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8 Attorneys for Secured Creditor
9 JIM FRENCH STUDIOS, INC.

10 UNITED STATES BANKRUPTCY COURT
11 NORTHERN DISTRICT OF CALIFORNIA

12 In re)
13)
14 PROWEST MEDIA CORPORATION,)
15)
16)
17)
18 Debtor.)

Case No. 10-12153-AJ
(Chapter 11)

**DECLARATION OF
RONALD A. KRAMER IN LIEU OF
DIRECT TESTIMONY IN
SUPPORT OF MOTION FOR
RELIEF FROM THE AUTOMATIC
STAY**

Hearing Date: 8/12/2010
Time: 10:00 a.m.
Santa Rosa Courtroom

19 I, Ronald A. Kramer, state:

- 20 1. I am a certified public accountant, and the principal of Kramer Accountancy
21 Corporation, 120 N. Topanga Canyon Blvd., Ste. 111, Topanga, CA 90290.
- 22 2. I have been requested by counsel for Jim French Studios, Inc. to provide some
23 financial background concerning the credit sale by Jim French Studios, Inc. to Prowest Media
24 Corporation, as well as an opinion on the ongoing deterioration of the value of JFS's collateral
25 rights.
- 26 3. Since 1993, I have been the certified public accountant for Jim French Studios,
Inc., formerly known as Colt Studio. Along with his counsel, I assisted Mr. French in the sale of

1 the assets of Colt Studio to Prowest Media Corporation. The sale closed in June of 2003.

2 4. Following the closing of the sale, I assisted Mr. French in his efforts to collect on
3 the \$2,200,000 note he received in connection with the sale. Among other things, I received and
4 reviewed ongoing gross income and profit information provided to Mr. French by Prowest. I
5 have also reviewed the bankruptcy schedules and the most recent Monthly Operating Report
6 filed by Prowest in this bankruptcy case.

7 5. As is common in many business asset sales, particularly those documented by
8 attorneys and accountants, this sale included an allocation of the purchase price among the
9 different classes of assets included in the \$2,495,000 purchase price. A correct copy of the
10 portion of the Asset Purchase Agreement setting forth the purchase price allocation in this
11 particular case is attached to this Declaration and labeled Exhibit 1.

12 6. This purchase price allocation was the result of an arm's-length negotiation
13 between the parties, and to the best of my recollection represented an agreed upon statement of
14 the proper accounting for the purchase price. The sum of \$2,169,000 was allocated to the
15 intangible assets included in the sale, such as the Colt brand name and other intellectual
16 property.

17 7. I have no first-hand knowledge or expertise on the current fair market value of
18 the Colt brand and other intangible assets included in the sale from JFS. However, I note from
19 Prowest's bankruptcy Schedule B, that it values these assets at essentially unknown.

20 8. An important component in valuing any business or its assets is its ^{Financial} financial
21 ^{Performance} performance. The numbers I have been provided indicate that the gross sales of Prowest have
22 precipitously declined. I am informed that the gross sales are the following: 2006- \$3,582,401;
23 2007- \$2,958,906; 2008- \$2,242,515; and 2009 - \$1,617,365. I am further informed that
24 Prowest is currently on track to gross only \$1,200,000 after 2010.

25 9. Based on this trend, along with the admissions set forth in Prowest's bankruptcy
26 schedules, it is my opinion that the value of JFS's collateral rights in the intangible assets and

1 other property of Prowest is significantly declining over time.

2 I declare under penalty of perjury of the laws of the United States that the foregoing is
3 true and correct, that I have personal first hand knowledge thereto, that if called as a witness I
4 could and would testify competently thereto, and that this Declaration is executed on August 5,
5 2010, at Los Angeles , California.


/s/ Ronald Kramer
Ronald Kramer

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month following the date of Closing for \$4,000 for the month (the "Lease") in the form attached as Exhibit A. During the Lease term, Jim shall have the right to post "for sale" signs on the Premises and to show it to possible buyers, provided that any showing shall not materially interfere with Buyer's conduct of its business on the Premises.

On or immediately before the Closing, Seller shall cause each utility service providing services to or for the Premises to issue to Seller statements for the balances then due for utility services to the Premises, including telephone, electric, gas, water and waste removal, and Seller shall pay all such charges when due. Buyer shall use all such utility services in the name of Seller during the term of the Lease and shall timely pay to each utility service or timely pay to Jim, or as otherwise directed by Jim, all charges by such utility services to the Premises during the term of the Lease.

1.4 No Assumption of Liabilities or Obligations of Seller. Buyer shall not assume any liabilities or obligations of Seller of any kind or nature whatsoever, whether with respect to the Assets or otherwise. Notwithstanding the foregoing, Buyer shall assume and be responsible for any and all obligations arising from Buyer's operation of its business following the Closing.

Notwithstanding the foregoing, Buyer shall assume and pay all obligations under the promissory note dated February 14, 2001 (Loan Number 501000682) by and between Seller and First Commerce Bank (the "Loan") which was incurred in connection with Seller's acquisition of the 1996 green GMC SV (VIN 1GKDM19W9TB508175) (the "Auto"), or in the event the Loan is not assumable, acquire the Auto subject to the Loan. Buyer shall indemnify, defend and hold Seller harmless for Buyer's failure to perform its obligations under the Loan following the Closing Date.

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ARTICLE II

PURCHASE PRICE, PAYMENTS AND TRANSACTIONS BEFORE AND AT CLOSING

2.1 Purchase Price. In exchange and as consideration for the Assets and in full payment of the purchase price therefor, Buyer shall pay Seller, in the manner provided in Section 2.6, an aggregate purchase price of Two Million Four Hundred Ninety-Five Thousand Dollars (\$2,495,000) and the "Earn-Out," as provided in Section 2.4(a) (the "Purchase Price").

2.2 First Lien. Seller shall be granted a first lien (the "First Lien") on all Assets sold or otherwise transferred by

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