CAUSE NO. D-1-GN-25-005158

TEXAS MUSIC HOLDING COMPANY, LLC; HEARD ENTERTAINMENT TEXAS, LLC; 606 HOLDINGS, LLC; THE PARISH AUSTIN LLC; THE PARISH AUSTIN II, LLC; and STEPHEN STERNSCHEIN	§	IN THE DISTRICT COURT
Plaintiffs/Counter-Defendants,	§	
v.	§	459TH JUDICIAL DISTRICT
GLOBAL WORLDWIDE INTERNATIONAL 3 LLC; GLOBAL WORLDWIDE INTERNATIONAL 2 LLC; and ANDREW SERNOVITZ	§	
Defendants/Counter-Plaintiffs.	§	
DAVID MACHINIST; ADVENTURES AGENCY INC.; AA OPERATIONS LLC AND VELVET TECHNOLOGY SOLUTIONS TEXAS, LLC	§	
Counter-Defendants	§	TRAVIS COUNTY, TEXAS

DEFENDANTS' RESPONSE TO APPLICATION FOR TEMPORARY RESTRAINING ORDER

TO THE HONORABLE JUDGE OF SAID COURT:

Defendants/Counter-Plaintiffs Global Worldwide International 3 LLC ("***GWI3***"), Global Worldwide International 2 LLC ("***GWI2***"), and Andrew Sernovitz ("***Sernovitz***") (collectively, the "***Sernovitz Parties***" or "***Defendants***") file this Response to Application for Temporary Restraining Order made by Plaintiffs Stephen Sternschein ("***Sternschein***"), Texas Music Holding Company, LLC ("***TMHC***"), Heard Entertainment Texas, LLC ("***Heard***"), 606 Holdings, LLC ("***606 Holdings***"), The Parish Austin LLC, and The Parish Austin II, LLC (collectively, the "***Plaintiffs***";

together with Adventures Agency Inc. ("***Adventures Agency***"), AA Operations, LLC and Velvet Technology Solutions Texas, LLC, the "***Sternschein Enterprises***").

INTRODUCTION

1. Sternschein and the Sternschein Enterprises fraudulently induced the Sernovitz Parties to invest in and become a consultant for their business, which is nominally related to concert hosting and promotion at beloved local Austin venues "The Parish" and the "Empire Control Room".

2. After Sernovitz discovered the extent of the Sternschein Enterprises' fraudulent and illegal activities — including: (1) defrauding federal and state entities by deliberately failing to pay payroll and liquor taxes due and owing from the Sternschein Enterprises; (2) misclassifying and failing to pay multiple employees, artists and vendors; (3) fraudulently inducing a governmental lender to make a substantial loan to one entity, while secretly agreeing to convey the real estate collateral for such loan to another entity; (4) fraudulently inducing investors of the various Sternschein Enterprises on the basis of fictitious financial information; and (5) ignoring fundamental operational and corporate governance controls, commingling funds among entities with disparate ownership, and making hidden distributions disguised as loan repayments — Sernovitz immediately terminated his Independent Contractor Agreement for "Cause" pursuant to its terms, and notified other investors in the Sternschein Enterprises of what he had discovered.

3. The Application for Temporary Injunction is a frivolous effort to temporarily gag the Sernovitz Parties' constitutional right to communicate on a matter of public concern to other individuals who have been affected by Sternschein's criminal activity, and should clearly be denied.

BACKGROUND

A. Sernovitz was fraudulently induced by Sternschein to purchase ownership interests in 606 Holdings, and to become a consultant and equity holder of Texas Music Holding Company, LLC.

7. Sternschein controls the Sternschein Enterprises as follows: (1) Sternschein is the Manager of each of TMHC, Heard, The Parish Austin LLC, and The Parish Austin II, LLC; (2) TMHC is the controlling equityholder of Heard; (3) Heard is the Manager of 606 Holdings; (4) Sternschein is the Director and President of Adventures Agency; and (5) Sternschein is the Director and CEO of, and TMHC is the sole owner of, Velvet Technology Solutions Texas, LLC.

8. The Sernovitz Parties were presented with false information by Sternschein to induce the purchase by GWI2 of 6,326 "Share Interests" in 606 Holdings (representing 33.33% of total ownership of the entity) from Heard for a total purchase price of $500,000.

9. The two Share Interest Purchase Agreements providing for the purchase by GWI2 from Heard of these Share Interests required Heard to cause certain real estate located at 604 E. 7th Street, Austin, Texas 78701 (the "***604 Real Estate***") to be conveyed to 606 Holdings by May 31, 2025, or otherwise grant GWI2 a 33.33% Tenant in Common interest in the 604 Real Estate.

10. As set out more fully in the Sernovitz Parties' Original Answer, Counterclaims and Application for Appointment of Receiver filed in conjunction herewith, the various material misrepresentations and omissions made by Sternschein and the Sternschein Enterprises in the course of the solicitation of Sernovitz Parties' investment include, among other things:

i. Failing to disclose that (a) Heard's intent, and its contractual obligation pursuant to the Share Interest Purchase Agreements, to transfer the 604 Real Estate to 606 Holdings had never been disclosed to the lender holding a mortgage on the 604 Real Estate or to other members of Heard, (b) such transfer would violate the covenants of the loan

documents in favor of such lender, and (c) that no effort had been made to effectuate such transfer;

ii. Failing to disclose that 606 Holdings, which also owns a different parcel of real estate located at 606 E. 7th Street, Austin, Texas 78701 (the "***606 Real Estate***"), was late on mortgage payments to the lender holding a mortgage on the 606 Real Estate at least 12 times in the months prior because Heard, as tenant (and, incidentally, the Manager of 606 Holdings) had failed to pay rent to 606 Holdings, risking foreclosure upon the 606 Real Estate and complete loss of the investment by GWI2 and other members of 606 Holdings;

iii. Failing to disclose that 606 Holdings guaranteed loans procured by Adventures as borrower without consent of the members of 606 Holdings, and that the loans to Adventures Agency were cross collateralized by the 606 Real Estate owned by 606 Holdings; and

iv. Misrepresenting that all employees of the Sternschein Enterprises were paid properly through the Gusto payroll system, when in fact thousands of individual paychecks were (manually) issued under the table outside the payroll system, and that most workers were incorrectly classified as contractors, in an effort to defraud the taxing authorities.

11. In addition to fraudulently inducing GWI2's investment, Sternschein also induced GWI3 to agree to become a consultant for the Sternschein Enterprises — with services delivered by Sernovitz as principal of GWI3 — because Sternschein professed to need assistance in "cleaning up the operation," a task which unfortunately turned out to be an incredible understatement.

12. Pursuant to that certain Independent Contractor Agreement executed February 19, 2025 by and among GWI3, TMHC and other Sternschein Enterprises ("***ICA***"),[1] GWI3 was to perform certain consulting services for TMHC and the Sternschein Group. The ICA was crystal clear that although Sernovitz would be given the title of "President," such designation was for convenience only, and that GWI3 and Sernovitz would remain Independent Contractors of TMHC and *not* become an "agent, employee, affiliate, officer or representative of the Company Group…" In exchange for its services, GWI3 received equity in TMHC and was entitled to reimbursement of its expenses, however, neither GWI3 nor Sernovitz were to receive cash consulting fees until October 1, 2025. Of course, if Sernovitz had known the true nature of the fraudulent mess he was being asked to clean up, for no compensation and worthless shares, he would never have agreed to this arrangement.

B. Sernovitz was never in control of the Sternschein Enterprises and only discovered the extent of Sternschein's fraud on a massive scale in May 2025

13. At all times during GWI3's consultancy for the Sternschein Enterprises, Sternschein was the Chief Executive Officer, with full control of the Sternschein Enterprises. Sternschein retained all final decision-making authority for the Sternschein Enterprises on all matters, and had control of all bank accounts, accounting systems, software, management and planning systems, and full access to all company files. At no point in time was Sernovitz ever given access to the full corporate records for the Sternschein Enterprises, and all records were kept by Sternschein and provided selectively to Sernovitz upon request (if at all). Sernovitz came to understand why the records were kept secret much later.

14. Sternschein had control of all payment systems and bank accounts, and made choices of what bills were paid. Sernovitz was never in control of finances or money. Specific

[1] A true and correct copy of the Independent Contractor Agreement is attached hereto as Exhibit A.

claims that Sernovitz was a fiduciary or made "improper" payments are baldly false. Additionally, David Machinist controlled logins to virtually every online account, tied to his email and phone number, even after he ceased being an employee or equity holder of the Sternschein Enterprises. Sernovitz had to get his permission on a case-by-case basis to log in to most things.

15. During this short consulting role, keeping various creditors at bay was a full-time job for GWI3 and Sernovitz, and it was the Sernovitz Parties' own purchase money that largely paid for the retirement of numerous outstanding debts of the Sternschein Enterprises (as well as cash payments of $30,000 each to Sternschein and David Machinist). The financial record keeping that would allow the Sternschein Enterprises to even come to grips with the unpaid employees, vendors, musicians, and tax authorities was shoddy and incomplete, so one of Sernovitz's first recommendations was to fire the Sternschein Enterprises' prior accountant, and hire professional CPAs to quantify and provide advice on the consequences of the Sternschein Enterprises' prior failure to pay taxes and other debts. After the Sernovitz Parties terminated the ICA for "Cause" pursuant to its terms, Sternschein immediately fired the professional accountants that Sernovitz had hired on behalf of the Sternschein Enterprises, and as with so many others, Sternschein and the Sternschein Enterprises failed to pay them for their services rendered. No CPA is currently employed or retained by the Company Group.

16. Another important fact that Sernovitz learned in the first weeks of his unpaid consultancy was that the lender with a mortgage on the 604 Real Estate (the City of Austin's economic development corporation "***Rally Austin***") had absolutely no knowledge of Heard's plan to convey the real estate to 606 Holdings, which was the material inducement to GWI2's purchase of Share Interests in 606 Holdings from Heard. Since no material steps had been taken by the Sternschein Enterprises to effectuate the promised transfer, Sernovitz, as an interested party in

such transfer and at the request of Sternschein and the Sternschein Enterprises, worked with Rally Austin to seek to obtain the necessary consents to effectuate the transfer of the 604 Real Estate and related mortgage to 606 Holdings. This was a time-consuming and expensive task, since the lender required TMHC — with GWI3 advancing immediate funds on TMHC's behalf pursuant to the terms of the ICA — to cover lender's legal expenses incurred to obtain its consent and draft the necessary documentation, a process which remains uncompleted, and for which the Sernovitz Parties have not been reimbursed.[2]

17. Sternschein later admitted, *after* GWI3 terminated the ICA for "Cause" pursuant to its terms based on the numerous frauds that were uncovered, "[s]tepping in to deal with all of the angry folks we haven't been able to pay on time and who I haven't been able to properly communicate with, was and is something I don't think I will ever be able to fully thank you for personally, but for what it's worth I am eternally grateful."

18. Unfortunately, the failure to pay taxes and other liabilities of the Sternschein Enterprises was just the tip of the iceberg, and over the three months of GWI3's consultancy the full extent of Sternschein's fraudulent activity and schemes were revealed.

C. The Sernovitz Parties terminate the ICA and disclose fraudulent acts and other mismanagement to the other owners of 606 Holdings

19. On May 19, 2025, Sernovitz gave notice that GWI3 was terminating the ICA for "Cause" according to its terms, on the basis of the misrepresentations and bad actions set forth above.[3] On May 28, 2025, Sernovitz, in his capacity as a member of 606 Holdings, emailed a

[2] Sternschein has falsely accused the Sernovitz Parties of trying to prevent the transfer of the 604 Real Estate, which is nonsensical since such transfer was obviously in GWI2's interest and Sernovitz contributed a substantial amount of time and legal expenses to such transfer, without reimbursement.

[3] A true and correct copy of the termination notice is attached hereto as Exhibit B.

"Partner Memo" to the other members holding Share Interests in 606 Holdings.[4] In the Partner Memo, Sernovitz relayed his concerns to fellow investors with a shared interest in the performance of 606 Holdings, that among other issues, there existed no complete set of financial information for the company, taxes had not been paid, and that their entire investment had been put at risk due to the Sternschein Enterprises' mismanagement and self-dealing related to the real estate owned (or which should have been owned) by 606 Holdings. Sernovitz requested the replacement of the current manager, Heard, with a new manager that would not have a conflict of interest and continue to act against the interest of the members of 606 Holdings. And this was why he was sued.

ARGUMENTS AND AUTHORITY

20. To be entitled to a temporary restraining order or injunction, an applicant must plead and prove three specific elements: (1) a cause of action against the defendant; (2) a probable right to the relief sought; and (3) a probable, imminent, and irreparable injury in the interim. *Butnaru v. Ford Motor Co.,* 84 S.W.3d 198, 204 (Tex. 2002). "Probable injury" includes the elements of imminent harm, irreparable injury, and no adequate remedy at law. In relevant part, rule of civil procedure 683 requires every order granting a temporary injunction to state the reasons for its issuance, be specific in terms, and describe in reasonable detail and not by reference to the complaint or other document, the act or acts sought to be restrained. Tex. R. Civ. P. 683.

21. The Plaintiffs will fail to meet their burden to support the imposition of a temporary restraining order.

A. Plaintiffs have no probable right to the relief sought

22. Plaintiffs have brought a cause of action against the Defendants for breach of fiduciary duty and business disparagement, and have sought to unconstitutionally restrain the

[4] A true and correct copy of the Partner Memo is attached hereto as Exhibit C.

Defendants' ability to communicate with other parties with similar interests. They will not prevail and the Temporary Restraining Order should be denied for the following reasons:

a. Sernovitz and the Sernovitz Parties are not officers or employees of any of the Sternschein Enterprises and do not owe fiduciary duties to them

23. The ICA is crystal clear that GWI3 and Sernovitz would remain "independent contractors" of TMHC and are *not* an "agent, employee, affiliate, officer or representative of the Company Group…".[5] The parties therefore specifically agreed that the Sernovitz Parties hold no status as a fiduciary of the Sternschein Enterprises, and therefore no duty is owed to such entities. The existence of such duty is an essential element of the Plaintiffs' cause of action, and therefore such claims will fail.

b. The Plaintiffs cannot demonstrate the elements of their claim for "business disparagement"

24. In addition to the Plaintiffs' burden of proving the Defendants' words were "false," or that Sernovitz acted with "malice" towards the Sternschein Enterprises, the Plaintiffs must establish that the Defendants published disparaging words that "caused special damages." *See Memorial Hermann Health Sys. V. Gomez*, 649 S.W.3d 415, 423 n.13 (Tex. 2022). Special damages are a pecuniary loss that Plaintiffs have suffered that have been realized or liquidated (e.g., the loss of specific sales). *See Hurlbut v. Gilf Atl. Life Ins.*, 749 S.W.2d 762, 766 (Tex. 1987). There is no evidence that the May 28 Partner Memo or any subsequent communication with the members of 606 Holdings were false, or that Defendants have caused any such losses, simply by (truthfully) conveying to other interested investors the reality of how Sternschein had managed the Sternschein Enterprises prior to Sernovitz's investment. Since they cannot demonstrate the elements of their claim for business disparagement, the Plaintiffs' request for injunctive relief must

[5] By the ICA's definition, the "Company Group" includes all of the Sternschein Enterprises and other non-party subsidiaries of TMHC.

fail. In reality, Sernovitz's actions with and on behalf of fellow members would have the effect of *preventing* catastrophic loss and damages. Sternschein's fraudulent activity and gross management of the business will likely to lead to foreclosure of the Real Estate, resulting in a total loss of all value and collapse of the Sternschein Enterprises.

c. The Plaintiffs seek an unconstitutional prior restraint on Defendants' right to communicate with other investors and third parties

25. The Texas Constitution protects the right to free speech. A temporary injunction that constitutes a prior restraint on free speech comes before a court with a "heavy presumption" against its constitutional validity. *Davenport v. Garcia*, 834 S.W.2d 4, 10 (Tex. 1992) (noting a prior restraint will withstand scrutiny only under the most extraordinary circumstances); *Brammer v. KB Home Lone Star, L.P.*, 114 S.W.3d 101, 107 (Tex. App.--Austin 2003, no pet.). It is well-settled that Texas courts will not grant injunctive relief in defamation or business disparagement actions if the language enjoined evokes no threat of danger to anyone, even though the injury suffered cannot easily be reduced to specific damages. *Hajek v. Bill Mowbray Motors, Inc.*, 647 S.W.2d 253, 255 (Tex. 1983) (holding language enjoined evoked no threat of danger to anyone and defamation alone is not sufficient justification for restraining an individual's right to speak freely); see also TEX. CONST. art. I, § 8. Prior restraints may withstand constitutional scrutiny only when a trial court makes specific findings supported by the evidence that (1) an imminent and irreparable harm will deprive litigants of a just resolution of their dispute, and (2) the judicial action represents the least restrictive means to prevent that harm. *Davenport,* 834 S.W.2d at 10. *Porcari v. OMDA Oil & Gas, Inc.*, No. 05-07-00390-CV, 2007 Tex. App. LEXIS 8360, at *9 (Tex. App.—Dallas Oct. 23, 2007, pet. dism'd w.o.j.).

26. The relief sought by the Plaintiffs "to prevent Defendants from communicating with any employees, independent contractors, vendors, clients, customers, or affiliates of the TMHC

Group," and to "refrain from any future false, misleading, defamatory, or disparaging statements against Plaintiffs" is a frivolous and unconstitutional effort to prevent parties with a vested interest from knowing of the Plaintiffs' illegal activities, and should be summarily denied by this Court.

PRAYER

For the reasons stated herein, Defendants request that the Court deny the application for temporary restraining order and grant Defendants all other relief to which they are entitled.

Respectfully submitted,

DUBOIS, BRYANT & CAMPBELL, LLP
303 Colorado St., Suite 2300
Austin, TX 78701
Telephone: (512) 457-8000

By: */s/ Andrew Vickers*
Andrew Vickers
State Bar No. 24084021
avickers@dbcllp.com
Kevin Brown
State Bar No. 24045222
kbrown@dbcllp.com

ATTORNEY FOR DEFENDANTS GLOBAL WORLDWIDE INTERNATIONAL 3 LLC, GLOBAL WORLDWIDE INTERNATIONAL 2 LLC, and ANDREW SERNOVITZ

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel listed below via the Texas e-file system on this the 18th day of August 2025:

Christopher Douglas
Douglas Law, PLLC
P.O. Box 41333
Austin, Texas 78704
Chris@DouglasLaw.us

ATTORNEY FOR PLAINTIFFS

/s/ Andrew Vickers
Andrew Vickers