

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **1995-07-28**
SEC Accession No. **0000909518-95-000166**

([HTML Version](#) on [secdatabase.com](#))

SUBJECT COMPANY

CST ENTERTAINMENT INC/DE/

CIK: **771617** | IRS No.: **132614435** | State of Incorporation: **DE** | Fiscal Year End: **0630**
Type: **SC 13D** | Act: **34** | File No.: **005-37462** | Film No.: **95557131**
SIC: **7819** Allied to motion picture production

Mailing Address

5901 GREEN VALLEY CIRCLE
SUITE 400
CULVER CITY CA 90230

Business Address

5901 GREEN VALLEY CIRCLE
STE 400
CULVER CITY CA 90230
3104173444

FILED BY

M&A INVESTMENTS INC /DE/

CIK: **925537** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **SC 13D**

Mailing Address

WEIL GOTSHAL & MANGES
767 FIFTH AVENUE
NEW YORK NY 10153

Business Address

1220 SENLAC DRIVE
CARROLLTON TX 75006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. ____)

CST ENTERTAINMENT, INC.

(Name of Issuer)

Common Stock
par value \$.15 per share

12639V-10-5

(Title of class of securities)

(CUSIP number)

John G. Murray
M&A Investments, Inc.
1220 Senlac Drive, Carrollton, Texas 75006

(Name, address and telephone number of person authorized to receive
notices and communications)

July 19, 1995

(Date of event which requires filing of this statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box .

Check the following box if a fee is being paid with the statement .

(A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: When filing this statement in paper format, six copies of this statement, including exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

(Continued on following page(s))

CUSIP No. 12639V-10-5 13D

1 NAME OF REPORTING PERSON: M&A Investments, Inc.

S.S. OR I.R.S. IDENTIFICATION NO. 75-2521295
OF ABOVE PERSON:

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP: (a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS: WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e):

6 CITIZENSHIP OR PLACE OF ORGANIZATION: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER:	1,519,230
	8	SHARED VOTING POWER:	-0-
	9	SOLE DISPOSITIVE POWER:	1,519,230
	10	SHARED DISPOSITIVE POWER:	-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY REPORTING PERSON: 1,519,230

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) []
EXCLUDES CERTAIN SHARES:
13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11): 5.47%
14 TYPE OF REPORTING PERSON: CO

Item 1. Security and Issuer.

This Statement on Schedule 13D (the "Statement") relates to the common stock, par value \$.15 per share (the "Common Stock"), of CST Entertainment, Inc., a Delaware corporation (the "Issuer"). The principal executive offices of the Issuer are located at 5901 Green Valley Circle, Suite 400, Culver City, California.

Item 2. Identity and Background.

(a) This Statement is filed by M&A Investments, Inc., a Delaware corporation (the "Company").

(b) The business address of the Company is 1220 Senlac Drive, Carrollton, Texas 75006.

(c) The Company is a wholly-owned subsidiary of FoxMeyer Health Corporation, a Delaware corporation ("FHC"). The business address of FHC is 1220 Senlac Drive, Carrollton, Texas 75006. The Company was formed by FHC as a vehicle through which to make various investments. FHC is principally involved in (i) health care services, including the distribution of a full line of pharmaceutical products and health and beauty aids to independent drugstores, hospitals, alternate care facilities and chain stores, as well as providing managed care and information-based services to health care sponsors, pharmacies and physicians, through its wholly-owned subsidiary, FoxMeyer Corporation, and (ii) the franchising of general variety stores and the franchising and operation of crafts stores, together with the wholesale distribution of products to such stores, through its 67.7%-owned subsidiary, Ben Franklin Retail Stores, Inc. Attached as Schedule I and incorporated by reference is a list of the

directors and executive officers of the Company and FHC, and the business address and principal occupation or employment of such officers.

(d) and (e) During the last five years, neither the Company nor, to the best of the Company's knowledge, any of the persons with respect to whom information is given in response to this Item 2, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) All of the individuals listed on Schedule I are

citizens of the United States.

Item 3. Source and Amount of Funds or Other Consideration.

On July 19, 1995, the Company loaned \$500,000 to the Issuer, CST Featurizations, Inc. and CST Computoons, Inc. and received (i) a Promissory Note in the original principal amount of \$500,000 (the "Note") and (ii) a Warrant to purchase 750,000 of Common Stock (the "Warrant"). The source of the funds loaned by the Company to the Issuer was general corporate funds.

Item 4. Purpose of Transaction.

The Company acquired the Note and Warrant for investment purposes and intends to review its investment in the Issuer on a continuing basis.

Except as stated above, the Company has not formulated any plans or proposals of the type referred to in clauses (a) through (j) of Item 4 of Schedule 13D, although the Company reserves the right to formulate such plans or proposals in the future.

Item 5. Interest in Securities of the Issuer.

(a) The Note is convertible, at the option of the Company, into Common Stock at any time prior to acceptance by the Company of any payment or prepayment of the Note, at the rate of \$.65 per share. The Warrant may be exercised by the Company at any time before July 19, 2002, to purchase 750,000 shares of Common Stock at the purchase price of \$.65 per share. The conversion rate under the Note and the purchase price under the Warrant shall each be reduced to \$.50 per

share if the Note is not repaid in full or converted prior to or on November 1, 1995.

According to the Issuer's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 the Issuer had 26,229,624 shares of Common Stock outstanding as of March 31, 1995. As of the date hereof, the Company has beneficial ownership, pursuant to Rule 13d-3, of 1,519,230 shares of Common Stock, 769,230 shares of which would be issuable upon conversion of the principal amount of the Note and 750,000 of which would be issuable upon exercise of the Warrant, which represents approximately 5.47% of the Common Stock that would be outstanding upon such conversion and exercise.

FHC, by virtue of its ownership of the Company, may be deemed, for purposes of determining beneficial ownership pursuant to Rule 13d-3, to have beneficial ownership of the shares of Common Stock beneficially owned by the Company. The persons listed in the footnote to Schedule I attached hereto, by virtue of their direct or indirect control of the Company and FHC, may be deemed, for purposes of determining beneficial ownership

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pursuant to Rule 13d-3, to have beneficial ownership of the shares of Common Stock beneficially owned by the Company.

(b) Except as set forth in (a) above, the Company has sole power to dispose or to direct the disposition and to vote or direct the voting of the Common Stock issuable upon conversion of the Note and exercise of the Warrant.

(c) The Company has not effected any transactions in the Common Stock during the past 60 days.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships

with Respect to Securities of the Issuer.

Not applicable.

Item 7. Materials to be Filed as Exhibits.

Exhibit 1 Promissory Note dated July 19, 1995 in the original principal amount of \$500,000, executed by the Issuer, CST Featurizations, Inc. and CST Computoons, Inc. as makers and payable to the Company.

Exhibit 2 Letter Agreement dated July 19, 1995 between the Company, the Issuer, CST Featurizations, Inc. and CST Computoons, Inc.

Exhibit 3 Warrant dated July 19, 1995 executed by the Issuer in favor of the Company.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

DATE: July 28, 1995

SIGNED: M&A INVESTMENTS, INC.

By: /s/ John G. Murray

John G. Murray
Assistant Treasurer

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS
OF M&A INVESTMENTS, INC.

The following information is provided for the directors and executive officers of M&A Investments, Inc. (the "Company") listed below: (a) name; (b) business address; (c) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted.

- (a) Abbey J. Butler, Director of the Company
- (b) 1220 Senlac Drive, Carrollton, Texas 75006 (the "FHC Address")
- (c) Co-Chairman of the Board of Directors and Co-Chief Executive Officer of FoxMeyer Health Corporation ("FHC") and FoxMeyer Corporation ("FoxMeyer"); FHC Address

- (a) Melvyn J. Estrin, Director of the Company
- (b) FHC Address

- (c) Co-Chairman of the Board of Directors and Co-Chief Executive Officer of FHC and FoxMeyer; FHC Address

- (a) Thomas L. Anderson, Director and President of the Company
- (b) FHC Address
- (c) President and Chief Operating Officer of FHC and FoxMeyer; FHC Address

- (a) Peter B. McKee, Senior Vice President and Chief Financial Officer of the Company
- (b) FHC Address
- (c) Senior Vice President and Chief Financial Officer of FHC and FoxMeyer; FHC Address

- (a) Kevin J. Rogan, Senior Vice President and Secretary of the Company
- (b) FHC Address
- (c) Senior Vice President, General Counsel and Secretary of FHC and FoxMeyer; FHC Address

DIRECTORS AND EXECUTIVE OFFICERS
OF FOXMEYER HEALTH CORPORATION

The following information is provided for the directors and executive officers of FoxMeyer Health Corporation ("FHC") listed below: (a) name; (b) business address; (c) present principal

occupation or employment and the name, principal business and the address of any corporation or other organization in which such employment is conducted.

- * (a) Abbey J. Butler, Director, Co-Chairman of the Board of Directors and Co-Chief Executive Officer of FHC
- (b) FHC Address
- (c) Co-Chairman of the Board of Directors and Co-Chief Executive Officer of and FoxMeyer Corporation ("FoxMeyer"); FHC Address

- * (a) Melvyn J. Estrin, Director, Co-Chairman of the Board of Directors and Co-Chief Executive Officer of FHC
- (b) FHC Address
- (c) Co-Chairman of the Board of Directors and Co-Chief Executive Officer of FHC and FoxMeyer; FHC Address

- (a) Sheldon W. Fantle, Director of FHC
- (b) FHC Address
- (c) Chairman and Chief Executive Officer of Fantle Enterprises, Inc., a venture capital, consulting and public relations firm; Bethesda Metro Center, Suite 820, Bethesda, Maryland 20814

- (a) Paul M. Finfer, Director of FHC
- (b) FHC Address
- (c) President and Chief Executive Officer of Franklin Acceptance Corporation, a consumer finance company; 6401 Golden Triangle Drive, Greenville, Maryland 20770

- (a) Alfred H. Kingon, Director of FHC
- (b) FHC Address
- (c) Principal of Kingon International, Inc., an international investment and consulting firm; 301 Madison Avenue, 23rd Floor, New York, New York 10022

- (a) William G. Tull, Director of FHC
- (b) FHC Address

- (c) Financial Consultant; 11311 South Glen Road, Potomac, Maryland 20854
- (a) Thomas L. Anderson, Director, President and Chief Operating Officer of FHC
- (b) FHC Address
- (c) President and Chief Operating Officer of FHC and FoxMeyer; FHC Address
- (a) Peter B. McKee, Senior Vice President and Chief Financial Officer of FHC
- (b) FHC Address
- (c) Senior Vice President and Chief Financial Officer of FHC and FoxMeyer; FHC Address
- (a) Kevin J. Rogan, Senior Vice President, General Counsel and Secretary of FHC
- (b) FHC Address
- (c) Senior Vice President, General Counsel and Secretary of FHC and FoxMeyer; FHC Address
- (a) Edward L. Massman, Vice President and Controller of FHC
- (b) FHC Address
- (c) Vice President and Controller of FHC and FoxMeyer; FHC Address

* The Centaur Group holds an aggregate of 3,777,000 (which equals approximately 21.6% as of June 1, 1995) of the outstanding shares of common stock of FHC and may be deemed to control FHC. The Centaur Group is comprised of Messrs. Butler and Estrin, Centaur Partners IV, a New York general partnership ("Centaur IV"), Estrin Equities Limited Partnership, a Maryland limited partnership ("Estrin Equities"), and Butler Equities II, L.P., a Delaware limited partnership ("Butler Equities"). The general partners of Centaur IV are Estrin Equities and Butler Equities.

The general partners of Estrin Equities are HSG Acquisition Co. and MJE, Inc. HSG Acquisition Co. is a Delaware corporation, the

outstanding capital stock of which is owned by Human Service Group, Inc., a Delaware corporation, and Mr. Estrin owns 69.8% of the outstanding capital stock of Human Service Group, Inc. MJE, Inc. is a Virginia corporation controlled by Mr. Estrin.

The sole general partner of Butler Equities is AB Acquisition Corp., a Delaware corporation, and Mr. Butler owns all of the outstanding capital stock of AB Acquisition Corp.

Estrin Equities has designated Mr. Estrin and Butler Equities has designated Mr. Butler to act as a "Coordinating Person" pursuant to the Centaur IV partnership agreement. Messrs. Estrin and Butler, acting together, manage the affairs of Centaur IV and have the authority to make all decisions concerning Centaur IV's interest in FHC Common Stock.

The address of Centaur IV and Butler Equities is c/o CB Equities Corporation, 207 Dune Road, Box 137, Westhampton Beach, New York 11978; the address of Estrin Equities is 7200 Wisconsin Avenue, Suite 600, Bethesda, Maryland 20814.

EXHIBIT INDEX

EXHIBIT
NUMBER

EXHIBIT

Exhibit 1

Promissory Note dated July 19, 1995 in the original principal amount of \$500,000, executed by the Issuer, CST Featurizations, Inc. and CST Computoons, Inc. as makers and payable to the Company.

- Exhibit 2 Letter Agreement dated July 19, 1995 between the Company, the Issuer, CST Featurizations, Inc. and CST Computoons, Inc.
- Exhibit 3 Warrant dated July 19, 1995 executed by the Issuer in favor of the Company.

EXHIBIT 1

PROMISSORY NOTE

\$500,000

FOR VALUE RECEIVED, CST Entertainment, Inc., CST Featurizations, Inc. and CST Computoons, Inc. (collectively, "Makers"), hereby promise to pay to the order of M & A Investments, Inc., a Delaware corporation ("M&A"), at 1220 Senlac Drive, Carrollton, Texas 75006, or at such other address as the holder hereof advises in writing from time to time, the principal sum of \$500,000 together with interest thereon, as hereinafter described.

The principal of this Note from day to day unpaid shall bear interest at a rate of twelve and one-half percent (12.5%) per annum and such interest shall be computed on the basis of a year of 365 or 366 days, as the case may be, and on actual days elapsed.

The principal of this Note and all accrued interest shall be due and payable on November 1, 1995. Any payments of principal and interest due hereunder which are not paid when due, and other amounts which may be owed by Makers hereunder, including without limitation attorneys' fees and expenses, shall bear interest at the lesser of (a) the highest lawful rate or (b) the rate of eighteen percent (18%) per annum. The provisions of this paragraph shall not be construed as waiving the right of the holder hereof to punctual payment of principal or interest, or any part thereof, when due hereunder.

Subject to M&A's right to convert this note, Makers may prepay all or any part of the principal or accrued interest at any time and from time to time, without premium or penalty. All partial prepayments shall be applied first to accrued and unpaid interest and then to principal.

The holder hereof may declare the entire unpaid principal of

and accrued interest on this Note immediately due and payable, without notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, offset against this Note any sum or sums owed by the holder hereof to Makers, or exercise any other right or remedy to which the holder hereof may be entitled by agreement, at law, or in equity, if (a) Makers fail or refuse to pay any part of the principal or accrued interest when due, (b) a default should occur under this Note or under any agreement, document, or instrument securing or assuring payment of any part hereof or executed in connection herewith, or (c) any of the Makers shall become insolvent, fail to pay Maker's debts generally as they become due, or voluntarily or involuntarily be made the subject of any proceeding provided for by any bankruptcy or similar debtor relief laws. Each right and remedy available to the holder hereof shall be cumulative of and in addition to each other such right and remedy. No delay on the part of the holder hereof in the exercise of any right or remedy available to the holder hereof shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude other or further exercise thereof or exercise of any other such right or remedy.

If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Makers agree to pay all court costs, reasonable attorneys' fees, and other costs of collection of the holder hereof.

Any provision herein, or in any document or agreement securing this Note or in any other document executed in connection herewith, or in any other agreement or commitment, whether written or oral, express or implied, to the contrary notwithstanding, no holder hereof shall in any event be entitled to receive or collect, nor shall or may amounts received hereunder be credited so that any holder hereof shall be paid as interest a sum greater than the maximum amount permitted by applicable law to be charged to the person, firm, or corporation primarily obligated to pay this Note at the time in question. If any construction of this Note, any document or agreement securing this Note, or in any and all other papers, agreements, or commitments indicates a different right given to holder hereof to ask for, demand, or receive any larger sum as interest, such is a mistake in calculation or wording which this clause shall override and control, it being the intention of the parties that this Note and all other instruments securing the payment of this Note shall in all things comply with applicable law, and proper adjustment shall automatically be made accordingly. In the event any holder hereof ever receives, collects, or applies as interest

any sum in excess of the maximum legal rate, such excess amount shall be applied to the reduction of the unpaid principal balance of this Note in the inverse order of maturity, and if this Note is paid in full, any remaining excess shall be paid to Makers. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, Makers and holder hereof shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) "spread" the total amount of interest throughout the entire term of this Note so that the interest rate is uniform throughout the entire term of this Note; provided that, if this Note is paid and performed in full prior to the end of the full contemplated term hereof, and if the interest received for the actual period of existence hereof exceeds the maximum lawful rate, the holder hereof shall refund to Makers the amount of such excess or credit the amount against the principal balance of this Note at the time in question.

Each of the Makers and any endorser, surety and guarantor hereby waives demand for payment, presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of intent to foreclose on any collateral securing this Note, and all other notices as to this Note and diligence in collection as to each and every payment due hereunder, and agrees that without any notice the holder hereof may take additional security herefor or may release any or all security herefor, or alone, or together with any present or future owner or owners of any property covered by any instrument or agreement given to secure this Note, may from time to time extend, renew or otherwise modify the date or dates or amount or amounts of payment above recited, or the holder hereof may from time to time release any part or parts of the property and interests securing this Note, with or without consideration, and that in any such case, each of the Makers and any endorser, surety and guarantor shall continue to be bound hereby and to be liable to pay the unpaid balance of the indebtedness evidenced hereby, as so additionally secured, extended, renewed, or modified, notwithstanding any such release.

All of the obligations contained herein shall be considered the joint and several obligations of each of the Makers and any endorser, surety and guarantor hereof.

This Note shall be secured by certain collateral more fully described in a Security Agreement executed by Makers and delivered to M&A, and is convertible into Common Stock of CST Entertainment, Inc. pursuant to the Letter Agreement of even date herewith executed by Makers and M&A.

Makers shall deliver to the holder hereof such financial and operating statements as may be requested from time to time, and in such form as is reasonably acceptable to such holder.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA FOR ALL PURPOSES, EXCLUDING THAT BODY OF LAW RELATING TO CONFLICT OF LAWS.

This Note is executed as of July 19, 1995.

MAKERS: CST ENTERTAINMENT, INC.
5901 Green Valley Circle, Suite 400
Culver City, California 90230

By: _____

Name: _____

Title: _____

CST FEATURIZATIONS, INC.
5901 Green Valley Circle, Suite 400
Culver City, California 90230

By: _____

Name: _____

Title:

CST COMPUTOONS, INC.

5901 Green Valley Circle, Suite 400

Culver City, California 90230

By:

Name:

Title:

M & A INVESTMENTS, INC.
1220 Senlac Drive
Carrollton, Texas 75006

July 19, 1995

CST Entertainment, Inc.
CST Featurizations, Inc,
CST Computoons, Inc.
5901 Green Valley Circle
Suite 400
Culver City, California 90230

Attn: Mr. Jonathan Shapiro

Re: M & A Investments, Inc./CST Entertainment, Inc.

Dear Sirs:

In connection with the Promissory Note dated July 19, 1995 in the original principal amount of \$500,000 (the "Note"), executed by CST Entertainment, Inc. ("CST"), CST Featurizations, Inc. and CST Computoons, Inc. (collectively, Debtors") as makers and payable to M & A Investments, Inc. ("M&A"), Debtors and M&A hereby agree that:

1. The Note shall be convertible, at the option of M&A, into Common Stock, par value \$.15, of CST at any time prior to acceptance by M&A of any payment or prepayment of the Note, at the rate of \$.65 per share; provided, however, that the conversion price shall be reduced to \$.50 per share if the Note is not repaid in full or converted prior to or on November 1, 1995. M&A reserves the right to waive, in whole or in part, its right to convert the Note.

2. If the Note is converted into Common Stock of CST in accordance with paragraph 1 of this letter agreement, then the indebtedness of Debtors to M&A evidenced by the Note shall be reduced by an amount equal to the conversion price per share (either \$.65 or \$.50 per share) times the number of shares of Common Stock so

acquired.

3. Any shares of Common Stock, par value \$.15, of CST into which the Note may be converted shall have the same registration rights applicable to the Shares as set forth in the Warrant issued by CST in favor of M&A of even date herewith.

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CST Entertainment, Inc.
CST Featurizations, Inc,
CST Computoons, Inc.
July 19, 1995
Page 2

4. The proceeds of the Note may be used by Debtors for general corporate purposes, but not to pay any existing indebtedness of Debtors.

Very truly yours,

M & A INVESTMENTS, INC.

By:

John G. Murray
Assistant Treasurer

Agreed and accepted:

CST ENTERTAINMENT, INC.

By:

Jonathan Shapiro
President

CST FEATURIZATIONS, INC.

By:

Jonathan Shapiro
President

CST COMPUTOONS, INC.

By:

Jonathan Shapiro
President

CST ENTERTAINMENT, INC.

WARRANT TO PURCHASE COMMON STOCK

DATED JULY 19, 1995

WARRANT NO. 367

CST Entertainment, Inc. ("Company") certifies that, for valuable consideration, receipt of which is hereby acknowledged, the Holder is entitled to purchase from the Company a number of shares of the Company's Common Stock set forth in Section 1(h) hereof (the "Shares") at the purchase price set forth in Section 1(e) hereof.

This Warrant and the Common Stock issuable upon exercise hereof are subject to the terms and conditions hereinafter set forth:

1. Definitions. As used in this Warrant, the following terms shall mean:

(a) "Common Stock" - the Common Stock, par value \$.15 of the Company.

(b) "Company" - CST Entertainment, Inc., a Delaware corporation.

(c) "Effective Date" - July 19, 1995

(d) "Holder" - M & A Investments, Inc.

(e) "Purchase Price" - \$.65 per share, reducible to \$.50 per share if the Promissory Note of even date herewith executed by the Company, CST Featurizations, Inc. and CST Computoons, Inc. as makers and payable to M & A Investments, Inc., is not repaid in full or converted by M & A Investments, Inc. prior to or on November 1, 1995.

(f) "Subscription Form" - The form attached to this Warrant as Exhibit "A"

(g) "Warrant" - This Warrant and any warrants delivered in substitution or exchange therefor as provided herein.

(h) "Shares" - 750,000 shares of Company Common Stock.

(i) "Expiration Date" - July 19, 2002.

NYFS05...:\35\64935\0001\6678\WARRANT

2. Exercise.

(a) Time of Exercise. This Warrant may be exercised in whole or in part (but not as to a fractional shares) at the office of the Company, at any time or from time to time, commencing on the Effective Date, provided, however, that this Warrant shall expire and be null and void if not exercised in the manner herein provided, by 5:00 p.m., Los Angeles time, on the Expiration Date.

(b) Manner of Exercise. This Warrant is exercisable at the Purchase Price, payable in cash or by check, payable to the order of the Company, subject to adjustment as provided in Section 3 hereof. Upon surrender of this Warrant with the annexed Subscription Form duly executed, together with payment of the Purchase Price for the Shares purchased (and any applicable transfer taxes) at the Company's principal executive offices, the Holder shall be entitled to receive a certificate or certificates for the Shares so purchased. If this Warrant shall be exercised in part only, the Company shall, upon surrender of this Warrant, execute and deliver a new Warrant evidencing the rights of the Holder to purchase the balance of the shares purchasable hereunder.

(c) Delivery of Stock Certificates. As soon as practicable, but not exceeding 30 days, after complete or partial exercise of this Warrant, the Company, at its expense, shall cause to be issued in the name of the Holder (or upon payment by the Holder, of any applicable transfer taxes, the Holder's assigns) a certificate or certificates for the number of fully paid and non-assessable Shares to which the Holder shall be entitled upon such exercise, together with

such other stock or securities or property or combination thereof to which the Holder shall be entitled upon such exercise, determined in accordance with Section 3 hereof.

(d) Record Date of Transfer of Shares. Irrespective of the date of issuance and delivery of certificates for any stock or securities issuable upon the exercise of this Warrant, each person (including a corporation or partnership) in whose name any such certificate is to be issued shall for all purposes be deemed to have become the holder of record of the stock or other securities represented thereby immediately prior to the close of business on the date on which a duly executed Subscription Form containing notice of exercise of this Warrant and payment of the Purchase Price is received by the Company.

3. Adjustment of Purchase Price.

The Purchase Price shall be subject to adjustment as follows:

(a) In case the Company shall (i) pay a dividend in shares of its capital stock (other than an issuance of shares of capital stock to holders of Common Stock who have elected to receive a dividend in shares in lieu of cash), (ii) subdivide its outstanding shares of Common Stock, (iii) reduce, consolidate or combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issued by reclassification of its shares of Common Stock any shares of the Company, the Purchase Price in effect immediately prior thereto shall be adjusted to that amount determined by

multiplying the Purchase Price in effect immediately prior to such date by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on such date before giving effect to such division, subdivision, reduction, combination or consolidation or stock dividend and of which the denominator shall be the number of shares of Common Stock after giving effect thereto. Such adjustment shall be made successively whenever any such effective date or record date shall occur. An adjustment made pursuant to this subsection (a) shall become effective retroactively, immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, reduction,

consolidation, combination or reclassification.

(b) In case the Company shall issue rights or warrants to all or substantially all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (the "Offering Price") less than the Purchase Price at the record date mentioned below, the Purchase Price shall be determined by dividing the Purchase Price in effect immediately prior to such issuance by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock outstanding offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate Offering Price of the total number of shares so offered would purchase at such fair market value. Such adjustment shall be made whenever such rights or warrants are issued, and shall become effective retroactively, immediately after the record date for the determination of shareholder entitled to receive such rights or warrants.

(c) In case the Company shall distribute to all or substantially all holders of its Common Stock evidences of its indebtedness, shares of any class of the Company's stock other than Common Stock or assets (excluding cash dividends) or rights or warrants to subscribe (excluding those referred to in subsection (b) above), then in each such case the Purchase Price shall be determined by dividing the Purchase Price in effect immediately prior to such issuance by a fraction, of which the numerator shall be the Purchase Price on the date of such distribution and of which the denominator shall be such fair market value per share of the Common Stock, less the then fair market value (as determined by the board of directors of the Company, whose determination shall be conclusive, and described in a statement, which will have the applicable resolutions of the board of directors attached thereto, filed with the Company) of the portion of the assets or evidences of indebtedness or shares so distributed or of such subscription rights or warrants applicable to one share of the Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution.

(d) If the Common Stock issuable upon the conversion of the Warrant shall be changed into the same or a different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for above, or a reorganization, merger, consolidation or sale of assets

provided for in this Section 3), then, and in each such event, the Holder of this Warrant shall have the right thereafter to convert such Warrant into the kind and amount of shares of Common Stock and other securities and property receivable upon such reorganization, reclassification, or other change by the Holders of the number of shares of Common Stock into which such Warrant might have been converted, as reasonably determined by the Company's board of directors, immediately prior to such reorganization, reclassification, or change, all subject to further adjustment as provided herein.

(e) If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 3) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made as reasonably determined by the Company's board of directors so that the Holder of the Warrant shall thereafter be entitled to receive upon conversion of such Warrant, the number of shares of stock or other securities or property of the Company or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation or sale.

(f) In the event the Company issues shares of Common Stock (except for an issuance for which an adjustment has already been provided for pursuant to this Section 3) for a price per share less than the Purchase Price in effect immediately prior to such issuance ("Additional Shares") then the Purchase Price shall be adjusted to a price determined by multiplying the Purchase Price then in effect by a fraction (i) the numerator of which shall be the sum (A) the number of shares of Common Stock outstanding immediately prior to such issuance or sale (assuming the conversion of all outstanding securities which are convertible into common stock and the exercise of all outstanding options and warrants into common stock) and (B) the total consideration paid for the Additional Shares divided by the Purchase Price then in effect, and (ii) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issuance or sale (assuming the conversion of all outstanding securities which are convertible into common stock and the exercise of

all outstanding options and warrants into common stock).

(g) The adjustments provided for in this Section 3 are cumulative and shall apply to successive divisions, subdivisions, reductions, combinations, consolidations, issues, distributions or other events contemplated herein resulting in any adjustment under the provisions of this section, provided that, notwithstanding any other provision of this section, no adjustment of the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price then in effect; provided, however, that any adjustments which by reason of this subsection (h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(h) Notwithstanding Section 3(b) and (c) above, no adjustment shall be made in the Purchase Price if provision is made for the Holder of this Warrant to participate in such distribution as if they had converted all of the principal balance of the Warrant into shares of common stock at the Purchase Price in effect immediately prior to such distribution.

(i) Upon each adjustment of the Purchase Price, the Company shall give prompt written notice thereof addressed to the registered Holders at the address of such Holders as shown on the records of the Company, which notice shall state the Purchase Price resulting from such adjustment and the increase or decrease, if any, in the number of shares issuable upon the conversion of such Holder's Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(j) In the event of any question arising with respect to the adjustments provided for in this Section 3, such question shall be conclusively determined by an opinion of independent certified public accountants appointed by the Company (who may be the auditors of the Company) and acceptable to the Holder of this Warrant. Such accountants shall have access to all necessary records of the Company, and such determination shall be binding upon the Company and the Warrant Holder.

(k) The Company may in its sole discretion and without any obligation to do so reduce the Purchase Price then in effect by giving 15 days' written notice to the Holders. The Company may limit such reduction as to its temporal duration or may impose other conditions

thereto in its sole discretion.

(1) Notwithstanding any language to the contrary contained herein, the provisions of this Section 3, including all the subsections hereto, shall not be applicable, triggered, effective or enforceable with respect to Common Stock issued by the Company pursuant to either its 1985, 1986, or 1990 Employee Stock Option Plans, Common Stock issued by the Company to creditors participating in the Company's Debt Conversion & Restructuring Plan, Common Stock issued pursuant to options or warrants outstanding as of the Effective Date, and Common Stock issued by the Company to Holder, all of said shares being hereby expressly excluded from the provisions of this Section 3.

4. Restriction on Transfer.

(a) The Holder, by its acceptance hereof, represents, warrants, covenants and agrees that (i) the Holder has knowledge of the business and affairs of the Company, and (ii) this Warrant and the Shares issuable upon the exercise of this Warrant are being acquired for investment and not with a view to the distribution hereof and that absent an effective registration statement under the Securities Act of 1933 covering the disposition of this Warrant or the Shares issued or issuable upon exercise of this Warrant, they will not be sold, transferred, assigned, hypothecated or otherwise disposed of without first providing the Company with an opinion of counsel (which may be counsel for the Company) or other evidence, reasonably acceptable to the Company, to the effect that such sale, requirements of the Securities Act of 1933 and the registration or qualification requirements of any applicable state securities laws. The Holder consents to the making of a notation in the Company's records or giving to any transfer agent of the Warrant or the Shares an order to implement such restriction on transferability.

This Warrant shall bear the following legend or a legend of similar import, provided,

however, that such legend is no longer necessary to assure compliance with the Securities Act of 1933, as amended:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN

REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, EXCHANGED, HYPOTHECATED OR TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS AND CONDITIONS OF THE AGREEMENT PURSUANT TO WHICH THEY WERE ISSUED.

5. Registration Under the Securities Act of 1933.

(a) The Company shall advise the Holder of Warrants or the Shares or any then holder of the Warrants or Shares (such persons being collectively referred to herein as "holders") by written notice at least thirty (30) days prior to the filing of any registration statement under the Securities Act of 1933 (the "Act") (other than a registration statement on Form S-4, Form S-8 or subsequent similar forms) covering securities of the Company and will upon the request of any such holder, include in any such registration statement such information as may be required to permit a public offering of the Shares; provided, however, that if the registration statement relates to a public offering by the Company of its securities and the managing underwriters advise the holder that the inclusion in the offering of securities being sold by the holder would adversely affect the ability of the Company to complete the public offering (and other selling stockholders, if any, are similarly advised), then the holder will agree to reduce the number of Shares to be registered to a number of shares which shall be not less than ten percent (10%) of the number of shares being offered by the Company and the holder will further agree not to make any sales of the securities so included for a period of one hundred eighty (180) days from the effective date of such registration statement. The Company shall keep such registration statement current for a period of up to nine (9) months from the conclusion of such one hundred eighty (180) day period; provided, however, that the Company shall not be required to keep the registration statement effective beyond the date after which the registration statement must be amended to include updated audited financial statements. The Company shall supply prospectuses, qualify the Warrants and the Shares for sale in such states any such holder reasonably designates and furnish indemnification in the manner as set forth in Section 5(b) (ii). Such holders shall furnish information and provide indemnification as set forth in Section 5(b) (ii).

(b) The following provisions shall also be applicable:

(i) The Company shall bear the entire cost and expense of any registration of securities initiated by it under Section 5 of this Warrant. Any holder whose Shares are included in any such registration statement pursuant to this Section 5 shall, however, bear the fees of his own counsel and accountants and any transfer taxes or underwriting discounts or commissions applicable to the Shares sold by him pursuant thereto.

(ii) The Company shall indemnify and hold harmless each such holder and each underwriter, within the meaning of the Act, who may purchase from or sell for any such holder any Warrants and/or Shares from and against any and any losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereto or any registration statement under the Act or any prospectus included therein required to be filed or furnished by reason of this Section 5 or any application or other filing under any state securities law caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading to which such holder or any such underwriter or any of them may become subject under the Act, the Securities Exchange Act of 1934, as amended, or other Federal or state statutory law or regulation, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission based upon information furnished or required to be furnished to the Company by any such holder or underwriter expressly for use therein, which indemnification shall include each person, if any, who controls any such underwriter within the meaning of such act; provided, however, that any such holder or underwriter shall at the same time indemnify the Company, its directors, each officer signing the related registration statement, each person, if any, who controls from and against any and all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in any registration statement or any prospectus required to be filed or furnished by reason of this Section 5 or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, insofar as such losses, claims, damages or liabilities are caused by any untrue statement or omission based upon information furnished to the Company by any such holder or underwriter expressly for use therein.

(c) The Company's agreements with respect to Warrants or Shares in this Section 5 shall continue in effect regardless of the exercise and surrender of this Warrant.

(d) Notwithstanding any contrary provisions of this Section 5 the holder of this Warrant may, at its election, include this Warrant as well as the Shares issuable upon exercise of this Warrant in any registration statement filed pursuant to this Section 5; provided, however, that in the event that both (i) this Warrant shall be included in any such registration statement and (ii) this Warrant shall be transferred at a time subsequent to the effective date of such registration statement at which time the registration statement is current, then this Warrant shall cease to be exercisable after 5:00 P. M., New York City Time on the thirtieth (30th) day after the date of such transfer or, if such thirtieth (30th) day shall be a day on which banking institutions in the State of New York are authorized by law to close, then on the next succeeding day which shall not be such a day. In the

event that any registration statement referred to in the preceding sentence shall cease to be current during the thirty (30) day period referred to above, then, notwithstanding the preceding sentence, the exercisability of this Warrant shall not be affected by the transfer of this Warrant. Nothing in this Warrant shall be construed in any manner to require the Company to take steps to create or provide for a public market for the Warrants.

6. Payment of Taxes. All Shares issued upon the exercise of this Warrant shall be validly issued, fully paid and non-assessable and the Company shall pay all taxes and other governmental charges (other than income tax) that may be imposed in respect of the issue or delivery thereof. The Company shall not be required, however, to pay any tax or other charge imposed in connection with any transfer involved in the issue of any certificate for Shares in any name other than that of the Holder surrendered in connection with the purchase of such Shares, and in such case the Company shall not be required to issue or deliver any stock certificate until such tax or other charge has been paid or it has been established to the Company's satisfaction that no tax or other charge is due.

7. Reservation of Common Stock. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon the exercise

of this Warrant, such number of shares of Common Stock as shall be issuable upon the exercise hereof. The Company covenants, and agrees that, upon exercise of this Warrant and payment of the Purchase Price thereof, all Shares of Common Stock issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable.

8. Notices to Holder. Nothing contained in this Warrant shall be construed as conferring upon the Holder hereof the right to vote or consent or to receive notice as a shareholder in respect of any meetings of shareholders for the election of directors or any other matter or as having any rights whatsoever as a shareholder of the Company. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made when delivered or mailed by registered or certified mail, postage prepaid, return receipt requested:

(a) If to the Holder, to the address of such Holder as shown on the books of the Company; or

(b) If to the Company, to the principal executive offices of the Company.

9. Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the ownership of and the loss, theft, destruction or mutilation of this Warrant and (in case of loss, theft or destruction) upon delivery of an indemnity agreement in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of the mutilated Warrant, the Company will execute and deliver, in lieu thereof, a new Warrant of like tenor.

10. Successors. All the covenants, agreements, representations and warranties contained in this Warrant shall bind the parties hereto and their respective heirs, executors, administrators,

distributes, successors and assigns.

11. Change; Waiver. Neither this Warrant nor any term hereof may be changed, waived, discharged or terminated orally but only by an instrument in writing signed by the party against which enforcement of

the change, waiver, discharge or termination is sought.

12. Headings. This section headings in this Warrant are inserted for purposes of convenience only and shall have no substantive effect.

13. Law Governing. This Warrant shall for all purposes be construed and enforced in accordance with, and governed by, the internal laws of the State of California, without giving effect to principles of conflict of laws.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer and this Warrant to be dated as of the date first above written.

CST ENTERTAINMENT, INC.

By:

Name:

Title:

EXHIBIT A

SUBSCRIPTION FORM

(To be Executed by the Registered Holder
in order to Exercise the Warrant)

The undersigned hereby irrevocably elects to exercise the right
to purchase _____ of the Shares covered by this Warrant according to
_____ the conditions hereof and herewith makes payment of the Purchase Price
of such Shares in full.

Signature

Name

Address:

Dated _____, 19 ____ .
