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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES
JAN 29 2010
John A. Clarke, Executive Officer/Clerk
By RUBENA LOPEZ, Deputy

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF LOS ANGELES

HOWARD ZUKER, aka ZACK NORMAN, an individual, Plaintiff, v. MICHAEL DOUGLAS, an individual, CHRISTOPHER P. BAKER, an individual, AEHC INVESTMENT, LLC, a Delaware limited liability company, GRANITE INVESTMENTS, LP, a limited partnership, and DOES ONE through TEN inclusive, Defendants.	CASE NO. BC430726 **COMPLAINT FOR:** **(1) DECLARATORY RELIEF;** **(2) BREACH OF CONTRACT;** **(3) BREACH OF FIDUCIARY DUTY;** **(4) INTERFERENCE WITH ECONOMIC ADVANTAGE; AND** **(5) INTERFERENCE WITH CONTRACT;** **(6) FRAUD AND DECEIT; AND** **(7) ACCOUNTING** **DEMAND FOR JURY TRIAL**

CIT/CASE: BC430726 LEA/DEF#:
RECEIPT #: CCH477728025
DATE PAID: 01/29/10 11:41:49 AM
PAYMENT: $905.00
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INTRODUCTION

1. In this action, Howard Zuker aka Zack Norman ("Zuker") seeks to recover compensatory and punitive damages from the well-known actor Michael Douglas ("Douglas"), his business partner and co-conspirator Christopher P. Baker ("Baker"), and their two investment entities, AEHC Investment, LLC ("AEHC Investment") and Granite Investment, LP ("Granite Investment") (collectively, "Defendants"), who, along with or through their agents, first conspired to and then improperly seized control of an entertainment company that Zuker founded and then deprived Zuker of his rights under a Joint Venture Agreement Zuker had with Douglas, whereby Douglas promised to pay fifty percent (50%) his net profits in that company, American Entertainment Holding Company (AEHC), to Zuker.

2. Zuker and Douglas first met at the Cannes Film Festival in 1976, where Zuker had a picture called *Tracks* starring Dennis Hopper officially showing, and the two began a long friendship that lasted more than three decades, until Douglas, his attorneys and other co-conspirators unlawfully began diverting assets and profits away from that entertainment company so that Douglas would not have to share his profits with Zuker. Having deprived Zuker of monies rightfully due him, Douglas and his attorneys then improperly tried to terminate and improperly terminated the Joint Venture Agreement by and between Zuker and Douglas/Granite.

3. This began back in early 1998, when Zuker approached Douglas with a business plan to launch a new Hollywood literary and film production company. With Douglas' cache and backing, the parties expected AEHC to be a huge success. The plan called for Douglas to invest money to acquire a company named American Play Company ("APC"), a company established in 1889 which, in turn, owned a large library of intellectual property rights in thousands of different literary works, including many books, manuscripts, treatments and screenplays, including many from well-known authors with proven commercial success, and then to develop and monetize those numerous literary and film properties for commercial gain, by licensing rights to others and by developing and producing motion pictures. After his due diligence, Douglas agreed to partner with Zuker. He invested most of the early start-up money and separately entered into a Joint Venture Agreement with Zuker whereby Douglas promised to split his net profits with Zuker.

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4. Confident that AEHC would earn millions of dollars and to entice Zuker to continue devoting all of his time and energy towards building this new entertainment company, Douglas (personally and through his investment entities AEHC Investment and Granite Investment) advanced, or loaned, significant monies to Zuker over the years. At the time Defendants loaned these monies to Zuker, Douglas agreed and knew full well that Zuker would only/could only repay Douglas, AEHC Investment and Granite from the millions of dollars in profits that Douglas expected Zuker would earn through (1) Zuker's own shares in AEHC, and (2) Zuker's rights to 50% of Douglas' profits in AEHC under the Joint Venture Agreement, and not from any of the additional collateral that Douglas took from Zuker over the years.

5. Zuker devoted more than ten years of his time and a significant amount of his own money, to creating, developing, and implementing the AEHC business plan, and AEHC promised to become a leading (and quite profitable) entertainment company. The key components of this business were (1) the acquisition of substantial literary rights portfolios, rights from which numerous films could be produced and developed for enormous profits, and (2) the creation of a large investment "film fund" through which investors could invest in the motion pictures and thereby raise the capital necessary to produce such films.

6. For ten years, Zuker worked to develop the project based on an oral and later a written Joint Venture Agreement, pursuant to which Douglas promised and represented that Zuker would receive 50% of Douglas' profits from AEHC. Douglas' conduct as alleged herein, constitutes a breach of the Joint Venture Agreement. Almost immediately after Douglas' attorneys at Manatt learned that Douglas had agreed to split his profits with Zuker, they, including attorneys Joe Horacek and Laurence Marks, began looking for opportunities to steal the company away from Zuker and to extricate Douglas from the terms of the Joint Venture Agreement. Indeed, at one point, attorney Joe Horacek even tried to organize a coup to take the company himself, notwithstanding that Manatt represented both Douglas <u>and</u> AEHC.

7. Nevertheless, after many years of hard work, Zuker has perfectly positioned AEHC for success. However, on the eve of the consummation of the Film Fund, when AEHC was worth $40 million, Defendants Douglas and Baker suddenly launched their scheme to divert

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the assets of AEHC to their own side business, in part to help Douglas avoid his obligation to share his profits from AEHC with Zuker pursuant to the Joint Venture Agreement. Douglas and Baker tried improperly to transfer the assets to another entity that Zuker was not a part of, and they ousted Zuker improperly from the very business that Zuker developed, and substantially diluted the holdings of all of the other shareholders of AEHC, too, so that they could seize complete control of AEHC and avoid having to share their expected profits with anyone.

8. Furthermore, by attempting to divert AEHC's and its Film Fund assets to deprive Zuker of his rights under the Joint Venture Agreement, Douglas also deprived Zuker of the funds that were to be used to repay the advances Douglas has made to Zuker, personally, and through AEHC Investment and Granite Investment. By depriving Zuker of his rights and income, Defendants had relieved Zuker of his obligations to repay the Promissory Note to AEHC Investment or loans from Granite. Then, on October 16, 2009, having deprived Zuker of his funds, Douglas and Granite declared a default under the Joint Venture Agreement and tried to terminate the Joint Venture Agreement. Accordingly, in addition to the compensatory and punitive damages Zuker seeks in this action based on Douglas' breach of the Joint Venture Agreement, Zuker also seeks an order from the Court declaring that the Joint Venture Agreement between Zuker and Douglas/Granite remains in full force and effect and that Douglas' obligations thereunder remain in effect, including the obligation of good faith and fair dealing that is implied in every contract.

9. Douglas' and Baker's scheme has caused enormous direct harm to Zuker, causing him to lose millions of dollars in expected profits and causing great harm to his reputation in the film and entertainment industry.

THE PARTIES

10. Zuker Howard Zuker, aka Zack Norman ("Zuker" or "Zuker") is an individual residing in Los Angeles County, California. Plaintiff Howard Zuker, aka Zack Norman ("Zuker"), is an accomplished actor and producer who has worked in the entertainment industry for approximately 50 years. He has produced, presented or financed more than 30 motion pictures, including the Academy Award-winning documentary *Hearts and Minds*; the film *Hard*

Times starring Charles Bronson; and *Night Moves* starring Gene Hackman. As an actor, he has starred in more than 20 motion pictures, including *Romancing the Stone*, with Michael Douglas, and *Cadillac Man* with Robin Williams. As a stand-up comedian, Zuker performed in such nightclubs as New York's famed Copacabana and Las Vegas' Flamingo Hotel and on many television shows, including *The Tonight Show* with Johnny Carson. Zuker also has significant experience in the business and financial world. For example, he was a Director of the Colonial Bank and Trust Co. of Massachusetts, and attended the American Academy of Dramatic Arts, Vanderbilt University, and graduated from the three-year Owner-President Management Program at Harvard Business School where he was selected to be his class graduation "speaker."

11. Defendant Michael Douglas ("Douglas") is an individual residing in the British Overseas Territory of Bermuda. At all relevant times, Douglas has been engaged in substantial business activities in Los Angeles County, California.

12. Defendant Christopher P. Baker ("Baker") is an individual residing in the Commonwealth of Massachusetts. At all relevant times, Baker has been engaged in substantial business activities in Los Angeles County, California.

13. Defendant AEHC Investment, LLC ("AEHC Investment") is a limited liability company organized under the laws of the State of Delaware and qualified to do business in the State of California. Investment is owned and controlled by Michael Douglas and Chris Baker.

14. Defendant Granite Investments, L.P. ("Granite") is a limited partnership of unknown origin owned and controlled exclusively by Michael Douglas. At all relevant times, Granite has been engaged in substantial business activities in Los Angeles County, California. Granite is an investment vehicle and an alter ego and agent of Michael Douglas. Unless otherwise specified, all references to actions of Douglas are intended to include actions of Granite, and vice versa.

15. The true names and capacities of defendants ROES ONE through TEN are unknown to Zuker, and Zuker will seek leave to amend this Notice of Claim to allege such names and capacities as soon as they are ascertained.

16. At all relevant times herein, Defendants were acting as agents and/or alter-egos of

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each other with respect to the acts complained of below. Zuker is informed and believes that Douglas' accountants and attorneys are all part of Douglas' empire and that they act as his agents with or without his specific authorization in any given act, and that their conduct as his agents are attributable to Douglas.

FACTUAL ALLEGATIONS

Partnership Between Zuker and Michael Douglas

17. In early 1998, Zuker put together a proposal and business plan to form a new Hollywood production company in partnership with the well-known actor, Michael Douglas. Zuker's plan was to form a company that would purchase a company called the American Play Company ("APC"), which, at that time, owned the intellectual property rights to numerous literary works, including many screenplays. Based on Zuker's past experience in all aspects of the entertainment industry, Zuker knew that APC's impressive library of literary rights could be monetized through a business and investment venture that would develop and produce extremely valuable literary properties into motion pictures. Zuker's plan was to bring together an experienced management team to leverage the impressive catalogue of literary properties into significant cash flow with low risk and, when combined with Michael Douglas' cache and commitment, this company poised to earn millions of dollars.

18. In April 1998, Zuker contacted Douglas to see if Douglas would be interested in investing in the business and partnering with Zuker to start a new entertainment, literary and film company.

19. Zuker explained his vision to Douglas and explained how the APC literary library was extremely valuable and, in the right hands, was the basis for a unique corporate opportunity. Douglas was very interested but said he would have to perform his due diligence on APC to ensure that its catalogue of literary properties was as valuable as Zuker represented. Douglas agreed that, if the due diligence results were satisfactory, that Douglas would invest the money to acquire APC.

20. Douglas completed his due diligence in or about September 1998 and agreed to invest with Zuker to purchase APC's catalogue or properties for approximately $6.5 million, of

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which the seller, Sheldon Abend, invested $1 million, Douglas invested $2.25 million, and Zuker was responsible for the remaining $3.25 million. Zuker and Douglas then formed a new company called American Entertainment Holding Company ("AEHC") for the purpose of acquiring APC, and AEHC officially acquired APC and its catalogue of plays, screenplays and other literary rights from which motion pictures could be developed, on or about January 20, 2000.

21. Zuker received 15% of the equity in AEHC for putting the deal together and for contributing his entertainment industry expertise, knowledge, and experience, and in partial compensation for managing the company. Thus, at the time AEHC was initially formed to acquire APC and begin exploiting the intellectual properties, equity ownership of AEHC was as follows:

Zuker held 15%;
Douglas was given 5% as a promotional fee;
Granite (Douglas' company) held 25.96154%;
Abend held 11.53846%; other investors held 37.5%; and
5% was reserved for future executives.

22. At or about the same time that Douglas and Zuker formed AEHC and acquired APC around January 2000, Zuker and Douglas entered into a separate agreement (the "Joint Venture Agreement"), which provided that Douglas would split all of his profits from his equity interests in AEHC on a 50/50 basis with Zuker after Douglas had recouped his initial $2.25 million investment in AEHC plus 8% interest. The Joint Venture Agreement was not actually memorialized in a written form until several years later, when Douglas' lawyers at Manatt Phelps Phillips presented Zuker with a letter agreement dated June 11, 2004, and amended by letter dated June 12, 2004, which purported to memorialize the parties' prior Joint Venture Agreement. Douglas' attorneys demanded that Zuker sign the agreement immediately, threatening that Douglas would foreclose on the company if he did not sign it. Zuker learned later that this demand by Manatt was made just two weeks prior to Douglas finalizing his new partnership with Baker (AEHC Investment). A true and correct copy of the Joint Venture Agreement is attached

as Exhibit A.

Douglas Breaches His Promises by Tanking the AEHC "Film Fund"

23. Before and after the formation of AEHC and its purchase of these impressive literary rights in January 2000, it was apparent that AEHC was not adequately capitalized to move forward with its core business plan of monetizing these numerous literary properties.

24. In order to enable AEHC to meet its on-going expenses, Douglas began lending money to AEHC through a series of secured promissory notes and warrants. Douglas also continued to loan money to Zuker, individually, which Douglas knew would only be paid back from the monies Zuker expected to earn through his investment in AEHC and his Joint Venture Agreement with Douglas.

25. In 2002, Zuker came up with the idea of creating a "Film Fund" to raise capital from private equity firms or other large investors interested in investing in the film projects (the "AEHC Film Fund" or the "Film Fund"). Zuker further developed the AEHC Film Fund concept in 2002 and then presented it to the other AEHC members. The members, including Defendant Douglas, were enthusiastic about the concept and urged Zuker to move forward to develop and implement the Film Fund.

26. Over the next four years, Zuker continued to develop the AEHC Film Fund, and met with numerous investors and entertainment industry experts. For example, Zuker consulted with Michael Gruskoff (a former agent for Peter Sellers, Robert Redford, Sydney Pollack, Jane Fonda, and others and film producer of *Young Frankenstein*, *My Favorite Year*, and others). Gruskoff was so impressed with the AEHC Film Fund concept that he wanted to become part of AEHC.

27. It was during this process, in early 2003, that Zuker was introduced to Defendant Baker, an investment banker from Boston, Massachusetts, who knew nothing about managing an entertainment company.

28. Zuker met with Baker, Gruskoff and Baker's public relations representative Amy Goldsmith at the Buffalo Club restaurant in Santa Monica, California, in early 2003. At the meeting, Zuker outlined his concept for the AEHC Film Fund. Baker expressed his interest and

stated that he would like to do some due diligence about AEHC and the AEHC Film Fund. Zuker told Baker that if he were interested in participating in AEHC, he would have to meet first with Douglas' attorneys at Manatt Phelps Phillips and his accountant, and later with Douglas himself, in order to be approved as an investor in the company.

29. Under AEHC's Operating Agreement, new members had to be approved by the existing members. Douglas had exercised this veto power on prior occasions with respect to other potential investors Zuker had lined up for AEHC, causing AEHC to remain underfinanced. As a result of Douglas' vetoes and refusal to approve new investors, AEHC required multiple loans from Douglas in order for AEHC to continue operations.

30. For example, in 2001, Douglas agreed to allow AEHC to raise a new round of financing with the goal of moving forward with the AEHC Film Fund. Zuker arranged for the funds to be raised by an investment banker named Todd Ficeto who was also a representative of certain existing AEHC investors. Douglas approved the terms of the investment, but after the financing was arranged and ready to close, Douglas' attorneys at Manatt, who also represented AEHC, called Ficeto and vetoed the investment transaction. Zuker is informed and believes that Douglas and his attorneys deliberately starved the company of investors so that Douglas could seize the assets himself and avoid having to share his eventual profits with Zuker. As a result, AEHC remained in desperate need of working capital, prompting additional loans from and warrants to Douglas.

31. On another occasion, a representative of a major Swiss financing group met with Douglas' business manager and accountant about investing additional funds. However, the representative was told that "Douglas hated the deal." Not surprisingly, the Swiss group decided not to invest. As a result, AEHC required additional loans from Douglas to fund its operations.

32. In March 2004, while attending Harvard Business School, Zuker met a New York investment banker named Michael Crow. Zuker discussed the AEHC Film Fund with Crow. Crow was also excited and began to contribute his thoughts and ideas. Soon thereafter, Crow agreed to raise half the money and contribute his expertise for the AEHC Film Fund.

33. Later in 2004, Zuker introduced Crow to Baker. Not only did they agree that the

AEHC Film Fund concept was a great idea, but Baker and Crow subsequently participated in six or seven financial deals together.

34. In the early summer of 2004, Zuker arranged a meeting with Crow, Douglas and himself at the Beverly Hills Hotel. Crow and Douglas got along very well and discussed the structure of the AEHC Film Fund. Crow reiterated his commitment to raise half the money for the Fund, and Douglas then committed to personally invest $1 million.

35. Finally, after receiving approval from Douglas and his representatives, and completing many months of due diligence and negotiations, on or about July 1, 2004, Baker invested $2.5 million in AEHC, in exchange for a 10% interest in AEHC, through a newly formed entity called AEHC Investment, which was formed by Douglas and Baker specifically for the purpose of investing in AEHC and was controlled 100% by Douglas and Baker. Baker injected his $2.5 million new capital into AEHC Investment, which in turn bought an interest in AEHC, the company that actually owned the literary rights, which was being managed by Zuker. As part of the transaction, Baker was appointed as Co-Manager of AEHC, along with Zuker, and Douglas was paid back hundreds of thousands of dollars of the funds he had loaned to AEHC. Douglas thereafter invested in Baker's personal investment fund, and Douglas and Baker became co-conspirators to seize the company away from shareholders and to divest Zuker of his interests in the company through his joint Venture Agreement with Douglas.

36. Upon joining AEHC, Baker had committed to raise $5 million for AEHC and had also committed to Douglas, Crow and Zuker that he would coordinate and write the private placement memorandum for the AEHC Film Fund (the "PPM") that Zuker was putting together. For the next several months, AEHC's co-counsel and Crow attempted, unsuccessfully, to get the draft PPM from Baker. Eventually, Baker agreed that AEHC's co-counsel would take over the writing of the PPM. Meanwhile, Crow was constantly asking Zuker and AEHC for the PPM so that he could go out into the market to raise investment money. Baker also committed to raise a major portion of the investments in the AEHC Film Fund.

37. As evidence that this Film Fund was extremely valuable, and to help facilitate bringing serious investors into the AEHC Film Fund, Zuker retained Alix Partners at the end of

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December 2004 to provide an expert valuation. It valued AEHC at more than $40 million.

38. For the next two years in 2004 to 2006, Zuker, AEHC, Crow and others invested enormous amounts of time and money putting the AEHC Film Fund together. The relevant parties reviewed and commented on numerous drafts of the necessary legal documents PPM and all the material terms of the proposed investment had been agreed. AEHC hired a headhunter to find an experienced person to head up the AEHC Film Fund. Zuker and Gruskoff interviewed ten different people. Douglas interviewed two of the candidates in the summer of 2005 at the Beverly Hills Hotel. Throughout this time, Zuker, Crow and AEHC's co-counsel were constantly asking Baker (in his role as the Co-Manager with Zuker) to sign off on the PPM so that the investors could meet their commitments. Meanwhile, Baker delayed signing off on the PPM, without any real explanation.

39. Zuker traveled around the world, constantly working on various parts of the PPM and working to form the AEHC Film Fund. For example, in the summer of 2005, Zuker met with a group of British and German investors in the South of France. That group agreed to invest significant capital in exchange for a 10% stake in the AEHC Film Fund.

40. Zuker also secured other serious investors committed to the AEHC Film Fund, including a substantial preliminary commitment from J.P. Morgan/Chase Bank. At this point, it was clear that AEHC and the Film Fund concept were extremely valuable.

41. Unfortunately, even with commitments from investors all over the world to invest many millions of dollars, and a formal appraisal supporting the potential profit projections of the AEHC Film Fund, Baker and Douglas inexplicably refused to sign the final PPM document, at the last second, choosing instead to finally reveal a scheme to seize the company for themselves. No legitimate or business-related reason for their refusal to sign a fully negotiated, extremely valuable deal was ever provided.

Defendants Attempt To Oust Zuker From The Film Fund

42. The version of the PPM that had been agreed upon by all relevant parties for more than 18 months and was ready for execution in early 2006 included, among other things, the following key terms:

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a. AEHC would receive a 50% interest in the AEHC Film Fund in exchange for contributing the rights to use its literary library, and new investors would receive the remaining 50%;

b. AEHC would receive a management fee of 1% per year for running the AEHC Film Fund; and

c. AEHC would receive 50% of all profits from the AEHC Film Fund after the Fund recouped 100% of its investment plus interest;

d. Milkwood Films, Douglas' wife's (Catherine Zeta-Jones) film production company, and Furthur Films (Douglas' own production company) would receive 8-12% of the funds raised to use as a development fund for new projects.

43. In January 2006, numerous drafts of the PPM were circulated back and forth among AEHC (including Zuker), AEHC's attorneys, and Baker's attorney. Indeed, as late as January 24, 2006, Baker's attorney circulated a PPM to AEHC's attorney that was consistent with the above terms, including that AEHC would have a 50% interest in the AEHC Film Fund. Baker told Zuker that each and every one of the changes indicated in the drafts being circulated by his attorney in January had been accepted and approved by Douglas and his representatives. Zuker had many conversations with Douglas during this time period regarding the PPMs, and Douglas never told Zuker that he had any substantive problems with the PPM.

44. The PPM represented a significant and lucrative business opportunity for AEHC and an extraordinary increased equity value for Zuker personally as a member of AEHC. It also rendered Zuker's Joint Venture Agreement with Douglas far more valuable as Zuker expected to earn 50% of all monies Douglas earned through his ownership interests in AEHC, after Zuker used that money to repay the loans made to him by AEHC Investment and Douglas.

45. Suddenly, however, on April 25, 2006 (approximately 22 months after Baker had agreed to the PPM) Zuker received a letter from Baker's attorney stating that Baker (and Douglas) had now demanded a very different deal and they sent a "Revised PPM". The Revised PPM was also sent to Crow and various financial people in New York and Massachusetts at the same time.

46. Notably, the Revised PPM presented radical changes to the PPM that had already been carefully negotiated and which was ready for execution, and, as a result, the entire deal collapsed. Under the Revised PPM:

a. AEHC would no longer be manager of the Film Fund. Instead, it would be replaced by an entity called Granite-Glass L.P., which was a partnership consisting of Douglas and Baker that was not involved in the AEHC Film Fund at all under the original PPM;

b. AEHC's interest in the Film Fund was to be reduced from 50% to just 4%. Baker and Douglas, under the Revised PPM, tried to take a 36% interest leaving AEHC with just 4%, which also substantially eliminated the value of Zuker's Joint Venture Agreement with Douglas;

c. Milkwood Films and Furthur Films would now receive $5 million in development money which would be replaced on a continuing basis, plus an additional $500,000 per year for four years for operating expenses, for a total of $7 million to the Douglas/Zeta-Jones family businesses;

d. AEHC would no longer have any long-term growth potential, such as the opportunity to participate in profits provided for under the original PPM; and

e. AEHC would essentially give up control of its valuable library to Granite-Glass, a company owned by Baker and Douglas.

47. The Revised PPM was Defendants' misguided effort to divert opportunities, assets and profits from AEHC and Zuker to a side business that was owned exclusively by Douglas and Baker. Douglas and Baker tried to relegate AEHC from the centerpiece of the deal to a bit player, for the not-so-subtle purpose of allowing Douglas to avoid having to share 50% of his expected profits in AEHC with Zuker.

48. The Revised PPM would allow Douglas to take value out of AEHC without having to share it with Zuker. Under the Joint Venture Agreement between Douglas and Zuker, Douglas would have had to share all distributions from AEHC with Zuker on a 50/50 basis. The Revised PPM allowed Douglas to make an end-run around the Joint Venture Agreement by diverting the management fees and other benefits to Granite-Glass instead of AEHC, depriving

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Zuker of monies he was entitled to receive and constituting a breach of the obligation of good faith and fair dealing implied into every contract.

49. Because of the long delay and Douglas' and Baker's drastic last second efforts to seize control of a much larger piece of the Film Fund project, the investors who had committed suddenly lost interest and confidence in the Film Fund, in AEHC and in Zuker, and the deal collapsed. Having scared off significant investors, Douglas put himself in a position to seize the company himself.

Exercise of Warrants and Termination of Zuker

50. By causing the Film Fund to collapse, Defendants Douglas and Baker were then in a position to oust Zuker from AEHC altogether and to seize control of the company from Zuker and the other investors through a complicated scheme. On June 13, 2007, AEHC Investment (i.e., Baker and Douglas), exercised one-half of its warrants in AEHC, originally acquired by Douglas, receiving 28% of company shares for just $94,082.16, (by improperly valuing this $40 million company at just $335,714). After exercising the warrants based on that improper valuation, Defendants controlled approximately 82% of the voting membership interests of AEHC – enough to control the company on all issues pursuant to AEHC's Operating Agreement.

51. On March 13, 2008, after Douglas personally called a number of investors and misrepresented that he and Baker were going to put more money into AEHC and that Douglas would take an active role and turn AEHC around on behalf of the investors, because Baker knew nothing about managing an entertainment business, Douglas and Baker convinced AEHC to terminate Zuker's employment contract. In order to accomplish the termination, a special election was first held to amend the Operating Agreement to eliminate the requirement that Zuker could only be terminated for cause. However, this had no impact on the Joint Venture Agreement which still existed and still required Douglas to share 50% of his profits, even if Zuker were no longer involved.

52. For the previous eight years, including nearly four years with Baker's full agreement and consent, Zuker's salary as Manager and Co-Manager of AEHC had been $192,000 per year.

53. Once discussions broke down between Zuker and Baker regarding Defendants' refusal to proceed with the AEHC Film Fund, Baker decided, wrongfully and in bad faith, to stop paying Zuker and caused AEHC to breach his employment agreement. Since that time, money has flowed into the company and Baker has failed to pay Zuker, in violation of his employment agreement and in disregard for his continued diligent work on behalf of AEHC.

54. Baker has also caused AEHC to refuse, in bad faith, to reimburse Zuker for substantial legitimate business expenses advanced by Zuker on behalf of AEHC. Zuker had been advancing significant sums of money out of his own pocket to cover the normal operating expenses of AEHC's Los Angeles office because Baker refused to cut checks to pay such expenses. Baker and Douglas took all these actions for the purpose of depriving Zuker of the income stream and monies that were to be the source of funds Zuker used to repay the loans Douglas previously provided. Douglas then used the fact that Zuker did not repay the loans as a ruse to try to terminate his Joint Venture Agreement with Zuker.

FIRST CAUSE OF ACTION

(DECLARATORY RELIEF)

(Against Douglas and Granite)

55. Zuker incorporates paragraphs 1 through 54 by reference as though fully set forth herein.

56. On September 4, 2009, Douglas' attorneys at Manatt sent a letter to Zuker's representatives claiming that Zuker had defaulted under Part One of the Joint Venture Agreement, in that Zuker had stopped making payments on the loans that Douglas/Granite made to Zuker.

57. Zuker's obligations to repay the loans were premised on the fact that Zuker would be receiving income and profits from AEHC and also that Douglas would be sharing 50% of his profits in AEHC with Zuker. Douglas and Granite breached their contractual and fiduciary duties to Zuker by the conduct alleged herein, and thereby deprived Zuker of the monies that were to be used to repay the loans made by Douglas to Zuker. After wrongfully depriving Zuker of his rights in AEHC and terminating his wages, Defendants then used Zuker's inability to make

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payments as an excuse to try to terminate the Joint Venture Agreement.

58. When Zuker asserted his claims that Douglas breached the Joint Venture Agreement, Douglas and his lawyers at Manatt sent a notice on October 15, 2009, claiming that the Joint Venture Agreement has been terminated.

59. Zuker alleges that Douglas and Granite had no right to terminate the Joint Venture Agreement or otherwise to void Douglas' obligations thereunder to pay 50% of Douglas' profits to Zuker, and Zuker hereby requests an order from the Court declaring that the Joint Venture Agreement remains in full force and effect.

SECOND CAUSE OF ACTION

(BREACH OF ORAL AND WRITTEN CONTRACT)

(Against Douglas and Granite)

60. Zuker incorporates paragraphs 1 through 59 by reference as though fully set forth herein.

61. In or about January 2000, Zuker and Douglas orally agreed that Douglas would split 50% of his net profits from AEHC with Zuker, beginning after Douglas was repaid his initial investment, plus interest.

62. In or about June 2004, Douglas and his lawyers at Manatt Phelps Phillips ("Manatt") demanded that Zuker and Douglas reduce their joint venture agreement and Douglas' promise to pay 50% of his profits from AEHC to Zuker, to writing.

63. Attorneys from Manatt drafted the proposed agreement and sent it to Zuker demanding that Zuker sign it immediately, although Zuker was out of the country and unable to properly review or analyze the proposed agreement. Interestingly, Manatt drafted the agreement to look like it was on Zuker's own letterhead, as if Zuker wrote it.

64. The attorneys from Manatt demanded that Zuker sign the agreement immediately and threatened that if Zuker did not sign the agreement immediately that Douglas would immediately seize control (wrongfully) of the entire company and Zuker would get nothing. Zuker signed the agreement, a true and correct copy of which is attached hereto as Exhibit A (the "Joint Venture Agreement").

65. Zuker has performed all conditions and obligations his was required to perform under the Joint Venture Agreement, except those he was excused from performing, including his obligations to repay the loans that were improperly set forth by Manatt in Part One of the Joint Venture Agreement, which obligations are and remain excused pending such time that Douglas and Granite comply with their obligations under the Joint Venture Agreement.

66. Douglas and Granite breached the oral and written Joint Venture Agreement by engaging in willful conduct alleged herein, which conduct was designed to divert AEHC's profits to other entities controlled by Douglas so that he would not have to share 50% of his profits from AEHC with Zuker, and generally to deprive Zuker of the rights, benefits and significant profits he was and remains entitled to receive under the Joint Venture Agreement.

67. Douglas and Granite have breached the obligation of good faith and fair dealing that is implied into every contract by engaging in the conduct described herein, which conduct was designed willfully and deliberately to deprive Zuker of his contractual rights to profit from AEHC.

68. Zuker has been damaged significantly as a result of the breaches alleged herein, including millions of dollars in lost profits in an amount to be determined at trial.

69. The Joint Venture Agreement expressly states that any disputes by and between the parties must be resolved through litigation in either the state or federal courts in Los Angeles, California.

70. The Joint Venture Agreement also provides that the prevailing party is entitled to recover reasonable attorneys' fees and costs.

THIRD CAUSE OF ACTION

(BREACH OF FIDUCIARY DUTY)

(Against Baker, Douglas, AEHC Investment and Granite)

71. Zuker incorporates paragraphs 1 through 70 by reference as though fully set forth herein.

72. Defendants Douglas and Granite owed additional fiduciary duties to Zuker by virtue of their Joint Venture Agreement.

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73. By the acts described above, Baker, Douglas and Investment breached their duties of loyalty, including, without limitation, by usurping AEHC's valuable business opportunity by, among other things, the improper acquisition and exercise of warrants at prices which fail to reflect the true value of AEHC, and by depriving the company of funds on terms that disproportionately benefit Defendants, and other acts alleged herein, thereby damaging Zuker.

74. The AEHC Film Fund concept was created and developed by Zuker and AEHC, and it was long anticipated that AEHC would exploit the value of its library through the AEHC Film Fund and that Zuker would then earn significant profits through his Joint Venture Agreement with Douglas/Granite. Baker and Douglas attempted to co-opt the Film Fund opportunity for themselves and to relegate AEHC to a bit player in the transaction; specifically, by reducing the participation of AEHC from the agreed 50% to a mere 4%. This significantly harmed AEHC's value, to the detriment of all interest holders. After that failed, Douglas has sought to transfer the value of AEHC to other entities so that he would not have to share his profits with Zuker.

75. Baker, Douglas and AEHC Investment breached their fiduciary duty of care by intentionally allowing the value of AEHC to pass to other entities to avoid Douglas' obligations under the Joint Venture Agreement and to deprive Zuker of his rights therein.

76. Zuker has suffered and continues to suffer damages including, without limitation, the loss of profits he would have made but for Defendants' acts, as well as loss of goodwill and damage to business reputation and attorneys' fees, all in an amount to be proven at trial.

77. Zuker has suffered the additional loss of salary income from AEHC, the loss of any additional distributions he would have realized through the Joint Venture Agreement with Douglas, and the $1 million bonus he was promised upon closing the AEHC Film Fund transaction, as well as damage to his reputation and attorneys' fees, all in an amount to be proven at trial.

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FOURTH CAUSE OF ACTION

(INTENTIONAL INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE)

(Against Baker and AEHC Investment)

78. Zuker incorporates paragraphs 1 through 77 by reference as though fully set forth herein.

79. In early 2006, AEHC was prepared to raise millions of dollars from investors it had lined up with the help of Zuker and others to form the AEHC Film Fund.

80. Defendants Baker and AEHC Investment were fully aware of the efforts of Zuker and AEHC to form the AEHC Film Fund and of the potential investors and business partners in the fund. Defendants knew and understood that their actions as alleged herein would be likely to cause the failure of the opportunity which, in turn, would deprive Zuker of the means and source of monies intended by the parties to be used by Zuker to repay any loans from AEHC Investment, Douglas and/or Granite.

81. Defendants' acts complained of above constitute intentional interference with Zuker's contractual relationship with Douglas and Granite.

82. Zuker has suffered and continues to suffer damages including, without limitation, the loss of wages and profits Zuker would have made but for Defendants' acts, as well as loss of goodwill and damage to his business reputation and attorneys' fees, all in an amount to be proven at trial.

83. Zuker has suffered the additional loss of salary income from AEHC, the loss of any additional distributions he would have realized through the Joint Venture Agreement with Douglas, and the $1 million bonus he was promised upon closing the AEHC Film Fund transaction, as well as damage to his reputation and attorneys' fees, all in an amount to be proven at trial.

84. In interfering with Zuker's economic relationships, Defendants acted willfully and maliciously, with the deliberate and wrongful intent to injure, oppress and damage Zuker, and Zuker is therefore entitled to recover exemplary damages in addition to consequential damages.

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FIFTH CAUSE OF ACTION

(INDUCEMENT OF BREACH OF CONTRACT)

(Against Baker)

85. Zuker incorporates paragraphs 1 through 84 by reference as though fully set forth herein.

86. By the acts described above, Baker intentionally induced Douglas and Granite to breach their contractual obligations to Zuker.

87. As a result of Baker's actions, Zuker has suffered damages in the amounts to be proved at the time of trial.

SIXTH CAUSE OF ACTION

(FRAUD AND DECEIT)

(Against Douglas and Baker)

88. Zuker incorporates paragraphs 1 through 87 by reference as though fully set forth herein.

89. From the inception of this project, Defendant Douglas schemed and conspired to acquire control of AEHC and to acquire for himself the bulk of the financial benefits by cutting Zuker out of AEHC, by diverting AEHC opportunities to other entities to avoid Douglas' payment obligations under the Joint Venture Agreement, pursuant to which Douglas must share 50% of his profits with Zuker. Douglas backed out of his initial capital commitment to Zuker and AEHC, causing AEHC to be undercapitalized and thus to be dependent on Douglas to fund its operating costs. Douglas thereafter purported to "loan" funds to AEHC and Zuker until Zuker brought in new investors, demanding warrants in return. However, Douglas never disclosed his plan to veto any new investors so that he could seize a controlling interest in AEHC, deprive Zuker of the funds necessary to repay loans that Douglas provided so that he could terminate the Joint Venture Agreement and take 100% of financial benefits for himself rather than sharing 50/50. All the while, Douglas falsely misrepresented his intention to move forward with the plan to share the financial benefits of AEHC with Zuker, who was induced to toil for many years to line up investors for AEHC and the Film Fund, based on Douglas' misrepresentations.

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90. On information and belief, at the time that Douglas loaned the money to AEHC and to Zuker and acquired the warrants in exchange, Douglas secretly sought to take control of AEHC and to oust Zuker and dilute the other shareholders. At the time, Zuker believed that Douglas remained committed to the original plan and the Joint Venture Agreement, when, in fact, Douglas was looking for a way out of the Joint Venture Agreement.

91. Furthermore, in or about July 2004, Defendants Baker and Douglas promised Zuker that Defendants Baker and Douglas would complete and approve the PPM right away, in order to take advantage of the investors and financing that Zuker had arranged and was in the process of arranging, through substantial time and effort by Zuker.

92. At the time Defendants Baker and Douglas made this promise to Zuker, Defendants had no intention of performing this promise. Nevertheless, it took Zuker several years to learn the truth about Douglas' and Baker's scheme.

93. The above promises and misrepresentations were made by Defendants with the intent to induce Zuker to expend tremendous amounts of time, effort, and expense in lining up potential investors for the AEHC Film Fund, all the while knowing that Defendants actually intended to (a) propose a PPM that severely reduced Zuker's stake in the Fund and retained the benefits of Zuker's hard work for Defendants' own gain, or (b) to never approve a PPM and then, with no investment dollars flowing into AEHC, convert their warrants for their own personal gain for the purpose of diluting the holdings of the other shareholders of AEHC, for the purpose of seizing control of the extremely valuable assets owned by AEHC, and thereby depriving Zuker of the funds necessary to repay the loans.

94. Zuker, at the time the false promises were made and at the time Zuker was taking the actions described herein, was ignorant of Defendants' secret intention and their conspiracy to try to seize control of AEHC's valuable assets, and did not know of their intention to interfere with Zuker's ability to raise the promised investment funds, and Zuker could not, with reasonable diligence, have discovered Defendants' secret intentions.

95. In reliance on the promises made by Defendants, Zuker was induced to, and in fact did, expend thousands of hours of time and incur significant amounts of unreimbursed expenses,

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and put his personal and business reputation on the line to investors and other players in the entertainment and financial industries, all to his detriment in reasonable reliance upon the false promises of Defendants. If Zuker had known the true and actual intention of Defendants, Zuker would not have undertaken said actions.

96. Defendants Baker and Douglas in fact failed to abide by their promises and in or about April 2006, Defendants revealed a version of a PPM that (a) marginalized Zuker from participating in the AEHC Film Fund, and (b) effectively rejected most of the investment commitments that Zuker had lined up over the previous two years due to the material differences between the original PPM and the PPM proposed by Defendants in April 2006. In or about June 2007, Defendants also exercised at least half the warrants held in AEHC, which warrants had only been obtained by Defendants due to Defendants' own delay in approving the PPM for the AEHC Film Fund. Defendants Baker and Douglas therefore wrongfully profited from Zuker's reliance on their false promises, all to Zuker's detriment.

97. As a proximate result of the fraudulent and deceptive conduct of Defendants Baker and Douglas as herein alleged, Zuker suffered harm and damages in the form of thousands of hours of Zuker's work and efforts, damage to his business and personal reputation in the community and in his occupation, loss of profits through the Joint Venture Agreement, loss of employment compensation, mental and emotional anguish, anxiety, worry, nervousness, all in amounts to be proved at the time of trial.

98. The aforementioned conduct of Defendants Baker and Douglas was an intentional deceit by false promise, with intention by Defendants to deprive Zuker of money and property and to injure Zuker, and constituted despicable conduct that subjected Zuker to a cruel and unjust hardship in conscious disregard of Zuker's rights, so as to justify an award of exemplary and punitive damages in amounts to be determined at the time of trial

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SEVENTH CAUSE OF ACTION

(ACCOUNTING)

(Against Douglas and Granite Investment)

99. Zuker incorporates paragraphs 1 through 98 by reference as though fully set forth herein.

100. As a result of the aforementioned Joint Venture Agreement, Defendants have received money, a portion of which is due to Plaintiff.

101. The amount of money due from Defendants to Plaintiff is unknown to Plaintiff and cannot be ascertained without an accounting of the receipts and disbursements of transactions between Douglas and AEHC.

102. Plaintiff has demanded an accounting from Defendants, but defendants have failed and refused, and continue to fail and refuse, to render such an accounting and to pay such sum.

WHEREFORE, Zuker prays that the Court grant the following relief:

A. A declaration that the Joint Venture Agreement between Zuker and Granite/Douglas remains in full force and effect, and that Douglas must split fifty-percent of his profits from AEHC with Zuker (after Douglas earns back his initial investment plus interest);

B. An award of compensatory and consequential damages in an amount to be determined at trial;

C. An accounting of all investments, contracts, revenues, distributions, expenses, and profits of AEHC and Defendants;

D. An award of exemplary and punitive damages;

E. An award of costs and attorneys' fees; and

F. For such further and other relief as the Court may deem just and proper.

DATED: January 28, 2010

MBV LAW LLP

By
MICAH R. JACOBS
Attorneys for Plaintiff
HOWARD ZUKER, aka ZACK NORMAN

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DEMAND FOR JURY TRIAL

Plaintiff Howard Zuker hereby demands a jury trial on all issues triable by a jury.

DATED: January 28, 2010

MBV LAW LLP

By ______________________
MICAH R. JACOBS
Attorneys for Plaintiff
HOWARD ZUKER, aka ZACK NORMAN

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