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CONFIRMED COPY
OF ORIGINAL FILED
Superior Court of California
County of Los Angeles
FEB 15 2011
JUDICIAL OFFICE, Executive Officer/Clerk
By ~~ROBERTA COPEZ~~ Deputy

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES
GENERAL CIVIL**

Camelot Entertainment Inc a Delaware Corporation, Camelot Film Group, Inc., a Delaware Corporation; Camelot Distribution Group, Inc., a Nevada Corporation; Robert P. Atwell, an individual.

Plaintiffs,

vs.

Incentive Capital, LLC, an Utah Limited Liability Company and DOES 1-50 Defendants.

CASE NO.

BC455114

COMPLAINT FOR:

1. Breach of Contract
2. Declaratory Relief
3. Unlawful Business Practices
4. Constructive Fraud
5. Interference with Prospective Economic Advantage
6. Unjust Enrichment

1 Plaintiffs Camelot Entertainment Group Inc., Camelot Film Group, Inc., Camelot Distribution
2 Group, Inc. and Robert P. Atwell, ("plaintiffs").
3
4

5 **FIRST CAUSE OF ACTION**

6 **(Breach of Contract)**

7 **(Against all defendants)**

8 1. Plaintiff Camelot Entertainment Group, Inc is a corporation organized and existing
9 under the laws of the State of Delaware and is engaged in business in the State of California. It is
10 a publicly traded company.[Camelot Entertainment Group will sometimes be referred to as CEG].

11 2. Plaintiff Camelot Film Group, Inc is a corporation organized and existing under the
12 laws of the State of Nevada and is engaged in business in the State of California. Camelot Film
13 Group Inc is a wholly owned subsidiary of Camelot Entertainment Group, Inc. [Camelot Film Group
14 will sometimes be referred to as CFG]

15 3. Plaintiff Camelot Distribution Group, Inc is a corporation organized and existing under
16 the laws of the State of Nevada and is engaged in business in the State of California. Camelot
17 Distribution Group Inc is a wholly owned subsidiary of Camelot Entertainment Group, Inc.
18 [Camelot Distribution Group will sometimes be referred to as CDG]

19 4. Plaintiff Robert P. Atwell resides in the State of California

20 5. Defendant Incentive Capital, LLC, is a Utah Limited Liability Company existing
21 under the laws of the State of Utah and, on information and belief, engaged in business in the State
22 of California.
23
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1 14. The Liberation Assets

2 At the same time as the loan transaction referred to herein, Camelot Film Group Inc. purchased the
3 Liberation Assets. The initial purchase price was \$3.9 million with a ceiling of \$4.43 million
4 dependent on the value achieved through the sale of certain titles. The purchase of the Liberation
5 Assets were effected through an agreement between a third party called CMBG Advisors, acting as
6 the assignee for the benefit of creditors of Liberation Entertainment Inc. (The Agreement between
7 CMBG and Camelot Film Group is attached hereto as Exhibit 7)

8 Since April 28, 2010 the plaintiffs have all right, title and interest to the Liberation Assets.
9 That interest includes but not limited to plaintiffs' rights as licensees as those rights relate to certain
10 specific titles.

11 15. The Escrow Agreement

12 In addition to requiring certain loan documents be executed as a condition to its funding of
13 the loan, Incentive required that Camelot Film Group execute an escrow agreement a copy of which
14 is attached as Exhibit 8.

15 The Escrow Agreement required the delivery, into Escrow, of a certificate authorizing the
16 issuance of issuance of Six Hundred Fifty Thousand dollars (\$650,000) worth of Capital
17 Entertainment Group Class F Convertible Preferred Shares (the "Pledged Shares")

18 In order to obtain the loan and in reliance on the representations of Incentive Capital
19 Entertainment delivered the Pledged Shares into Escrow.

20 16. Under the Escrow Agreement plaintiffs have the right to unconditionally tender additional
21 shares as payment in full of the Note

22 Section 1 (c) of the Escrow agreement provides, in part: "If the total consideration received by the
23 Lender from loan payments, distribution revenues generated by Camelot Distribution Group, Inc
24 and/or CFG and all other sources as more fully discussed and agreed to in the Loan Documents, is
25 less than Six Hundred and Fifty Thousand (\$650,000.00) plus applicable interest, in the aggregate,
26 by the time all of said Common Stock has been delivered and is eligible for sale, then CEG shall

1 issue additional shares of CEG Common Stock to the Lender until the Lender has received Common
2 Stock that has a fair market value in an amount not less than Six Hundred Fifty Thousand Dollars
3 (\$650,000.00) plus applicable interest.”

4 17. Plaintiffs have performed all the obligations to be performed by them in connection with the
5 Agreements referred to herein other than those obligations excused or waived by the defendants.
6

7 18. Incentive claims a default under the Note and proceeds against the Collateral

8 Under the terms of the Note the principal became due and payable on January 31, 2011. As
9 of January 31, 2011 the plaintiffs had paid a total of \$104,750 towards the note., This represents
10 payment of principal and interest. Section 1 page 3, of the Note defines Event of Default to include:
11 “If (a) the interest hereunder or other fee due under the Loan Documents shall not be paid in full
12 punctually when due and payable, or within five (5) business days thereafter, or (b) the principal
13 hereof shall not be paid in full punctually when due and payable”.

14 19. Prior to any Notice of Default being given by Incentive, or indeed their being a actual Event
15 of default, on February 2, 2011 plaintiffs invoked Section 1 (c) of the Escrow Agreement and
16 tendered shares with the aggregate value of all shares tendered equal to \$666, 888 to Incentive as
17 provided for in the Escrow Agreement. The tender was unconditional and was in the form of a
18 letter to Incentive at its address in Utah. The letter in which plaintiffs invoked their rights under the
19 Escrow Agreement was written and sent to Incentive Capital by Michael O’ Brien, plaintiffs’ Utah
20 lawyer, is attached as Exhibit 9.

21 The letter states in relevant part:

22 “Reference is made to that certain Escrow Agreement...[P] ursuant to the Loan Documents and the
23 Agreement, and as of February 1, 2011, CEG, on behalf of CFG has issued 1,912,086 shares of CEG
24 Class F Convertible Preferred Stock (“Class F Shares”) to Lender which shares, when combined
25 with the existing Cclass F shares issued to Lender, are convertible into 2,012,086,097 shares of CEG
26 Common Stock at a conversion price of \$.0003 for an aggregate value of of \$666,886 in full

1 satisfaction of the obligation of CEG and CFG under the Loan Documents”

2
3 21. Exhibit 9 was delivered by certified mail to Incentive and complies with the requirements
4 of Notice as outlined in the Note. Incentive has never denied receiving the February 2, 2011 Notice.
5 Rather, Incentive has chosen to ignore its obligations under the Escrow Agreement and proceeded
6 as though the Escrow Agreement and plaintiffs' rights thereunder do not exist. On February 9, 2011
7 the defendant took steps to sell the collateral by way of public sale (Exhibit 10 are the Notices of
8 Disposition of Collateral by Public Sale issued by Nathan Dorinis, a lawyer with the law firm which,
9 on information and belief, represents Incentive Capital). On information and belief defendants have
10 caused the publication of said Notices.

11 Plaintiffs have performed all the obligations to be performed by them other than those
12 obligations excused or waived by the defendants

13
14 22. The defendants have breached the Note, Escrow Agreement and related documents in a
15 manner which includes but is not limited to:

- 16 a. Noticing the auction at a time when plaintiffs' obligation has been paid in full.
17 b. Refusing the unconditional tender of the shares.
18 c. Attempting to sell the Liberation Assets and convert those Assets.

19 23. As a proximate result of defendants' breaches, plaintiffs have been damaged in an amount
20 according to proof.

1 **SECOND CAUSE OF ACTION**

2 **(Declaratory Relief)**

3 **(Against all defendants)**

4 24. Plaintiffs incorporate paragraphs 1-23 of this Complaint as though the same are stated herein
5 in full.

6 25. A dispute has arisen between plaintiffs and defendants as to the following:

7 a. Whether the Note has been paid off in full.

8 b. Whether Incentive has any right to the Collateral, including the Liberation Assets.

9 c. Whether Incentive is required to accept the unconditional tender as contained in Michael O'
10 Brien's letter of February 2, 2011.

11 d. Whether the obligations of Camelot Entertainment, Inc., Camelot Film Group, Inc., Camelot
12 Distribution Group, Inc. and Robert P. Atwell under the Security Agreements have been
13 extinguished.

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15
16 **THIRD CAUSE OF ACTION**

17 **(Unlawful Business Practices)**

18 **(Against all defendants)**

19 26. Plaintiffs incorporates herein paragraphs 1-25 of this complaint.

20 27. Defendants' Unfair Business Practices included utilizing and converting the Liberation Assets

21 28. The actions and representations of the defendants as described herein were Unlawful Business
22 Practices within the meaning of Business and Professions Code Section 17200 et seq.

23 29. As a result of said defendants' actions, plaintiffs has suffered damage in an amount not as yet
24 ascertained but within the jurisdiction of this court. Plaintiffs will seek leave to amend this
25 complaint when said amount is ascertained. Through this action plaintiffs also seek the
26 disgorgement of all monies received by the defendant where said monies arise out of or are related

1 to the Liberation Assets

2
3 **FOURTH CAUSE OF ACTION**

4 **(Constructive Fraud)**

5 **(Against all defendants)**

6
7 30. Plaintiffs incorporate herein paragraphs 1-34 of this complaint.

8 31. The actions of the defendants constitute constructive fraud.

9 32. Effectively defendant have refused payment of the obligations allegedly owned to them by
10 refusing to accept payment in full.

11 33. On information and belief defendants have so acted for an unlawful purpose, namely to obtain
12 control of the Liberation Assets and any other collateral which defendant seeks to acquire.

13 As a direct and proximate result of the foregoing, plaintiffs have suffered damages which are not
14 yet ascertained but within the jurisdiction of this court. Plaintiffs will seek leave of this court to
15 amend this complaint when said amount has been ascertained.

16 34. In doing the acts herein alleged, defendants acted wilfully, maliciously and with the intent
17 to injure and oppress plaintiff and are guilty of a total disregard of plaintiffs' rights and by reason
18 thereof, plaintiffs are entitled to exemplary and punitive damages according to proof.

19
20 **FIFTH CAUSE OF ACTION**

21 **(Intentional Interference with Prospective Economic Advantage;**

22 **(Against all Defendants)**

23 35. Plaintiffs incorporate Paragraphs 1 through 34 of this complaint as though same were set
24 forth in full herein.

25 36. Defendants, in doing the acts herein alleged, knowingly and intentionally interfered with
26 plaintiffs' business and prospective economic advantage.

1 37 As a direct and proximate result of the foregoing, plaintiffs have suffered damages which are
2 not yet ascertained but within the jurisdiction of this court. Plaintiffs will seek leave of this court
3 to amend this complaint when said amount has been ascertained.

4 38. In doing the acts herein alleged, defendants acted wilfully, maliciously and with the intent
5 to injure and oppress plaintiffs and are guilty of a total disregard of plaintiffs' rights and by reason
6 thereof, plaintiffs are entitled to exemplary and punitive damages according to proof.

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8

SIXTH CAUSE OF ACTION

9

(Unjust Enrichment)

10

(Against all defendants)

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39. Plaintiffs incorporate herein paragraphs 1-39 of this complaint.

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40. Any benefit which defendant obtain as a result of their usurpation of the Liberation Assets
would be a benefit to which they are not entitled, i.e., monies paid to defendant by third parties
in connection with those assets. If defendant would have fulfilled their obligations under the
Escrow Agreement then plaintiffs would have received those monies which were paid by third
parties in connection with the Liberation Assets.

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41. Consequently, defendants should be required to disgorge all unjustly retained benefits, the
full value of which are presently unknown, but are believed to exceed \$1,000,000, according to
proof at trial.

21

WHEREFORE PLAINTIFFS PRAYS:

22

ON THE FIRST CAUSE OF ACTION

23

1. For compensatory and general damages according to proof.

24

2. For consequential damages according to proof.

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1 ON THE SECOND CAUSE OF ACTION

2 For an order of court that

3 a. The Note has been paid off in full.

4 b. Incentive has no right to the Collateral, including the Liberation Assets, or any rights therein.

5 c. Incentive is required to accept the unconditional tender as contained in Michael O' Brien's letter
6 of February 2, 2011.

7 c. The obligations of Camelot Entertainment, Inc., Camelot Film Group, Inc., Camelot
8 Distribution Group, Inc. and Robert P. Atwell under the Security Agreements have been
9 extinguished.

10

11 ON THE THIRD CAUSE OF ACTION

12 1. For disgorgement of all monies received by the defendants as a result of the commercial
13 exploitation of the Liberation Assets.

14

15 ON THE FOURTH CAUSE OF ACTION

16 1. For compensatory and general damages according to proof.

17 2. For consequential damages according to proof.

18 3. For punitive damages according to proof

19 ON THE FIFTH CAUSE OF ACTION

20 1. For compensatory and general damages according to proof.

21 2. For consequential damages according to proof.

22 3. For punitive damages according to proof

23 ON THE SIXTH CAUSE OF ACTION

24 1. For compensatory and general damages according to proof.

25 2. For consequential damages according to proof.

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1 ON ALL CAUSES OF ACTION

2 1. For the issuance of a temporary restraining order, preliminary injunction and permanent
3 injunction, all requiring defendants, and their agents, partners, servants, and employees, and all
4 persons acting under or in concert with or through them from:

5 a. Contacting any buyers or prospective licensees of any film title or television series which
6 form part of the Liberation Assets.

7 b. Selling, pledging, acquiring, encumbering, hypothecating, licensing or distributing any
8 film title or television series which forms part of the Liberation Assets.

9 c. Obtaining any monetary benefit from any film title or television series which forms part
10 of the Liberation Assets.

11 d. Commercially exploiting the Liberation Assets

12 e. From auctioning, selling, or any way disposing of the Liberation Assets.

13 2. For costs of suit.

14 3. For attorney's fees.

15 4. For such other relief as may be just and proper.

16 DATED: February 15, 2011 LAW OFFICES OF JONATHAN MARK LEVITAN

17 BY: _____

18 JONATHAN MARK LEVITAN, ESQ.

19 Attorneys for Plaintiff Camelot Entertainment, Inc.,
Camelot Film Group, Inc., Camelot Distribution Group, Inc. and Robert P. Atwell.