

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PMGI Holdings Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-12404 (CSS)

(Joint Administration Requested)

**MOTION OF THE DEBTORS FOR ENTRY OF AN
ORDER (A) AUTHORIZING THE DEBTORS TO FILE A
CONSOLIDATED LIST OF CREDITORS IN LIEU OF SUBMITTING A
SEPARATE MAILING MATRIX FOR EACH DEBTOR AND (B) WAIVING
THE REQUIREMENT TO FILE THE LIST OF EQUITY SECURITY HOLDERS**

The above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) hereby move the Court (the “**Motion**”) pursuant to section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”), Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and Rules 1001-1(c), 1007-1 and 2002-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), for entry an order: (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor; and (b) waiving the requirement that FriendFinder

¹ The Debtors in these Chapter 11 Cases, along with the last four (4) digits of each Debtor’s federal tax identification number, are: Blue Hen Group Inc. (9667), Argus Payments Inc. (4661), Big Island Technology Group, Inc. (9795), Confirm ID, Inc. (7020), Danni Ashe, Inc. (5271), Fasteupid, Inc. (7869), Fierce Wombat Games Inc. (2019), FriendFinder California Inc. (2750), FriendFinder Networks Inc. (0988), FRIENDFINDER VENTURES INC. (3125), FRNK Technology Group (7102), General Media Art Holding, Inc. (2637), General Media Communications, Inc. (2237), General Media Entertainment, Inc. (2960), Global Alphabet, Inc. (7649), GMCI Internet Operations, Inc. (7655), GMI On-Line Ventures, Ltd. (7656), Interactive Network, Inc. (5941), Magnolia Blossom Inc. (8925), Medley.com Incorporated (3594), NAFTA NEWS CORPORATION (4385), Penthouse Digital Media Productions Inc. (1056), Penthouse Images Acquisitions, Ltd. (9228), PerfectMatch Inc. (9020), Playtime Gaming Inc. (4371), PMGI Holdings Inc. (2663), PPM Technology Group, Inc. (9876), Pure Entertainment Telecommunications, Inc. (9626), Sharkfish, Inc. (1221), Snapshot Productions, LLC (7091), Streamray Inc. (2716), Streamray Studios Inc. (1009), Tan Door Media Inc. (1100), Traffic Cat, Inc. (1223), Transbloom, Inc. (1168), Various, Inc. (7762), Video Bliss, Inc. (6760), West Coast Facilities Inc. (4751), XVHUB Group Inc. (9401). The Debtors’ business address is 6800 Broken Sound Parkway NW, Suite 200, Boca Raton, FL 33487.

Networks Inc. (“**FriendFinder**”) file a list of equity security holders. In support of this Motion, the Debtors respectfully state as follows:

Status of the Case

1. On the date hereof (the “**Petition Date**”), the Debtors commenced these cases (the “**Chapter 11 Cases**”) by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

2. The Debtors have continued in possession of their properties and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. No request has been made for the appointment of a trustee or examiner and a creditors’ committee has not yet been appointed in these Chapter 11 Cases.

Jurisdiction, Venue, and Statutory Predicates

4. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. § 1408. This matter is core within the meaning of 28 U.S.C. § 157(b)(2).

5. The statutory bases for the relief requested herein are section 105(a) of the Bankruptcy Code, Bankruptcy Rule 1007, and Local Rules 1001-1(c), 1007-1 and 2002-1.

Background

6. The Debtors are a leading internet technology and entertainment company providing services in the rapidly expanding markets of adult dating, social networking and web-based video sharing and run several of the most heavily-trafficked websites in the world. The Debtors maintain a number of social networking and entertainment sites and offer a wide variety of online products and services which appeal to members of diverse cultures and internet groups.

The Debtors' services allow customers to socialize and connect with each other and groups, based on various interests, including ethnic, cultural, and entertainment interests, and to enjoy the Debtors' entertainment oriented content. The websites operated by the Debtors include social networking, online personals, live and recorded video, online chat rooms, instant messaging, photo and video sharing, blogs, message boards, email and premium content websites. The Debtors also produce and distribute original pictorial and video content, license the globally recognized Penthouse brand to a variety of consumer product companies and entertainment venues, and publish several branded men's lifestyle magazines.

7. Because of the internet-based nature of their businesses, the Debtors' operations reach around the globe and have an international presence. The Debtors operate their businesses through forty (40) subsidiaries located in the United States and have fifteen (15) related non-debtor affiliated entities. The Debtors have approximately 435 employees and, through their network, utilize a number of contracting firms and independent contractors to conduct their businesses and obtain their global reach. The Debtors and their affiliates have more than 220 million members and operate in more than 200 countries. The Debtors' total revenue for the four consecutive fiscal quarters ended June 30, 2013 was \$293.70 million.

8. In addition to normal course costs of operations, market development and product enhancements, the Debtors have long term debt, including three tranches with maturities on September 30, 2013 and April 30, 2014. Those tranches include the (i) 14% Senior Secured Notes due 2013 (the "**Existing First Lien Notes**") issued pursuant to that certain Indenture (as amended, modified or supplemented prior to the date hereof, the "**First Lien Indenture**") dated as of October 27, 2010, (ii) the 11.5% Non-Cash Pay Secured Notes Due 2014 (the "**Non-Cash Pay Second Lien Notes**") issued pursuant to the Indenture dated as of October 27, 2010 (as

amended, modified or supplemented prior to the date hereof, the “**Non-Cash Pay Second Lien Indenture**”) and (iii) the 14% Cash Pay Secured Notes Due 2013 (the “**Cash Pay Second Lien Notes**,”) and, collectively with the Existing First Lien Notes and the Cash Pay Second Lien Notes, the “**Senior Debt**”) issued pursuant to the Indenture dated as of October 27, 2010 (as amended, modified or supplemented prior to the date hereof, the “**Cash Pay Second Lien Indenture**”).

9. Despite continuing member interest and high volume traffic, the Debtors did not make certain payments to the holders of Existing First Lien Notes and Cash Pay Second Lien Notes which constituted a default under their respective indentures. Working with certain holders of their Senior Debt, the Debtors have undertaken to restructure their balance sheet and, on September 16, 2013, the Debtors, certain holders of the Existing First Lien Notes and certain holders of the Non-Cash Pay Second Lien Notes (the “**Senior Debt Holders**”) entered into the Transaction Support Agreement (the “**TSA**”). The TSA provides the relevant terms to effect the Recapitalization Transaction (as defined in the TSA). As a result, the Debtors filed these Chapter 11 Cases in order to implement the Recapitalization Transaction as contained in the TSA.

10. A detailed factual background of the Debtors’ businesses and operations, as well as the events precipitating the commencement of these Chapter 11 Cases, is more fully set forth in the *Declaration of Ezra Shashoua in Support of the Debtors’ Chapter 11 Petitions and Requests for First Day Relief*, filed contemporaneously herewith and incorporated herein by reference.

Relief Requested

11. The Debtors seek entry of an order: (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor; and (b) waiving the requirement that FriendFinder file a list of equity security holders.

Basis For Relief

A. Filing a Consolidated List of Creditors in Lieu of Submitting a Separate Creditor Mailing Matrix for Each Debtor Is Warranted

12. Newly amended Local Rule 2002-1(f)(v) requires each debtor in jointly administered cases to maintain a separate creditor mailing matrix. Local Rule 1001-1(c) permits modification of the Local Rules by the Court “in the interest of justice.” The Debtors submit that permitting them to maintain a single consolidated list of creditors, in lieu of filing a separate creditor matrix for each Debtor, is warranted.

13. The Chapter 11 Cases involve thirty-nine (39) separate debtors. In the ordinary course of their businesses, the Debtors do not maintain presently lists of the names and addresses of their respective creditors on a Debtor-specific basis. Requiring the Debtors to segregate and convert their computerized records to provide thirty-nine separate Debtor-specific creditor matrices would be an unnecessarily burdensome task and would result in duplicate mailings. Moreover, the new requirement that each debtor maintain a separate creditor matrix was implemented to provide parties with information that may be necessary in the event of conversion to a chapter 7 liquidation. Because of the pre-negotiated nature of these Chapter 11 Cases and the Debtors’ anticipated short time in bankruptcy, this concern is not implicated in these Chapter 11 Cases. Accordingly, the Debtors submit that waiving the requirements of Local Rule 2002-1(f)(v) is “in the interest of justice” and will expedite the administration of these Chapter 11 Cases.

14. Courts in this jurisdiction have granted similar relief since the modifications to Local Rule 2002-1(f)(v) took effect. *See, e.g., In re Maxcom Telecomms., S.A.B. DE C.V.*, Case No. 13-11839 (PJW) (Bankr. D. Del. Aug. 15, 2013) (authorizing the filing of a consolidated list of creditors in lieu of separate mailing matrices); *In re Dex One Corp.*, No. 13-10533 (KG) (Bankr. D. Del. Mar. 19, 2013) (same); *In re Geokinetics Inc.*, No. 13-10472 (K.JC) (Bankr. D. Del. Mar. 12, 2013) (same); *In re Ormet Corp.*, No. 13-10334 (PJW) (Bankr. D. Del. Feb. 27, 2013) (same). The Debtors submit that granting similar relief here is appropriate under the circumstances.

**B. Cause Exists to Grant a Waiver of the Requirement
That FriendFinder File a List of Equity Security Holders**

15. Approximately 32,822,761 shares of FriendFinder's common stock are actively traded on public exchanges. Preparing a list of FriendFinder's equity security holders with last known addresses would prove expensive and time-consuming to the extent that the Debtors were even able to ascertain such information and ultimately serve little or no beneficial purpose. The Debtors further submit that, if it becomes necessary for such equity security holders to file proofs of interest, which is unlikely given that such interests will be cancelled pursuant to the terms and conditions of the joint chapter 11 plan that will soon be filed, the Debtors will provide them with notice of the deadline therefor and an opportunity to assert such interests. Thus, equity security holders will not be prejudiced. Accordingly, a waiver of the requirement that FriendFinder files a list of equity security holders is appropriate here.

16. Section 105(a) of the Bankruptcy Code, which codifies the equitable powers of the bankruptcy court, empowers courts to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). This section thus "empowers [courts] to fashion orders in furtherance of Bankruptcy Code

provisions.” *In re Joubert*, 411 F.3d 452, 455 (3d. Cir. 2005). In light of the facts and circumstances surrounding these Chapter 11 Cases, the Court has authority, consistent with Bankruptcy Rule 1007, to grant the relief requested herein. See *In re Hawkeye Renewables, LLC*, No. 09-14461 (KJC), 2010 WL 2745975, at *24 (Bankr. D. Del. June 2, 2010) (waiving requirement to file list of equity security holders); *In re Elec. Components Int’l, Inc.*, No. 10-11054 (KJC), 2010 WL 3350305, at *25 (Bankr. D. Del. May 11, 2010) (same); *In re Wash. Mut., Inc.*, No. 08-12229 (MFW) (Bankr. D. Del. Oct. 7, 2008) (same).

17. Additionally, as described in the First Day Declaration, it is the intent of the Debtors and the Senior Debt Holders to resolve these Chapter 11 Cases as soon as practicable. Indeed, the Debtors anticipate emerging from bankruptcy on or before December 31, 2013.

18. Courts in this District have granted similar motions to waive the requirement to file a list of equity security holders where the debtors anticipated an abbreviated time in bankruptcy. See, e.g., *In re Maxcom Telecomms., S.A.B. DE C.V.*, Case No. 13-11839 (PJW) (Bankr. D. Del. Aug. 15, 2013) (waiving requirement to file list of equity security holders); *In re Affiliated Media, Inc.*, No. 10-10202 (KJC) (Bankr. D. Del. Jan. 26, 2010) (same); *In re Dex One Corp.*, No. 13-10533 (KG) (Bankr. D. Del. Mar. 19, 2013) (same); *In re Homer City Funding, LLC*, No. 12-13024 (KG) (Bankr. D. Del. Nov. 7, 2012) (same); *In re CHL, Ltd.*, No. 12-12437 (KJC) (Bankr. D. Del. Aug. 31, 2012) (same); *In re Vertis Holdings, Inc.*, No. 08-11460 (CSS) (Bankr. D. Del. Aug. 13, 2008); *In re ACG Holdings, Inc.*, No. 08-11467 (CSS) (Bankr. D. Del. Aug. 12, 2008) (same). The Debtors submit that granting similar relief here is appropriate under the circumstances.

Notice

19. Notice of this Motion has been given to the following parties or, in lieu thereof, to their counsel, if known: (a) the Office of the United States Trustee for the District of Delaware; (b) counsel to the Senior Debt Holders; (c) creditors holding the thirty (30) largest unsecured claims as set forth in the consolidated list filed with the Debtors' petitions; (d) those parties requesting notice pursuant to Rule 2002; (e) the Office of the United States Attorney General for the District of Delaware; (f) the Internal Revenue Service; and (g) the Securities and Exchange Commission. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given. As the Motion is seeking "first day" relief, within two (2) business days of the hearing on the Motion, the Debtors will serve copies of the Motion and any order entered respecting the Motion in accordance with the Local Rules.

No Prior Request

20. No previous application for the relief sought herein has been made to this or any other court.

Conclusion

WHEREFORE, the Debtors respectfully request that this Court enter an order granting the relief requested herein and that it grant the Debtors such other and further relief as is just and proper.

Dated: September 17, 2013

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Proposed Counsel for the Debtors
and Debtors-in-Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

PMGI Holdings Inc., *et al.*,¹

Debtors.

Chapter 11

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(Joint Administration Requested)

Ref. Docket No. _____

**ORDER (A) AUTHORIZING THE DEBTORS TO FILE A
CONSOLIDATED LIST OF CREDITORS IN LIEU OF SUBMITTING A
SEPARATE MAILING MATRIX FOR EACH DEBTOR AND (B) WAIVING
THE REQUIREMENT TO FILE THE LIST OF EQUITY SECURITY HOLDERS**

Upon the motion (the “**Motion**”)² filed by the above-captioned debtors and debtors-in-possession (collectively, the “**Debtors**”) seeking entry of an order: (a) authorizing the Debtors to file a consolidated list of creditors in lieu of submitting separate mailing matrices for each Debtor; and (b) waiving the requirement that FriendFinder Networks Inc. (“**FriendFinder**”) file a list of equity security holders; and upon the *Declaration of Ezra Shashoua in Support of the Debtors’ Chapter 11 Petitions and Requests for First Day Relief* (the “**First Day Declaration**”); and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these Chapter 11 Cases and the

¹ The Debtors in these Chapter 11 Cases, along with the last four (4) digits of each Debtor’s federal tax identification number, are: Blue Hen Group Inc. (9667), Argus Payments Inc. (4661), Big Island Technology Group, Inc. (9795), Confirm ID, Inc. (7020), Danni Ashe, Inc. (5271), Fastcupid, Inc. (7869), Fierce Wombat Games Inc. (2019), FriendFinder California Inc. (2750), FriendFinder Networks Inc. (0988), FRIENDFINDER VENTURES INC. (3125), FRNK Technology Group (7102), General Media Art Holding, Inc. (2637), General Media Communications, Inc. (2237), General Media Entertainment, Inc. (2960), Global Alphabet, Inc. (7649), GMCI Internet Operations, Inc. (7655), GMI On-Line Ventures, Ltd. (7656), Interactive Network, Inc. (5941), Magnolia Blossom Inc. (8925), Medley.com Incorporated (3594), NAFT NEWS CORPORATION (4385), Penthouse Digital Media Productions Inc. (1056), Penthouse Images Acquisitions, Ltd. (9228), PerfectMatch Inc. (9020), Playtime Gaming Inc. (4371), PMGI Holdings Inc. (2663), PPM Technology Group, Inc. (9876), Pure Entertainment Telecommunications, Inc. (9626), Sharkfish, Inc. (1221), Snapshot Productions, LLC (7091), Streamray Inc. (2716), Streamray Studios Inc. (1009), Tan Door Media Inc. (1100), Traffic Cat, Inc. (1223), Transbloom, Inc. (1168), Various, Inc. (7762), Video Bliss, Inc. (6760), West Coast Facilities Inc. (4751), XVHUB Group Inc. (9401). The Debtors’ business address is 6800 Broken Sound Parkway NW, Suite 200, Boca Raton, FL 33487.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. For the reasons set forth on the record, the Motion is GRANTED as set forth herein.
2. The requirement that the Debtors submit separate mailing matrices for each Debtor pursuant to Rule 2002-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware is permanently waived.
3. The requirement that FriendFinder file a list of equity security holders pursuant to Rule 1007 of the Federal Rules of Bankruptcy Procedure is permanently waived.
4. This Court shall retain jurisdiction to hear and determine all matters arising from or relating to the interpretation or implementation of this Order.

Dated: _____, 2013

HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE