

CAUSE NO. 2022-10250

MEGAN PETE P/K/A, MEGAN THEE STALLION, <i>Plaintiff and Counter-Defendant,</i>	§	IN THE DISTRICT COURT OF
	§	
	§	
	§	
v.	§	152ND JUDICIAL DISTRICT
	§	
1501 CERTIFIED ENTERTAINMENT, LLC, <i>Defendant and Counterclaimant.</i>	§	
	§	
	§	HARRIS COUNTY, TEXAS

**1501 CERTIFIED ENTERTAINMENT, LLC’S ANSWER TO FIRST AMENDED
PETITION AND SECOND AMENDED COUNTERCLAIMS**

Defendant and Counterclaimant 1501 Certified Entertainment, LLC (“1501”) files its Answer to Plaintiff and Counter-Defendant Megan Pete p/k/a Megan Thee Stallion’s First Amended Petition and its Second Amended Counterclaims as follows:

SUMMARY OF LAWSUIT

Megan Pete p/k/a Megan Thee Stallion (“MTS”)¹ has repeatedly made false and baseless accusations in the press against 1501 and its founder and CEO, Carl Crawford. But none of it has been under oath, and here is why.

1501 is the record company that discovered MTS and signed her in 2018, back before she was the success she is now, and when no other record labels were interested in signing her. 1501 made a distribution deal with 300 Entertainment (defined below), which helped to make MTS a star. And, as soon as she became a star, MTS decided that she no longer needed 1501 or Carl Crawford, so she has pursued baseless legal actions in an attempt to get out of her valid contractual obligations.

This is MTS’s second lawsuit against 1501. MTS filed her first lawsuit to try to force 1501 to renegotiate aspects of her recording contract after she signed with new management at Roc

¹ 1501 and MTS are collectively referred to as “the parties.”

Nation. In her first lawsuit, MTS brought outrageous claims that she never was able to prove. Ultimately, 1501 agreed to negotiate and sign a Settlement Agreement that amended and affirmed portions of MTS's original record contract. That Settlement Agreement was signed by the parties, who were each represented by multiple attorneys.² Desiree Perez, CEO of Roc Nation, along with multiple lawyers and other professionals, negotiated the Settlement Agreement on behalf of MTS.

As part of the Settlement Agreement, attorneys representing each of the parties signed a Joint Notice of Nonsuit with Prejudice. But MTS's lawyers never filed the Settlement Agreement or Joint Notice of Nonsuit with Prejudice with the Court, and MTS denied the existence and enforceability of that Settlement Agreement while accepting benefits under it. MTS has also repeatedly failed to comply with her obligations under the Settlement Agreement, discussed further below.

1501 filed a motion to enforce the Settlement Agreement and dismiss MTS's first lawsuit on October 6, 2021. A hearing on that motion was scheduled for Friday, February 25, 2022. A week before the hearing, MTS voluntarily dismissed her first lawsuit to avoid the hearing.

On Friday, February 18, 2022, MTS filed this second lawsuit against 1501. After denying the validity of the signed Settlement Agreement in her first lawsuit, MTS has admitted its validity in her second lawsuit. *See* First Amended Petition ¶ 15.

On August 18, 2022, MTS filed her First Amended Petition in this case, seeking a declaration that two of her releases—"Something for Thee Hotties" and "Traumazine"—constitute "albums" that satisfy her recording commitments, thereby rendering all of the option periods in the recording agreements between the parties satisfied. MTS additionally alleges that 1501 has

² In her original Artist Agreement, MTS was advised to obtain independent legal counsel prior to executing the Agreement and she represented that she either did so or knowingly opted to forego obtaining such independent legal advice. Artist Agreement ¶ 26(j).

failed to properly account to her, causing her to be underpaid for certain royalties. MTS's claims are without merit, and she owes 1501 one more album under the parties' contracts, as well as many millions of dollars.

There are three contracts that govern the relationship between MTS and 1501 as follows:

1. Exclusive Artist Recording and Performance Contract ("Artist Agreement"), dated February 3, 2018.
2. Pressing and Distribution Agreement with 300 Entertainment ("Distribution Agreement"), dated November 26, 2018.
3. Settlement Agreement, dated March 1, 2021.

MTS agreed to deliver three albums under her contracts. In November 2020, MTS released her first album, "Good News." In August 2022, MTS released her second album, "Traumazine."³ MTS has sued for a declaratory judgment that "Something for Thee Hotties," which was released in October 2021, is also an album. It is not, and MTS must still deliver one more album under her contracts.

First, "Something for Thee Hotties" plainly does not constitute an "album" under the parties' agreements. "Something for Thee Hotties" is made up of 21 recordings and includes spoken interlude recordings on which MTS does not appear as well as several previously-released recordings. It was not original material and included freestyles available on YouTube and archival material from as far back as 2019. The result is that the total duration of new recordings featuring MTS is only 29 minutes long. The recording was described in the music press as a compilation record of archival materials and some new recordings. MTS herself described the release on social

³ MTS and Roc Nation have wrongfully accused 1501 of leaking Traumazine before its release date and have claimed to have "evidence" that 1501 did so in the trade press. Joe Price, *Megan Thee Stallion Responds to Claim She's Not From Houston, Carl Crawford and J Prince to Sit for Deposition*, COMPLEX (Aug. 24, 2022) <https://www.complex.com/music/megan-thee-stallion-responds-carl-crawford-claim-not-from-houston>. But, despite demand, MTS has not produced that evidence in this lawsuit.

media as, “Freestyles y’all been asking for plus a few unreleased songs from my archives to hold y’all over” And the trade press has described Traumazine as MTS’s sophomore album, which shows that even the industry did not consider Something for Thee Hotties to be an album.⁴

MTS knows that each “album” must include at least twelve new master recordings of her studio performances of previously-unreleased musical compositions. She also knows that 1501, as her record label (pursuant to a reasonable and common provision in the music industry), gets to approve the musical compositions to be included on each album. And MTS knows that none of that happened here. Indeed, 1501 only learned of the release of “Something for Thee Hotties” hours before it came out. By letter dated January 5, 2022, 1501 advised MTS’s lawyers that the most recent release is not an “album” under her contracts. MTS’s lawyers did not respond until January 24, 2022. 1501 replied three days later. MTS filed her second lawsuit without the notice required by her contracts or prior discussion on February 18, 2022. 1501 is not being punitive or unreasonable in this position as evidenced by the fact that 1501 approved the release of “Traumazine” and has not challenged that album, which is comprised of substantially more than twelve new master recordings, with an aggregate duration in excess of forty minutes, of her studio performances of previously-unreleased musical compositions.⁵

Second, MTS’s claim for failure to account and the underpayment of royalties is also baseless and misconstrues the contracts and the way that payment is managed between the parties. 1501 has complied with its contractual obligations to MTS. As the distributor of MTS’s music,

⁴ See, e.g., Chris Malone Méndez, *Megan Thee Stallion’s Sophomore Album ‘Traumazine’ Has Arrived*, FORBES (Aug. 12, 2022) <https://www.forbes.com/sites/cmalone/2022/08/12/megan-thee-stallions-sophomore-album-traumazine-has-arrived/?sh=de0090b40846>.

⁵ MTS never even attempted to determine whether 1501 would take the position that Traumazine was an album before amending her lawsuit.

Theory Entertainment LLC d/b/a 300 Entertainment (“300 Entertainment”),⁶ handles the production and marketing expenses. 300 Entertainment then collects the money from MTS’s record sales and deducts those expenses before paying the balance to 1501. 1501 then retains the amount it is entitled to under the contracts and pays any balance to MTS, after exercising its contractual right to offset any amounts MTS owes it from amounts MTS is due. The entire process as between MTS and 1501 is transparent.

Pursuant to the Distribution Agreement, 1501 is presently conducting an audit of 300 Entertainment to confirm that the amounts charged by it are correct and proper.⁷ To the extent the audit reveals that 300 Entertainment improperly deducted certain expenses and thus owes additional royalties, these additional royalties would be shared by 1501 and MTS per the terms of the Settlement Agreement—in other words, any amounts recovered under the audit of 300 Entertainment would benefit not only MTS but also 1501. Accordingly, any claims that MTS has concerning royalties, including any additional payments she believes she is owed or additional accounting she contends she is entitled to, are properly directed to 300 Entertainment, not 1501.

1501 additionally has the contractual right under ¶ 9(a) of the Artist Agreement to deduct amounts MTS owes 1501 from any future royalty payments due to MTS.⁸ And any argument that 1501 has wrongfully withheld money from MTS is baseless because MTS owes 1501 substantially more than her share of any royalty payments. Indeed, MTS has never fully accounted to 1501 for her Entertainment Income.⁹ Nor has she paid 1501 any part whatsoever of its due portion of her

⁶ 300 Entertainment was recently acquired by Warner Music Group.

⁷ Music industry audits routinely take a couple of years, and both Covid-19 and the acquisition of 300 Entertainment by Warner have caused further delay.

⁹ The contracts between the parties’ variably use the terms “Side Engagements,” “Ancillary Income,” and “Entertainment Income” to refer to MTS’s various non-recording activities that generate income that is required to be split with 1501.

Entertainment Income. Entertainment Income includes income from endorsements, sponsorships, special marketing arrangements, strategic partnerships, or other business relationships as well as exploitation of name, image, and likeness, merchandise, live performances, and performances in all media, among other things. 1501 is contractually entitled to a certain percentage of MTS's Entertainment Income.

MTS has also repeatedly breached the parties' Settlement Agreement. A reconciliation of accounts done as part of the settlement determined that MTS owed 1501 millions of dollars. Yet she has never paid 1501. MTS also demanded and received the right under the Settlement Agreement to administer her share of music publishing income. Under the Artist Agreement, 1501 was entitled to collect its own share of MTS's publishing as well as MTS's share. Under the Settlement Agreement, however, 1501 agreed to allow MTS to administer her retained share of her publishing rights and for 1501 to administer its share of her publishing rights. Even though 1501 retained its share of her publishing rights (a substantial percentage), MTS represented to Universal Music Publishing Group d/b/a Songs of Universal, Inc. ("Universal"), who administers her publishing, that she is entitled to all of the publishing income derived not only from her retained share of publishing rights but also from 1501's share as well. She is not so entitled. And MTS has refused—despite repeated demands—to correct that misrepresentation. As a result, 1501 has not received its contractual share of music publishing income under the Settlement Agreement and has effectively been prevented from entering into a third party administration agreement in respect of its share of the relevant musical compositions copyrights, potentially depriving 1501 of millions of dollars.

Further, under her renegotiated contract, MTS has an absolute obligation to defend and indemnify 1501 from all lawsuits for copyright infringement, which is customary in the music

industry because the artist is creating the musical compositions and the recordings thereof, which the artist then delivers to the record company (i.e., 1501), which in turn relies on the artist's representation and warranty that the materials delivered do not infringe upon the rights of any third party. Since the parties' settlement, three copyright lawsuits have been filed against MTS and 1501. 1501 has made demand on MTS for defense and indemnification, and MTS has repeatedly ignored those demands in violation of her contracts.

Over the course of her two lawsuits, and when she is not under oath, MTS has made false and baseless accusations in the press against 1501 and Carl Crawford. For example, MTS has claimed in the press that she has "never been paid from 1501."¹⁰ But in fact, MTS received an advance from 1501. MTS's claims against 1501 are wholly without merit and, in fact, MTS owes 1501 many millions of dollars for its contractual share of her Entertainment Income and music publishing income.

MTS has refused to meet with 1501 to discuss any of the aforementioned issues. She has never given 1501 notice of her claims or any opportunity to cure before filing her lawsuits as required by her contracts. When 1501 has provided MTS with notice of 1501's grievances, she has ignored 1501. When 1501 has requested evidence to support MTS's claims, she has refused to produce it.

MTS is still under contract to 1501. Accordingly, she must deliver one more album under the contracts, she must provide an accounting of Entertainment Income and music publishing income, she must pay 1501 its contractual percentage of Entertainment Income and music publishing income, and she must defend and indemnify 1501 in the copyright lawsuits.

¹⁰ See Aleia Woods, *Megan Thee Stallion Blasts Her Old Record Label, Claims They've Never Paid Her*, XXL (Feb. 22, 2022) <https://www.xxlmag.com/megan-thee-stallion-1501-certified-entertainment-not-paid/>.

GENERAL DENIAL

1. Under Rule 92 of the Texas Rules of Civil Procedure, 1501 generally denies each and every allegation in the First Amended Petition. 1501 respectfully requests that MTS be required to prove her claims, charges, and allegations by a preponderance of the evidence, clear and convincing evidence, and/or beyond a reasonable doubt, as required by the laws, regulations, and statutes of Texas and the United States and the Constitutions of the State of Texas and the United States. *See* TEX. R. CIV. P. 92.

ADDITIONAL AND/OR ALTERNATIVE DEFENSES AND DENIALS

2. Pleading further and in the alternative, without waiving the foregoing, 1501 asserts the following separate, additional, conjunctive, and/or alternative defenses, including affirmative defenses, and denials to the First Amended Petition (and any subsequently filed pleadings), and each purported claim or cause of action contained therein.

3. The occurrence in question and/or MTS's alleged injuries and damages, if any, are the result, in whole or in part, of MTS's own acts, omissions, fault, negligence, mistake, and/or other conduct.

4. MTS cannot recover on her claims due to the doctrine of waiver.

5. MTS cannot recover on her claims due to the doctrine of estoppel, including estoppel by contract, equitable estoppel, and/or promissory estoppel.

6. In the event 1501 is found liable to MTS, any such liability being expressly denied, 1501 is entitled to contribution, credit, and/or indemnity, as provided by the laws and statutes of Texas including, but not limited to, the provisions of Chapters 32 and 33 of the Texas Civil Practice and Remedies Code, as well as other applicable laws and statutes.

7. Without waiving the foregoing and for further answer, if any be necessary, 1501 has not knowingly or intentionally waived any applicable defense, whether affirmative or

otherwise, and hereby gives notice that it reserves the right to assert and rely upon such other applicable defenses as may become available or apparent during this proceeding.

COUNTERCLAIMS

I. INTRODUCTION

8. On March 2, 2020, Plaintiff Megan Pete P/K/A Megan Thee Stallion (“MTS”) filed her first baseless lawsuit against 1501. *See Megan Pete p/k/a Megan Thee Stallion v. 1501 Certified Entertainment, LLC, et al.*, Cause No. 2020-14018, in the 152nd Judicial District Court of Harris County, Texas.

9. MTS filed her first lawsuit to try to force 1501 to renegotiate aspects of her very first recording contract that she no longer liked after she signed with new management at Roc Nation.

10. Even though MTS’s claims were unfounded, 1501 sought to address her concerns, and her first case was settled in a written agreement signed by the parties on March 1, 2021. Both parties were represented by multiple attorneys in connection with the Settlement Agreement. MTS’s management agency, Roc Nation, also advised her in connection with the Settlement Agreement.

11. MTS has accepted the benefits to her under the Settlement Agreement, but she has consistently refused to comply with the provisions she does not like, including one directing the parties to file a Joint Notice of Non-Suit with Prejudice in the first lawsuit. Instead, MTS continued to pursue the case she had already settled for almost one year.

12. Faced with an impending hearing on 1501’s Motion to Enforce the Settlement Agreement, which MTS knew she would lose, MTS summarily (and without any notice to 1501) filed a non-suit of her first lawsuit, on February 16, 2022.

13. Only two days later, on February 18, 2022, MTS filed her second lawsuit against 1501. On August 18, 2022, MTS filed her First Amended Petition in her second lawsuit.

14. MTS's claim for declaratory judgment in the second lawsuit is wholly without merit. MTS distorts the recording commitment that she contractually owes to 1501 and, indeed, her First Amended Petition does not even mention the Distribution Agreement between 300 Entertainment, 1501, and MTS which governs the requirements for an "album" that satisfies MTS's recording obligations.

15. Under the contracts executed between the parties, "Something for Thee Hotties" plainly does not meet the requirements for an "album" that satisfies MTS's recording commitment. 1501 seeks a declaration to that effect, as well as its attorneys' fees and costs.

16. In addition, MTS has repeatedly breached her contracts with 1501 in multiple ways.

17. MTS has failed to account to 1501 for its due portion of her various collaborations, sponsorships, endorsements, and side engagements (her Entertainment Income). MTS has also arbitrarily refused to pay the contractually agreed amounts due to 1501.

18. Indeed, MTS has not accounted at all to 1501 for Entertainment Income received after February 2021. And upon information and belief, MTS has only partially accounted to 1501 for Entertainment Income through February 2021. Critically, MTS has not paid 1501 for its due portion of any Entertainment Income ever. 1501 seeks recovery of its due share of the Entertainment Income in the second lawsuit.

19. Moreover, on January 1, 2020, MTS entered into a partial catalog agreement with Universal, which included a Letter of Direction ("LOD") to BMI in respect of performance royalties attributable to MTS musical compositions. That agreement has not been provided to 1501, even though MTS contractually agreed to provide it to 1501 in the Settlement Agreement.

20. Significantly, under the contracts between the parties, MTS did not have the legal authority to administer her portion of the publishing rights until the Settlement Agreement was signed effective March 1, 2021—over a year after she took it upon herself to do so by purporting to grant to Universal rights that she did not control at the time.

21. Further, upon information and belief, MTS falsely represented to Universal and BMI that she holds all of the publishing rights, which are, in fact, owned in a split percentage by MTS and 1501. Accordingly, 1501 believes that MTS has long been collecting 1501's share of the publishing income. 1501 seeks recovery of its due share of the publishing income in this second lawsuit.

22. And, despite 1501's multiple demands for defense and indemnification (in accordance with the terms and conditions of MTS's agreements with 1501) in copyright lawsuits, MTS has also repeatedly refused to defend and indemnify 1501 in those lawsuits.¹¹

23. Despite settling the first lawsuit over a year before she dismissed it, MTS continued to deny the existence of the Settlement Agreement and continued to litigate the first lawsuit in violation of the terms of that Agreement. Accordingly, 1501 is entitled to recover its fees and expenses incurred in litigating the first lawsuit from the time the Settlement Agreement was signed until the first lawsuit was dismissed.

24. 1501 seeks to recover money damages based on MTS's multiple and ongoing breaches of contract, as well as its attorneys' fees and costs as the prevailing party under the contracts.

¹¹ See *Greene v. Megan Pete P/K/A Megan Thee Stallion, et al.*, 1:22-cv-04220-PAE (S.D.N.Y.); *Payne et al. v. Theory Entertainment LLC d/b/a 300 Entertainment, et al.*, 1:22-cv-06308 (S.D.N.Y.); *Jones v. Atlantic Records et al.*, 1:22-cv-00893 (S.D.N.Y.).

II. JURISDICTION

25. This Court has subject matter jurisdiction over this dispute and jurisdiction to grant all relief requested by 1501. TEX. GOV'T CODE § 24.008. The amount in controversy is within the jurisdictional limits of this Court. TEX. GOV'T CODE § 24.007.

III. DISCOVERY CONTROL PLAN

26. 1501 intends that discovery be conducted under Level 3 of the Texas Rules of Civil Procedure.

IV. FACTUAL BACKGROUND

27. This suit arises out of the February 3, 2018 Artist Agreement between MTS and her record label, 1501, and the November 26, 2018 Distribution Agreement between 300 Entertainment, 1501, and MTS.

28. MTS signed with 1501 in 2018 after its CEO, Carl Crawford, discovered her and recognized her many talents. Mr. Crawford took a big risk on MTS and has spent his time, energy, and money to help to develop MTS into the success she is today.

29. Mr. Crawford is from Houston, and he is well-known for his baseball career, playing on the Tampa Bay Devil Rays, the Boston Red Sox, and the Los Angeles Dodgers.

30. After he retired from baseball in 2016, Mr. Crawford decided to pursue his dream of joining the music industry by creating 1501. Mr. Crawford brought on long-time friend Travis Farris, known as "T. Farris."

31. At the time Carl Crawford founded 1501, T. Farris was "down on his luck," and Mr. Crawford gave T. Farris a place to live and employment at 1501 because they had played Little League baseball together in the neighborhood in Houston where they both grew up.

32. Mr. Crawford discovered MTS on social media. When Mr. Crawford saw MTS perform, he knew there was no one else like her in the music industry, particularly from Houston, and he told Mr. Farris they needed to sign her.

33. After signing MTS, Mr. Crawford decided to bring onboard James Prince (known as “J. Prince”), as a consultant, and 300 Entertainment, as a record distributor, at the end of 2018, with the goal of benefitting promising, young artists like MTS.

34. Mr. Prince is the godfather of Houston rap music, and he has a long history of identifying, developing, and promoting talented, well known rap artists such as the Geto Boys.

35. 300 Entertainment has similarly worked with a wide range of popular rap artists, including Young Thug and Fetty Wap. Indeed, 300 Entertainment (and specific employees at 300 Entertainment) have won music industry awards for their marketing and promotion of MTS’s music career. 300 Entertainment was recently acquired by Warner Music Group.

36. Mr. Crawford has similarly received recognition from Billboard for his work with MTS.

37. Mr. Crawford also brought on Gee Roberson as a consultant. Mr. Roberson has a long history in the record business as Chairman of Geffen Records and of discovering, producing, and managing rap artists. Mr. Roberson has played a key role in the careers of artists such as Kanye West, Lil Wayne, Drake, T.I., Nicki Minaj, G-Eazy, and Lil Nas X.

38. 1501 and MTS entered into the Artist Agreement on February 3, 2018.

39. The Artist Agreement outlined MTS’s “Minimum Recording Commitment,” along with 1501’s approval rights, for an initial period and additional option periods. The Artist Agreements sets certain requirements for an album that satisfies MTS’s recording commitment for each period.

40. 1501 also has the right under ¶ 9(a) of the Artist Agreement to deduct amounts MTS owes 1501 from any future royalty payments due to MTS.

41. The parties (along with 300 Entertainment) entered into the Distribution Agreement on November 26, 2018.

42. The Distribution Agreement further outlined, and imposed additional requirements on, MTS's "Product Commitment" for an initial period and additional option periods. The Distribution Agreement laid out certain additional requirements for an album that satisfies MTS's recording commitment for each period.

43. MTS was satisfied with 1501 and her recording obligations until September 2019, when she entered into a management agreement with a new agency, Roc Nation, after the passing of her mother, who was a Houston rap artist herself and who had previously served as MTS's manager.

44. T. Farris, then a 1501 employee, orchestrated MTS's signing with Roc Nation. T. Farris is now a Roc Nation employee, and he is MTS's manager at Roc Nation. It is noteworthy that MTS's current manager at Roc Nation helped her sign with 1501.

45. Roc Nation is notorious in the music industry for trying to persuade its management clients to leave their record labels. Upon information and belief, Roc Nation wants MTS to leave 1501 so it can shop MTS to other record labels in the hopes of getting a large advance. The acrimony between the parties began with Roc Nation's involvement.

46. Indeed, Roc Nation's lawyer recently filed a motion to appear *pro hac vice* in this case on behalf of MTS. His appearance speaks volumes about who is really directing MTS's actions behind the scenes and who created and continues to flame the fires of this dispute.

47. On the advice of Roc Nation, and without providing 1501 with the contractually required notice under the Artist Agreement or complying with the Artist Agreement's arbitration provision, MTS filed a lawsuit on March 2, 2020 against 1501 and Mr. Crawford in an attempt to use her newfound success to renegotiate the Artist Agreement, which she signed when she was unknown. Roc Nation was heavily involved in renegotiating MTS's Artist Agreement.

48. On March 1, 2021, MTS and 1501 reached a settlement covering the first lawsuit, and they memorialized their agreement in a written settlement agreement (the "Settlement Agreement") amending certain provisions of the Artist Agreement. Therefore, as of March 1, 2021, MTS's claims related to the Artist Agreement were fully released.

49. As part of their settlement, the parties agreed to advise the Court that the first lawsuit had settled and to file a Joint Notice of Nonsuit with Prejudice, and their lawyers signed the pleading.

50. The Settlement Agreement clarified that, as of March 1, 2021, MTS still owed 1501 two additional albums (as that term is defined in the parties' contracts).

51. Under the Settlement Agreement, MTS was given the right, as of March 1, 2021 and for the very first time, to administer her share of the publishing rights. 1501 retained both its ownership of, and its right to administer, its share of the publishing rights. Prior to the signing of the Settlement Agreement, 1501 was entitled to administer both parties' portions of the publishing rights.

52. In addition, the Settlement Agreement laid out a provision for an audit of 300 Entertainment by either MTS or 1501. That audit was promptly initiated by 1501 under the Distribution Agreement and is ongoing.

53. To the extent the audit reveals that 300 Entertainment improperly deducted certain expenses, whatever additional amount 300 Entertainment pays would be split between them in accordance with their contractual rights.

54. The Settlement Agreement detailed a financial reconciliation process wherein the parties agreed to exchange financial records and perform an accounting of revenues and payments pursuant to the Artist Agreement.

55. The parties conducted the financial reconciliation process contemplated by the Settlement Agreement.

56. Through the financial reconciliation process, it was determined that as of June 2021, MTS owed 1501 millions of dollars, substantially more than her share of any royalty payments. The amounts MTS owes 1501 have continued to accrue since that date, and 1501 believes that MTS may now owe it more than \$10 million based on published reports about MTS's net worth and annual income.

57. MTS wrongly refuses to pay 1501 the amounts that (1) the accounting reconciliation showed 1501 was due, and (2) have accrued since the accounting reconciliation.

58. Instead, MTS raised issues (which were later brought as claims in this second lawsuit) regarding certain promotional and marketing expenses charged by 300 Entertainment and the resulting royalty payments paid from 300 Entertainment. Those issues are a red herring though, and they have nothing to do with the amount that MTS owes 1501.

59. As explained above, any issues that MTS has with expenses charged or royalty payments made by 300 Entertainment will be resolved as part of the ongoing 300 Entertainment audit. When that audit is complete, both parties will benefit in accordance with their contractual terms. Following completion of the 300 Entertainment audit, any claims that MTS has concerning

royalties, including any additional payments she believes is owed or additional accounting she contends she is entitled to, should be directed to 300 Entertainment, not 1501.¹²

60. Further, following the execution of the Settlement Agreement, during the course of the reconciliation process outlined therein, MTS requested to and did deal directly with 300 Entertainment regarding questions MTS had as to the accounting statements that 300 Entertainment had previously rendered to 1501 and which 1501 had shared with MTS in support of 1501's position as to what MTS was entitled to per the reconciliation process.

61. Following the settlement and accounting reconciliation, despite having renegotiated certain provisions of the Artist Agreement and having released claims, on August 24, 2021, MTS filed a supplemental petition in the first lawsuit, attempting to assert additional claims and add 300 Entertainment and Mr. Prince as defendants. MTS's supplemental petition failed to advise the Court that the Artist Agreement had been amended through the Settlement Agreement and that her claims had been released.

62. MTS's actions were in direct violation of the parties' Settlement Agreement.

63. Accordingly, 1501 sought to enforce the Settlement Agreement. In response to 1501's Motion to Enforce the Settlement Agreement in the original lawsuit, MTS (wrongly) claimed that a condition precedent to the effectiveness of the Settlement Agreement had not been satisfied, and thus the Settlement Agreement was not enforceable.

64. 1501's Motion to Enforce the Settlement Agreement was scheduled to be heard by the Court on February 25, 2022.

¹² It appears MTS is (wrongly) asserting these claims against 1501 and not 300 Entertainment because the Distribution Agreement contains a New York forum-selection clause, and this Court dismissed 300 Entertainment from the first lawsuit for lack of personal jurisdiction. MTS apparently does not want to file suit against the right party (300 Entertainment) in New York, so she has instead brought these royalty claims against the wrong party (1501) in Texas.

65. Faced with an impending hearing on 1501's Motion to Enforce the Settlement Agreement, which MTS knew she would lose and would then be forced to pay 1501's attorneys' fees, MTS summarily (and without any notice to 1501) filed a non-suit in the first lawsuit on February 16, 2022, only nine days before the hearing.

66. By refusing to comply promptly with the provision of the Settlement Agreement directing the parties to file a joint notice of non-suit with prejudice in the first lawsuit, and instead continuing to pursue the case she had already settled, MTS damaged 1501 by causing it to incur unnecessary attorneys' fees and costs.

67. Two days later after dismissing her first lawsuit, on February 18, 2022, MTS filed her second lawsuit against 1501, seeking a declaration that "Something for Thee Hotties" constitutes an "album" that satisfies her recording commitment as defined in the three contracts.

68. On August 18, 2022, MTS filed an amended petition, seeking an additional declaration that "Traumazine" constitutes an "album" that satisfies her recording commitments as laid out in the parties' agreements and that MTS has satisfied all option periods in the contracts.

69. MTS distorts the recording commitment that she contractually owes to 1501. Indeed, her First Amended Petition does not even mention the Distribution Agreement between 300 Entertainment, 1501, and MTS, which also governs the album requirements of which MTS complains.

70. Under the contracts executed between the parties, "Something for Thee Hotties" plainly does not meet the requirements for an "album" that satisfies MTS's recording commitment.

71. 1501 is not punitive or unreasonable in its position. Because, despite the fact that MTS also failed to follow the proper approval procedures under the parties' contracts before

releasing “Traumazine,” 1501 approved the release and is not taking the position that Traumazine does not count toward MTS’s recording commitment.

72. But MTS still owes 1501 one more album, and she remains under contract to 1501 until she delivers that album in accordance with the terms of her contracts.

73. In addition, MTS has repeatedly breached both the Artist Agreement and the Settlement Agreement by refusing to account to 1501 for its due portion of her various collaborations, sponsorships, endorsements, and side engagements (Entertainment Income).

74. MTS has refused to provide all of the requisite documentation she owes 1501 related to Entertainment Income.

75. MTS has also refused to pay the contractually agreed amounts due to 1501 related to Entertainment Income.

76. Indeed, MTS has not accounted to 1501 for any Entertainment Income whatsoever since February 2021. And upon information and belief, MTS has only partially accounted to 1501 for Entertainment Income from prior to February 2021. MTS has not paid 1501 for any Entertainment Income for either period.

77. Moreover, upon information and belief, effective January 1, 2020, MTS entered into a partial catalog agreement with Universal, which contained an LOD to BMI. That agreement has not been provided to 1501, even though MTS contractually agreed to provide it to 1501 in the Settlement Agreement.

78. Upon information and belief, MTS falsely represented to Universal and BMI that she holds all of the publishing rights that are in fact owned in a split percentage by MTS and 1501. 1501 has made repeated demands to MTS to correct her misrepresentations regarding the share of publishing income to which she is entitled, but she has wrongfully refused.

79. Accordingly, 1501 believes that MTS has long been collecting its share of the publishing income. 1501 seeks recovery of its due share of the publishing income in this lawsuit.

80. Because MTS has not paid 1501 for any portion of its due share of Entertainment Income, and because MTS appears to have been collecting 1501's portion of publishing income, 1501 believes the total amount MTS owes it is more than \$10 million.

81. MTS has also repeatedly refused to comply with the defense and indemnification provision of the Artist Agreement despite 1501's multiple demands for defense and indemnification related to three copyright infringement lawsuits that have been brought against it alleging that MTS has infringed on the work of other artists.

82. On May 23, 2022, 1501 was named as a defendant in an action captioned *Greene v. Megan Pete P/K/A Megan Thee Stallion, et al.*, 1:22-cv-04220-PAE (S.D.N.Y.). The claims against 1501 and MTS (among others) arise from an alleged copyright infringement by MTS. Pursuant to the agreements between the parties, 1501 made a demand for defense and indemnification in this case on June 8, 2022. MTS has failed to defend and indemnify 1501 for any damages, costs, expenses, and reasonable attorneys' fees from this lawsuit.

83. On July 25, 2022, 1501 was named as a defendant in an action captioned *Payne et al. v. Theory Entertainment LLC d/b/a 300 Entertainment, et al.*, 1:22-cv-06308 (S.D.N.Y.). The claims against 1501 and MTS (among others) arise from an alleged copyright infringement. Pursuant to the agreements between the parties, 1501 made a demand for defense and indemnification in this case on July 28, 2022. MTS has failed to defend and indemnify 1501 for any damages, costs, expenses, and reasonable attorneys' fees from this lawsuit.

84. On February 2, 2022, 1501 was named as a defendant in an action captioned *Jones v. Atlantic Records et al.*, 1:22-cv-00893 (S.D.N.Y.). The claims against 1501 and MTS (among

others) arise from an alleged copyright infringement by MTS. Pursuant to the agreements between the parties, 1501 made a demand for defense and indemnification in this case on August 4, 2022. MTS has failed to defend and indemnify 1501 for any damages, costs, expenses, and reasonable attorneys' fees from this lawsuit.

85. 1501 seeks an order directing MTS to pay 1501 its expenses and fees already incurred in the *Greene*, *Payne*, and *Jones* lawsuits, as well as an order directing MTS to comply with her defense and indemnification obligations in those lawsuits (and any others that may be filed) on a going forward basis.

V. CAUSES OF ACTION

A. Declaratory Judgment

86. 1501 incorporates by reference all of the foregoing paragraphs for all purposes.

87. This cause of action is brought under Chapter 37 of the Texas Civil Practice and Remedies Code as there is an actual and justiciable controversy between the parties.

88. 1501 seeks a declaratory judgment, declaring that:

- a. "Something for Thee Hotties" is not an "album" under the contracts between the parties;
- b. "Something for Thee Hotties" does not meet MTS's "Minimum Recording Commitment" or "Product Commitment" for the second option period under the contracts between the parties;
- c. MTS has not yet satisfied her "Minimum Recording Commitment" or "Product Commitment" for the third option period under the contracts between the parties;
- d. One option period remains under the contracts between the 1501 and MTS;

- e. The indemnification provision in Sections 21 and 22 of the Artist Agreement is valid and binding on MTS; and
- f. MTS must defend and indemnify 1501 in the following lawsuits: *Jones v. Atlantic Records et al.*, 1:22-cv-00893 (S.D.N.Y.), *Greene v. Megan Pete P/K/A Megan Thee Stallion, et al.*, 1:22-cv-04220-PAE (S.D.N.Y.), and *Payne et al. v. Theory Entertainment LLC d/b/a 300 Entertainment, et al.*, 1:22-cv-06308 (S.D.N.Y.).

B. Breach of Contract (Artist Agreement)

89. The Artist Agreement is a valid and binding contract between the parties.

90. MTS has breached Section 3(d)(vi) of the Artist Agreement by not providing 1501 with all documentation related to the various collaborations, sponsorships, endorsements, and side engagements entered into by MTS.

91. MTS has breached Section 11(a) and 11(b) of the Artist Agreement, as amended by Sections 5, 6(a), and 6(b) of the Settlement Agreement, by wrongfully misrepresenting and warranting to Universal and BMI that she owns the portion of publishing rights and is entitled to the portion of publishing income which is owned by and due to 1501.

92. MTS has breached Section 11(a) and 11(b) of the Artist Agreement, as amended by Sections 5, 6(a), and 6(b) of the Settlement Agreement, by wrongfully collecting the portion of publishing income which is owned by and due to 1501.

93. MTS has breached Section 18 of the Artist Agreement by not notifying 1501 in advance of all side engagements and by accepting and moving forward with side engagements prior to receiving approval and permission from 1501.

94. MTS has breached Sections 21 and 22 of the Artist Agreement by failing to defend and indemnify 1501 for any damages, costs, expenses, and reasonable attorneys' fees from the following lawsuits: *Jones v. Atlantic Records et al.*, 1:22-cv-00893 (S.D.N.Y.), *Greene v. Megan Pete P/K/A Megan Thee Stallion, et al.*, 1:22-cv-04220-PAE (S.D.N.Y.), and *Payne et al. v. Theory Entertainment LLC d/b/a 300 Entertainment, et al.*, 1:22-cv-06308 (S.D.N.Y.).

C. Breach of Contract (Settlement Agreement)

95. The Settlement Agreement is a valid and binding contract between the parties.

96. MTS has breached Section 7(d) of the Settlement Agreement by not promptly providing 1501 with a copy of her administration agreement (and all related agreements, amendments, and side letters) with any music publishing company.

97. MTS has breached subsection (d) of Section 9(b) of the Settlement Agreement by not promptly providing 1501 with copies of all executed Entertainment Rights agreements.

98. MTS has breached subsection (d) of Section 9(b) of the Settlement Agreement by not using reasonable efforts to cause applicable third parties entering into Entertainment Rights agreements with MTS to pay the Label Share of Entertainment Income directly to 1501 at the same times on the same terms as paid to MTS.

99. MTS has breached subsection (e) of Section 9(b) of the Settlement Agreement by not accounting to 1501, and not promptly paying 1501, the Label Share of Entertainment Income. This claim is directed at both the Entertainment Income covered by the accounting reconciliation that took place amongst the parties pursuant to the Settlement Agreement and the Entertainment Income generated after that accounting reconciliation.

100. MTS has breached Section 12(g) of the Settlement Agreement by not filing the agreed Joint Notice of Nonsuit with Prejudice in the first lawsuit and, instead, continuing to pursue the first lawsuit after settling the case and releasing her claims.

VI. ATTORNEYS' FEES AND COSTS

101. Pursuant to Chapter 37 of the Texas Civil Practice and Remedies Code, 1501 is entitled to recover its reasonable, necessary, equitable, and just attorneys' fees incurred in this action, as well as costs.

102. Pursuant to Chapter 38 of the Texas Civil Practice and Remedies Code, 1501 is entitled to recover its reasonable attorneys' fees incurred in this action, as well as costs.

103. Pursuant to Section 26(e) of the Artist Agreement, 1501 is entitled to recover reasonable attorneys' fees and costs.

104. 1501 is entitled to recover the costs of defense in the first lawsuit from the date of the Settlement Agreement until the first lawsuit was actually dismissed.

VII. CONDITIONS PRECEDENT

105. All conditions precedent for bringing these counterclaims have been satisfied.

VIII. DAMAGES

106. Pursuant to Texas Rule of Civil Procedure 47, 1501 seeks all damages proximately caused by MTS's misconduct, including monetary relief believed to be more than \$10,000,000.

107. 1501 further seeks the recovery of attorneys' fees and costs. In addition, 1501 seeks non-monetary relief, as described herein.

IX. JURY DEMAND

108. 1501 demands a trial by jury on all issues.

PRAYER

For the reasons set forth above, 1501 respectfully prays for the following relief:

- (1) Judgment that MTS take nothing by reason of this lawsuit and that 1501 is forever released and discharged;
- (2) A declaratory judgment as follows:
 - a. “Something for Thee Hotties” is not an “album” under the contracts between the parties;
 - b. “Something for Thee Hotties” does not meet MTS’s “Minimum Recording Commitment” or “Product Commitment” for the second option period under the contracts between the parties;
 - c. MTS has not yet satisfied her “Minimum Recording Commitment” or “Product Commitment” for the third option period under the contracts between the parties;
 - d. One option period remains under the contracts between the 1501 and MTS;
 - e. The indemnification provision in Sections 21 and 22 of the Artist Agreement is valid and binding on MTS; and
 - f. MTS must defend and indemnify 1501 in the following lawsuits: *Jones v. Atlantic Records et al.*, 1:22-cv-00893 (S.D.N.Y.), *Greene v. Megan Pete P/K/A Megan Thee Stallion, et al.*, 1:22-cv-04220-PAE (S.D.N.Y.), and *Payne et al. v. Theory Entertainment LLC d/b/a 300 Entertainment, et al.*, 1:22-cv-06308 (S.D.N.Y.).
- (3) Judgment for 1501 and against MTS for all actual damages;
- (4) Judgment for 1501 and against MTS for attorneys’ fees, including contingent attorneys’ fees in the event of appeal;

- (5) Costs of court;
- (6) Pre-judgment and post-judgment interest at the highest rate allowed by law; and
- (7) Such other and further relief, both general and special, at law and in equity, to which 1501 is justly entitled.

Dated: September 1, 2022

Respectfully submitted,

/s/ Steven M. Zager

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on all counsel of record through the Court's electronic filing and service system on the 1st day of September 2022.

/s/ Steven M. Zager
Steven M. Zager

Automated Certificate of eService

This automated certificate of service was created by the eFiling system. The filer served this document via email generated by the eFiling system on the date and to the persons listed below. The rules governing certificates of service have not changed. Filers must still provide a certificate of service that complies with all applicable rules.

Jeremy Worsham on behalf of Steven Zager

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Status as of 9/2/2022 8:33 AM CST

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