker Houlihan Lokey was unable to identify any interested investors and has since resigned.
8. From an operational vantage point, Reorganized Debtor Relativity Media, LLC is the operating company through which most of the company’s film operations transpired. In turn,

Relativity Media is the wholly owned subsidiary of the parent holding company, Reorganized Debtor Relativity Holdings LLC, which is co-managed by Ryan Kavanaugh and JGJ.

9. Since September 2016, despite its status as a manager of the parent company, JGJ has been shut out of the affairs and operations of the Reorganized Debtors. Repeated requests for documents and information have been disregarded. The only exceptions were when the company had isolated sales of property which required the consent of JGJ. Kavanaugh was simply operating without the consent or participation of JGJ. Through counsel, JGJ repeatedly advised the company and its counsel that Kavanaugh was acting without the requisite authority, at odds with the terms of the controlling Operating Agreement.

10. Of equal importance is the status of the company's tax returns for 2016. Because of the bankruptcy, there are 2 different returns due for 2016: first, for the period from January 1, 2016 to the Effective Date; second, from the Effective Date through the end of 2016. The first return is already delinquent; the second will be due in March.

11. In turn, each of those two consolidated tax returns have at least two key aspects. First, there is cancellation of indebtedness ("COI") that must be allocated to the current and/or former members of Relativity Holdings, in an amount in excess of \$100 million dollars. Second, there are operating losses in excess of \$50 million dollars that must be allocated. JGJ is the current tax matters partner for Relativity Holdings.

12. The Plan has failed in its essential purpose, as there has been no capital raise which was necessary to effectuate the Plan. Accordingly, several material defaults have occurred under the Plan. For example, Section II.A.1.d of the Plan provides that administrative claims of professionals would be paid from the Professional Fee Reserve. By Order dated December 8, 2016 [Docket No. 2182], several million dollars of professional fees were allowed

by the Court. After payment from the fee reserve, **over \$14 million remains unpaid**. Upon information and belief, the Reorganized Debtors have not paid these administrative expenses and have no ability to pay them.

13. The material obligations of RM Bidder LLC (“Bidco”), created by Section II.C.2 of the Plan, have not been honored or paid. The Bidco indebtedness created by the Plan is in default and has matured. The required \$30 million payment due on June 30, 2016 has never been made so that debt has matured and is due and payable.

14. RSL has not received any payments of any kind in respect of its junior secured convertible debt obligations, which provided exit financing under the Plan.

15. Although JGJ is a Co-Manager of Relativity Holdings, it has been effectively frozen out of all decision making and has not obtained access to even the most rudimentary information about the Reorganized Debtors. Accordingly, the allegations herein are based upon limited information available to the Movants.

16. Recent media articles bear out the general theme that the Reorganized Debtors are effectively out of money and cannot meet their obligations. Upon information and belief, the Reorganized Debtors will soon literally run out of cash and be unable to make payroll or hold onto their Beverly Hills headquarters.

**RELIEF REQUESTED**

17. Given the material defaults under the Plan, the Reorganized Debtors’ ongoing losses and lack of liquidity, and the questions about the effectiveness and trustworthiness of management, it is necessary and appropriate for the Court to convert these cases to one under Chapter 7, so that a trustee may take charge of the modest remaining assets, liquidate them, and distribute the proceeds accordingly.

BASIS FOR RELIEF

18. Section 1112 (b)(4)(N) of the Bankruptcy Code provides as follows:

(b) (1) Except as [otherwise provided], on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, for cause unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate.--...

(4) For purposes of this subsection, the term “cause” includes—...

(N) material default by the debtor with respect to a confirmed plan;...

19. Conversion to Chapter 7 is an appropriate remedy for material defaults under the provisions of a Chapter 11 plan, even after the plan has been substantially consummated. *See In re Micro-Acoustics Corp.*, 49 B.R. 630 (Bankr. S.D.N.Y. 1985); *In re Seaview Estates, Inc.*, 213 B.R. 427 (Bankr. E.D.N.Y. 1997).

20. As noted above, several material defaults have occurred under the Plan with regard to the payment of administrative professional fees and the payments to RM Bidder. It will not be possible for the Reorganized Debtors to cure these defaults as there are no funds to do so.

21. Movants submit that a conversion to Chapter 7, instead of dismissal, would be in the best interest of creditors as Ryan Kavanaugh is currently acting without appropriate corporate authorization by freezing out co-management and has refused to provide information. A Chapter 7 Trustee would obtain control over the assets but dismissal would leave those assets in the hands of current management. A Chapter 7 Trustee would also be able to assist in the filing of tax returns.

22. RSL is an undersecured creditor owed over \$35 million and submits that conversion would be in its best interest as well as the best interest of all other creditors.

NO SEPARATE MEMORANDUM OF LAW

23. This Motion includes citations to the applicable rules and statutory authorities upon which the relief requested herein is predicated. Accordingly, the Movants submit that this Motion satisfies Rule 9013-1(a) of the Local Rules.

NOTICE

24. In accordance with the Amended Order Authorizing the Establishment of Certain Notice, Case Management and Administrative Procedures [Docket No. 265] and the Confirmation Order, notice of this Motion has been provided to (a) the Reorganized Debtors; (b) co-counsel to the Reorganized Debtors; (c) counsel for Ryan Kavanaugh; (d) counsel to the Litigation Trustee; (e) the Office of the United States Trustee; (f) the Securities and Exchange Commission; (g) the Internal Revenue Service; and (h) all parties who have requested notice. Movants respectfully submit that this notice is sufficient under the circumstances and that no other or further notice is necessary.

NO PRIOR REQUEST

25. No prior request for the relief sought in this Motion has been made to this or any other Court.

CONCLUSION

26. The Reorganized Debtors cannot possibly comply with the Plan's requirement that administrative professional fees be paid and cannot possibly pay the RM Bidder debt. For the reasons set forth herein, the Movants respectfully request that this Court enter an Order,

substantially in the form attached hereto as 'Exhibit A', converting these cases to Chapter 7 and granting such other and further relief as the Court may deem just and proper.

Dated: February 8, 2017  
New York, New York

Respectfully submitted,

/s/ Janice B. Grubin

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# **EXHIBIT A**

Deadline

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

In re:

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

Reorganized Debtors.

Chapter 11

Case No.: 15-11989 (MEW)

(Jointly Administered)

**ORDER CONVERTING CASES TO CHAPTER 7**

Upon consideration of the *Motion to Convert Cases from Chapter 11 to Chapter 7* [Docket No. \_\_\_\_] (the “Motion”); and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. § 1334; and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and notice of the Motion and the hearing (the “Hearing”) being adequate and proper; and the Court having considered the arguments of counsel and evidence submitted at the Hearing; and upon all of the proceedings conducted before the Court; and the Court having found and determined that just cause exists for the relief granted herein; and after due deliberation and sufficient cause appearing therefor, it is hereby:

ORDERED, DECREED, AND ADJUDGED THAT:

1. The Motion is granted.
2. These jointly administered cases are converted to cases under Chapter 7.
3. This Court shall retain jurisdiction with respect to any and all matters,

arising from or related to the implementation of this Order.

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

New York, New York \_\_\_\_\_

HONORABLE MICHAEL E. WILES  
UNITED STATES BANKRUPTCY JUDGE

<sup>1</sup> The Reorganized Debtors in these chapter 11 cases are as set forth on page (i).

The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized 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); Tuckemuck Music, LLC (8713); Tuckemuck Publishing, LLC (3960); Wright Girls Films, LLC (9639); Yuma, Inc. 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