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5 [Proposed] Reorganization Counsel for the Debtor
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9 **UNITED STATES BANKRUPTCY COURT**
10 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
11 **LOS ANGELES DIVISION**

12 In re
13 SANCTIONED AUTOMOTIVE GROUP,
LLC
14 Debtor and Debtor-In-Possession

Case No. 2:13-bk-30217-ER
Chapter 11
Adv. No. **Refer to Summons**

15 SANCTIONED GROUP HOLDINGS,
16 LLC,
17 Plaintiff,
18 v.
19 CASUAL INVESTMENTS, LLC, AND
DOES 1 THROUGH 10, INCLUSIVE.
20 Defendants.
21

**COMPLAINT FOR DECLARATORY RELIEF,
AND IN THE ALTERNATIVE OR IN
CONJUNCTION WITH, SPECIFIC
PERFORMANCE AND AVOIDANCE OF
PREFERENTIAL LIEN, TO THE EXTENT
REQUIRED**

DATE: **Refer to Summons**
TIME:
CTRM: 1568
255 E. Temple Street
Los Angeles, CA 90012

22 Plaintiff Sanctioned Automotive Group, LLC, a California limited liability company
23 (“SAG”), through its undersigned attorneys, and pursuant to Federal Rule of Bankruptcy Procedure
24 7001, hereby file this “*Complaint For Declaratory Relief, And In The Alternative Or In Conjunction*
25 *With, Specific Performance And Avoidance Of Preferential Lien, To The Extent Required*” against
26 defendant Casual Investments, LLC, a Delaware limited liability company (“Casual Investments”)
27 and all necessary parties for the relief requested herein as reflected in the naming of DOES 1 through
28 10, and state as follows:

JURISDICTION AND VENUE

1
2 1. This adversary proceeding relates to and arises under the Chapter 11 case of *In re*
3 *Sanctioned Automotive Group, LLC*, 2:13-bk-30217-ER (the “Chapter 11 Case”), currently pending
4 before this Court. The Chapter 11 Case was commenced on August 9, 2013 (the “Petition Date”).
5 This Court has subject matter jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §
6 157(a) and (b) and 28 U.S.C. § 1334(b). This matter is a core proceeding within the meaning of 28
7 U.S.C. § 157(b)(2)(A), (K) and (O), as applicable. Venue is proper in Central the District of
8 California pursuant to 28 U.S.C. § 1408. The Plaintiffs seek and are entitled to declaratory and other
9 relief pursuant to 28 U.S.C. §§ 2201(a) and 2202, and in the alternative or in conjunction therewith,
10 relief pursuant to 11 U.S.C. §§ 547, 550 and 551, 11 U.S.C. § 502, and as applicable, 11 U.S.C. 105.

SUMMARY OF THE ACTION

11
12 2. An actual, ripe and justiciable controversy exists on all Counts arising from the factual
13 and legal issue of whether Defendant Casual Investments is an equity interest holder, or as it has
14 alleged through its filing with Court of its “*Non-Consent to Debtor’s Use of Cash Collateral and*
15 *Demand for Segregation of Cash Collateral*” seven (7) days after the Petition Date on August 16,
16 2014 [Docket No. 12] (the “Non-Consent to Use of Cash Collateral”), a secured creditor under the
17 Bankruptcy Code for purposes of this Chapter 11 Case.

18 3. This controversy is one that impact all aspects of the Chapter 11 Case and requires the
19 legal clarity requested by this Complaint as such clarity currently does not exist nor is it expected to
20 be adequately obtained through any other means or relief.

21 4. In the alternative, or in conjunction with the relief requested in Paragraph 2 above, this
22 Complaint seeks to avoid and recover from Defendant Casual Investments, or from any other person
23 or entity for whose benefit the transfers were made, all preferential transfers of property made for or
24 on account of an antecedent debt and to or for the benefit of Defendant Casual Investments by SAG
25 within the one (1) year period prior to the Petition Date pursuant to 11 U.S.C. §§ 547 and 550.

26 5. To the extent that any Defendants have filed a proof of claim at any time during this
27 action or have a claim listed on SAG’s schedules, or has otherwise requested payment from SAG
28 (collectively, “Defendant Claims”), this Complaint is not intended to be, nor should it be construed

1 as, a waiver of Plaintiff's right to object to any such Defendant Claims for any reason including but
2 not limited to 11 U.S.C. § 502, and such rights are expressly reserved. Notwithstanding this
3 reservation of rights, certain relief is requested pursuant to 11 U.S.C. § 502 by Plaintiff herein as
4 further stated below.

5 6. All use of terminology for purposes of identifying and defining the relevant
6 documents or transactions is for purposes of accurate description of the titles used. No use of such
7 terminology in this Complaint shall be deemed the Debtor's agreement or admission as to the
8 characterization arising from the wording so used.

9 **PARTIES**

10 7. On the Petition Date, Plaintiff SAG filed its Chapter 11 voluntary bankruptcy petition
11 in the United States Bankruptcy Court for the Central District of California, Los Angeles Division
12 (the "Court"), commencing the above-captioned chapter 11 reorganization case.

13 8. Defendant Casual Investments is a Delaware limited liability company with its
14 principal place of business in Overland Park, Kansas, and an alleged Secured Lender of SAG in the
15 amount of nine-hundred, seventy-five thousand (\$975,000.00), and is named as a Defendant in all
16 Counts contained herein.

17 9. As to Count Two [For Specific Performance Of The May 13, 2013 Letter Agreement],
18 the true names and capacities, whether individual, corporate or otherwise, of all necessary
19 Defendants to effectuate the relief requested are listed in this Complaint as including DOES 1
20 through 10. SAG is informed and believes and on that basis alleges that each of the said fictitiously
21 named Defendants may be liable to Debtor on the causes of action herein alleged, and therefore
22 Debtor sues such Defendants by said fictitious names. Debtor will move to amend this Complaint, as
23 necessary and applicable as to such DOES. Whenever reference is made in this Complaint to the
24 "Defendant" in Count Two, such reference includes DOES 1 through 10.

25 **FACTUAL BACKGROUND**

26 10. SAG is in the business of developing, manufacturing, selling, branding, marketing and
27 distributing to commercial and consumer markets a line of premium car care products, including car
28 wash, waxes, polishes, spray detailers, interior cleaners and conditioners and innovative tire shines.

1 11. In the fall of 2012, negotiations commenced between Casual Investments, Mr. Atticus
2 Firey is his individual management capacity, member Sanctioned Holdings LLC (wholly owned by
3 Mr. Mark Suroff), and member Atticus Firey Consulting, Inc. (wholly owned by Mr. Atticus Firey)
4 (collectively, the “Participating Parties”), whereby Casual Investments conveyed a framework by
5 which it would acquire an equity interest position in SAG.

6 12. The Participating Parties, including SAG and Casual Investments, subsequently came
7 to an understanding that Casual Investments would make a cash investment into SAG in exchange for
8 an equity interest position in SAG. Casual Investments further indicated a willingness to provide
9 SAG a thirty (30) day short term loan to help fund SAG’s operations pending further written
10 memorialization.

11 13. On or about January 7, 2013, SAG and Casual Investments entered into a “Loan
12 Agreement” pursuant to which SAG received five hundred thousand dollars (\$500,000) from Casual
13 Investments (such agreement, the “January Loan Agreement”). Concurrently with entering into the
14 January Loan Agreement, and in reliance on Casual Investments’ representations regarding such
15 documentation being what was in substance a mechanical step in consummating its equity investment
16 into SAG, SAG executed in favor of Casual Investments a promissory note in the principal amount of
17 five hundred thousand dollars (\$500,000) (the “January Note”), with a set maturity date ninety (90)
18 days later of March 15, 2013 (such date, the “Initial Maturity Date”), and a “Security Agreement”
19 that granted Casual Investments a security interest in certain property of SAG (the “January Security
20 Agreement”). Based on SAG’s inquiry, no UCC-1 or other financing statement to perfect any
21 alleged security interest granted was ever filed by or on behalf of Casual Investments with respect to
22 the grant under the January Security Agreement until the filing of a UCC-1 Financing Statement on
23 April 2, 2013 with the California Secretary of State (filing No. 13-7354641589) (such UCC-1, the
24 “April 2013 UCC Filing”).

25 14. As of March 5, 2013, eight (8) days before the maturity date of the January Note,
26 Casual Investments and SAG had still not finalized all further documentation as to Casual
27 Investments’ equity interest position. On such date, and in reliance upon Casual Investments’
28 ongoing representations regarding the memorialization of its equity interest position in SAG, SAG

1 entered into certain titled “*Amendment To Loan Agreement*” pursuant to which: (i) SAG received an
2 additional seventy five thousand dollars (\$75,000) in funding from Casual Investments (the “March
3 Seventy Five Thousand Funding”); (ii) SAG executed in favor of Casual Investments that certain
4 “*Amended And Restated Promissory Note*” in the total amount of Five Hundred, Seventy Five
5 Thousand dollars (\$575,000), which consisted of the amount of the January Note and the March
6 Seventy Five Thousand Funding, and (iii) the maturity date of the January Note (\$500,000) and the
7 March Seventy Five Thousand Funding (collectively, the “March Note”) was set for March 31, 2013,
8 a mere sixteen (16) days after the Initial Maturity Date.

9 15. Following more months of discussions, on or about May 14, 2013, all of the
10 Participating Parties entered into that certain “Letter Agreement” finally memorializing in writing
11 both the form and the substance of Casual Investments’ equity interest position in SAG (the “May
12 Letter Agreement”). Pursuant to the May Letter Agreement, Casual Investments’ initial equity
13 position in SAG was established at forty nine percent (49%). A true and correct copy of the May
14 Letter Agreement is attached hereto as Exhibit A and incorporated herein by reference.

15 16. As stated in the May Letter Agreement, the May Letter Agreement “*set forth [the*
16 *Participating Parties’] understanding as to the terms and conditions under which Casual will make*
17 *its cash investment in [SAG]...*,” and made clear that it was “*binding on all parties [thereto] to*
18 *consummate all of the transactions as described [therein].*”

19 17. Pursuant to May Letter Agreement, all of the Participating Parties specifically agreed
20 that Casual Investments’ funding commitment to SAG of one-million and five hundred thousand
21 dollars (\$1,500,000) as contained therein, which consisted or otherwise consists of (i) the five
22 hundred and seventy five thousand dollars (\$575,000) reflected in the March Note, (ii) the amount of
23 the self-described therein “Additional Loan” to SAG in the amount of four hundred thousand
24 (\$400,000), and (ii) an additional cash funding to SAG in the amount of five hundred and twenty five
25 thousand dollars (\$525,000) (which was never funded), such amount the “Remaining Capital
26 Infusion”), would equal a forty-nine percent (49%) equity position in SAG. In addition, it was
27 expressly stated that all of the aforementioned funding by Casual Investments was or was to be
28 converted to equity.

1 18. Pursuant to Paragraph 4 of the May Letter Agreement, the parties agreed to an
2 Amended Operating Agreement, which, among other things, included the following terms regarding
3 management and ownership of SAG: Casual Investments “shall” (i) have the right to be additional
4 “managing member” of SAG, and (ii) be entitled to review SAG’s monthly sales, income and
5 expenses.

6 19. On or about May 21, 2013, seven (7) days after consummation of the May Letter
7 Agreement, SAG and Casual Investments entered into that certain “*Amended And Restated Loan*
8 *Agreement*” (such agreement, the “May Restated Agreement”) pursuant to which Casual agreed to
9 make the Additional Loan “*to permit the Borrower to benefit by certain business opportunities*
10 *available to it at this time (and which may not be available to the Borrower at the time the definitive*
11 *documents for the Equity Transactions are completed), ...*”

12 20. The May Restated Agreement expressly provides that such agreement is necessary
13 because although the parties believe that “*... all material issues have been resolved regarding the*
14 *Equity Transaction, the completion of the definitive agreements for the Equity Transaction will*
15 *require additional time.*”

16 21. Independent of any other party’s rights and obligations under the May Letter
17 Agreement, SAG alleges that the May Restated Agreement further provides that SAG and Casual
18 Investments have an obligation to promptly complete the definitive documents:

19
20 1.4 Prompt Completion of the Equity Transaction. The
21 Borrower and the Lender shall, and shall instruct their respective
22 counsel to, use reasonable efforts to promptly complete the definitive
23 agreements with respect to the Equity Transaction and consummate the
24 Equity Transaction as currently contemplated by the Parties in all
25 material respects. For this purpose, each of the Parties shall negotiate
26 in good faith to promptly, mutually and reasonably resolve any further
27 issues that may arise in such connection.

28 22. In reliance on Casual Investments’ ongoing representations regarding its view and
intentions regarding its equity interest position in SAG, and consistent with the terms of the May
Letter Agreement, SAG executed an “*Amended and Restated Promissory Note*” dated May 21, 2013
in favor of Casual Investments in the amount of nine-hundred and seventy five thousand dollars
(\$975,000) (such amount, the “Alleged Secured Indebtedness”), and a “*First Amendment to Security*

1 *Agreement*” dated May 21, 2013 (the “May Security Amendment”), pursuant to which the scope of
2 the property securing the alleged loan was broadened to include among other things certain
3 intellectual property rights of SAG as follows:

4 2. Amendment to Section 1.2 [of the January Loan
5 Agreement].

6 The following shall be added as subpart (ix) to the definition of "Collateral", and all
7 subsequent subparts shall be deemed to be automatically renumbered accordingly:

8 (ix) all intellectual property, including any domestic and foreign patents, patent
9 applications, registered and unregistered trademarks, service marks, trade
10 names and logos, registered and unregistered copyrights, designs, inventions,
11 computer programs, software, data bases, choses in action, internet domain
12 names, websites, licenses, trade secrets, confidential information and
13 proprietary information and all goodwill associated therewith;

14 23. The May Security Agreement stated that it related back and amended the January
15 Loan Agreement.

16 24. On May 29, 2013, Casual Investments filed a “UCC Financing Statement
17 Amendment” with the California Secretary of State (filing No. 1373630908) (such filing, the “May
18 2013 UCC Filing”), and such filing stated it related back to the April 2013 UCC Filing.

19 25. The interest rate on the Alleged Secured Indebtedness, which serves as the basis for
20 Casual Investments purported “secured claim” in the Chapter 11 Case, was set at only one percent
21 (1%) without explanation but with a default interest rate of fifteen percent (15%).

22 26. Since the fall of 2012 through the date of this Complaint, Casual Investments
23 continually has reaffirmed its desire and commitment to be an equity interest holder in SAG.
24 Beginning in fall 2012 and until August 2013, Casual Investments’ conduct was consistent with its
25 expressed desire and agreement to possess an equity interest position in SAG. Further, Casual
26 Investments has acted as an equity holder in many material respects during that time, and has among
27 other things, exercised significant direct and indirect control over SAG regarding SAG’s operations,
28 marketing and business strategy, requested financial documentation evidencing SAG’s budget, profit
and expenses, and even referred to SAG as a “business partner.”

29 27. Casual Investments filing of its “Non-Consent to Use of Cash Collateral” a mere
seven (7) days after the Petition Date, in which it failed to acknowledge in any manner the

1 Participating Parties' May Letter Agreement and took the sole position that it is a "secured creditor"
2 of SAG, further demonstrates Casual Investments' ongoing desire to improperly control the direction
3 of SAG's business affairs, disposition and outcome.

4 **COUNT ONE**

5 **FOR A DECLARATORY JUDGMENT THAT CASUAL INVESTMENTS IS NOT A**
6 **SECURED LENDER ON ACCOUNT OF THE ALLEGED SECURED INDEBTEDNESS,**
7 **WHICH DEBT HAS BEEN CONVERTED TO AN EQUITY INTEREST IN SAG**
8 **[AGAINST CASUAL INVESTMENTS]**

9 28. Plaintiff SAG incorporates all of the preceding allegations as if fully repeated
10 verbatim herein.

11 29. SAG contends, among other things:

- 12 a. Casual Investments never intended to be a secured creditor, nor does it want to
13 be a secured creditor, and never acted as one; instead at all times Casual
14 Investments acted in substance as a controlling party exercising direct or
15 indirect control over SAG that is more consistent with an equity interest
16 position;
- 17 b. Casual Investments' Alleged Secured Indebtedness in the amount of nine-
18 hundred and seventy five thousand dollars (\$975,000), has been and is
19 properly characterized for all purposes in this Chapter 11 Case as an equity
20 interest in SAG;
- 21 c. Any and all of SAG's obligations to Casual Investments on account of the
22 Alleged Secured Indebtedness have been satisfied in full;
- 23 d. Any and all of Casual Investment's lien(s), if any, against SAG's property on
24 account of the Alleged Secured Indebtedness should have been and shall be
25 released; and
- 26 e. Casual Investments is not a secured creditor of SAG's bankruptcy estate (the
27 "Bankruptcy Estate") in any form.

1 34. The consideration SAG was to provide Casual Investments was adequate at the time
2 SAG and Casual Investments entered into the Letter Agreement, and is just and reasonable as to
3 Casual Investments.

4 35. SAG has offered to provide the full consideration called for in the May Letter
5 Agreement, including but not limited to memorializing Casual Investments' forty-nine percent (49%)
6 equity interest position in SAG in the same format as utilized in SAG's Operating Agreement
7 effective September 1, 2011 (the "Initial Operating Agreement") and then again on January 1, 2012
8 in conjunction with the First Amendment to the Initial Operating Agreement (the "First OA
9 Amendment"). Such formant is the use of an "Exhibit A" schedule attached to the Operating
10 Agreement, which sets forth each member's "Percentage Interest" in SAG. A true and correct copy
11 of the "Exhibit A" schedule from the Initial Operating Agreement and the First OA Amendment is
12 attached hereto as Exhibit B and Exhibit C, respectively, and incorporated herein by reference.

13 36. SAG believes it has made all necessary and reasonable efforts to effectuate the
14 memorialization of Casual Investments' equity interest position in SAG in accordance with the May
15 Letter Agreement and trigger the Remaining Capital Infusion (\$525,000) by Casual Investments (the
16 "Remaining Capital Infusion") as required by the May Letter Agreement. Casual Investments has
17 refused and continues to refuse to acknowledge the true and full nature of its economic relationship
18 with SAG other than sending to SAG a "Notice of Breach" letter on July 1, 2013 a mere five (5)
19 weeks after the May 2013 transactions described above and six (6) weeks after the May Letter
20 Agreement, and the filing of its "Non-Consent to Use of Cash Collateral" just one (1) week after the
21 Petition Date.

22 37. SAG believes it has no adequate remedy at law to enforce the provisions of the May
23 Letter Agreement, and any necessary obligations arising from or related thereto, other than specific
24 enforcement as requested in this Count Two and further believes this Court is the proper forum to
25 adjudicate the relief requested herein.

26 38. SAG is entitled to specific performance of the terms, conditions, and provisions of the
27 May Letter Agreement, by court decree, among other things, ordering Casual Investments to execute
28 any and all documents necessary to effectuate the May Letter Agreement as it applies to SAG

1 including acknowledgement of its equity interest economic relationship with SAG, to make the
2 Remaining Capital Infusion, and to perform all other obligations deemed required by this Court.

3 **COUNT THREE**

4 **FOR AVOIDANCE OF PREFERENTIAL LIEN PURSUANT TO 11 U.S.C. § 547**

5 **[AGAINST CASUAL INVESTMENTS]**

6 39. Plaintiff SAG incorporates each and every allegation in paragraphs 1 through 27 of
7 this Complaint as if fully repeated verbatim herein.

8 40. In the alternative to Count One, or partially in conjunction therewith, to the extent the
9 Court determines that Casual Investments is a creditor the Bankruptcy Estate on account of some or
10 all of the Alleged Secured Indebtedness, and Casual Investments continues to assert a lien on the
11 SAG's property pursuant to the May 2013 UCC Filing, the April 2013 UCC Filing, or both, SAG
12 seeks a judgment adjudicating Casual Investments' asserted liens avoided pursuant to 11 U.S.C. §
13 547 with such avoided liens preserved for the benefit of the Bankruptcy Estate pursuant to 11 U.S.C.
14 § 551 and further judgment pursuant to 11 U.S.C. § 550(a) awarding SAG the value of such property
15 if justified, and as applicable, restoring SAG to the financial condition it would have enjoyed if the
16 avoided transfer had not occurred.

17 41. Plaintiff seeks entry of the judgment set forth in Paragraph 38 on the basis that Casual
18 Investments is an "insider" pursuant to 11 U.S.C. § 101(31) and the transfers to be avoided occurred
19 within one (1) year of the Petition Date.

20 42. Beginning in at least December, 2012 and up until the Petition Date, Casual
21 Investments exercised significant "control" over SAG by, among other things, improperly exercising
22 or attempting to exercise control over SAG's management of its operation and business affairs,
23 marketing and financial affairs, as well as attempting to prevent other investors from investing in
24 SAG.

25 43. Further, Plaintiff is informed and believes and based thereon alleges that Casual
26 Investments is an entity that had inside knowledge of SAG circumstances that allowed it to
27 continually put itself in a position to protect the satisfaction of its own financial interests before those
28

1 creditors unaware of the SAG's financial condition, and on that related basis is an "insider" of SAG
2 pursuant to, *inter alia*, 11 U.S.C. § 101(31)(B).

3 44. For the reasons set forth above, Plaintiff is entitled to an order avoiding Casual
4 Investments' lien in its entirety, and if not in its entirety, to the fullest extent provided under applicable
5 law, as a preferential transfer under 11 U.S.C. § 547.

6
7 **PRAYER FOR RELIEF**

8 WHEREFORE, the Plaintiff prays that all Defendants be served with a copy of this
9 Complaint, and that, after due proceedings that this Court enter an order for declaratory relief and
10 judgment in favor of the Plaintiff as follows:

- 11 A. Declaring in accordance with Plaintiff's contentions contained herein that any and
12 all funds received from Casual Investments by SAG under the auspices of "debt"
13 is not debt but is instead equity on account of an "equity contribution" of the type
14 described in Paragraph 2 of the May Letter Agreement;
- 15 B. Ordering that Casual Investments has no claim against the Bankruptcy Estate
16 under 11 U.S.C. § 502 arising from the Alleged Secured Indebtedness and the
17 facts, circumstances and documents related thereto.
- 18 C. Ordering Casual Investments to make an additional equity contribution into SAG
19 as soon as reasonably possible in the amount of five hundred and twenty-five
20 thousand dollars (\$525,000) to be used at the discretion of SAG, subject only to
21 Casual Investment's rights under Paragraph 4 of the May Letter Agreement;
- 22 D. Ordering that effective immediately upon the occurrence of the funding ordered in
23 the immediately preceding Prayer for Relief C, that Casual Investments has an
24 interest against the Bankruptcy Estate of forty-nine percent (49%);
- 25 E. Ordering that all Defendants and each of the Participating Parties, as the
26 circumstances require, to complete and execute any and all further documentation
27 necessary to effectuate the relief ordered as requested in the above Prayers for
28 Relief A-D;

- 1 F. Ordering that all rights and obligations not addressed in the order entered pursuant
2 to this Complaint are preserved among and as between all parties impacted thereby
3 without prejudice, including but not limited to the right to seek enforcement of any
4 rights and obligations between such parties or any appropriate relief arising
5 therefrom;
- 6 G. Alternatively, on in conjunction with the above Prayers for Relief A-F, making a
7 finding that Casual Investments is an “insider” under 11 U.S.C. § 101(31)(B) and
8 ordering (i) that any and all liens held by Casual Investments against any of SAG’s
9 assets are avoided pursuant to 11 U.S.C. § 547, (ii) that all such avoided liens are
10 preserved for the benefit of the Bankruptcy Estate pursuant to 11 U.S.C. § 551,
11 and (iii) money judgment against Casual Investments in favor of the Bankruptcy
12 Estate that is appropriate and applicable pursuant to 11 U.S.C. § 550(a) to restore
13 SAG to the financial condition it would have been in had the transfer and actions
14 arising therefrom not occurred;
- 15 H. For reasonable attorneys’ fees if and to the extent permitted by law;
- 16 I. For costs of suit;
- 17 J. For post-judgment interest at the maximum allowable rate; and
- 18 K. Granting such other relief as this Court deems proper and just in like of the facts of
19 this Chapter 11 Case and the issues raised in this Complaint.

20 **Respectfully Submitted,**

21
22 September 29, 2013

THE SCHAFER LAW FIRM, P.C.

23 By: /s/ John P. Schafer

24 John P. Schafer, Esq.

25 [Proposed Reorganization] Counsel for the Debtor and
26 Debtor-in-Possession
27
28

ADVERSARY PROCEEDING COVER SHEET (Instructions on Page 2)	ADVERSARY PROCEEDING NUMBER (Court Use Only)
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PLAINTIFFS Sanctioned Automotive Group, LLC, a California limited liability company	DEFENDANTS Casual Investments, LLC, a Delaware limited liability company and DOES 1 through 10, inclusive.
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ATTORNEYS (Firm Name, Address, and Telephone No.) John P. Schafer, The Schafer Law Firm, P.C. 2725 West Coast Hwy., Newport Beach, CA 92663 (949) 242-0888	ATTORNEYS (If Known) Sharon Z. Weiss, Bryan Cave LLP 120 Broadway, Suite 300, Santa Monica, CA 90401-2386 (310) 576-2210
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PARTY (Check One Box Only) <input checked="" type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input type="checkbox"/> Trustee	PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input checked="" type="checkbox"/> Creditor <input type="checkbox"/> Other <input type="checkbox"/> Trustee
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CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED)
 The nature of the causes of action arises from Defendant Casual Investments, LLC alleging to be, and taking the position that it is, a secured creditor in this Chapter 11 case and the Debtor Plaintiff's belief that Casual Investments, LLC is an equity interest holder in the Debtor. Statutory predicates are 28 U.S.C. §§ 2201(a) & 2202, 11 U.S.C. §§ 547, 550 & 551, 11 U.S.C. §502, and 11 U.S.C §105

NATURE OF SUIT
 (Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)

FRBP 7001(1) – Recovery of Money/Property <input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input checked="" type="checkbox"/> 12-Recovery of money/property - §547 preference <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input type="checkbox"/> 14-Recovery of money/property - other	FRBP 7001(6) – Dischargeability (continued) <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support) <input type="checkbox"/> 65-Dischargeability - other
FRBP 7001(2) – Validity, Priority or Extent of Lien <input checked="" type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property	FRBP 7001(7) – Injunctive Relief <input type="checkbox"/> 71-Injunctive relief – imposition of stay <input type="checkbox"/> 72-Injunctive relief – other
FRBP 7001(3) – Approval of Sale of Property <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)	FRBP 7001(8) Subordination of Claim or Interest <input type="checkbox"/> 81-Subordination of claim or interest
FRBP 7001(4) – Objection/Revocation of Discharge <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)	FRBP 7001(9) Declaratory Judgment <input checked="" type="checkbox"/> 91-Declaratory judgment
FRBP 7001(5) – Revocation of Confirmation <input type="checkbox"/> 51-Revocation of confirmation	FRBP 7001(10) Determination of Removed Action <input type="checkbox"/> 01-Determination of removed claim or cause
FRBP 7001(6) – Dischargeability <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny	Other <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)

(continued next column)

<input checked="" type="checkbox"/> Check if this case involves a substantive issue of state law ^{SEE} _{BELOW}	<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23
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<input type="checkbox"/> Check if a jury trial is demanded in complaint	Demand \$ To be determined per 11 USC §550(a)
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Other Relief Sought
 Specific performance to the fullest extent necessary, as well as money judgment against Defendants Casual Investments, LLC in favor of the Bankruptcy Estate that is appropriate and applicable pursuant to 11 U.S.C. § 550(a) to restore SAG to the financial condition it would have been in had the transfer and actions arising therefrom not occurred. Also, the Plaintiff Debtor is aware of *Butner v. United States*, 440 U.S. 48 (1979) and more recently *In re Fitness Holdings International, Inc.*, --- F.3d ----, 2013 WL 1800000 (9th Cir. 2013), which may impact the relief sought and the manner in which it is sought.

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR Sanctioned Group Automotive, LLC		BANKRUPTCY CASE NO. 2:13-bk-30217
DISTRICT IN WHICH CASE IS PENDING Central District of California	DIVISIONAL OFFICE Los Angeles	NAME OF JUDGE Ernest M. Robles
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISIONAL OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF)		
DATE 9/29/13	PRINT NAME OF ATTORNEY (OR PLAINTIFF) John P. Schafer	

INSTRUCTIONS

The filing of a bankruptcy case creates an "estate" under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor's discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 104, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court's Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 104 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff's attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and Defendants. Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not presented by an attorney, the plaintiff must sign.

EXHIBIT A

Letter Agreement

- A. Sanctioned Automotive Group, LLC ("Automotive") is a limited liability company organized to promote, market, produce and distribute a new line of high-quality automotive appearance products and accessories.
- B. Sanctioned Holdings, LLC is a limited liability company which currently holds 4,300 Class A Membership Units in Automotive (41.825% of the total equity ownership in Automotive);
- C. Atticus Firey Consulting, LLC ("Firey") is a limited liability company which currently holds 3,995 Class A Membership Units in Automotive (38.858% of the total equity ownership in Automotive);
- D. Atticus Firey ("AF") is the CEO of Automotive;
- E. The revenue projections for Automotive for the next six (6) months are as follows:
 - June 2013 - \$321,353
 - July 2013 - \$332,032
 - August 2013 - \$308,832
 - September 2013 - \$257,336
 - October 2013 - \$257,336
 - November 2013 - \$235,895

Based on this schedule, the combined projected revenues for Automotive over the next six (6) months are \$1,712,784 ("TPR")

For purposes of this Letter Agreement, the term "revenue" as used throughout shall mean the revenues derived from verified purchase orders from Automotive;

- F. Casual Investments, LLC ("Casual") is a limited liability company that has loaned \$575,000 to Automotive ("Initial Loan"). Casual desires to make a significant cash investment in Automotive in return for a 49% equity ownership in Automotive, subject to the terms and conditions outlined below.

THEREFORE, the parties wish to set forth their understanding as to the terms and conditions under which Casual will make its cash investment in Automotive, with the intent that this Letter Agreement will serve as a guide in drafting the transactional documents (i.e., contribution agreement, amended and restated operating agreement, amended promissory note, etc.) that will reflect the revised ownership of Automotive for the parties hereto. The parties agree as follows:

1. Upon the execution of this Letter Agreement by all parties hereto, Casual will pay immediately to Automotive \$400,000 ("Additional Loan"), such amount to be added to the current principal balance of the Initial Loan owed by Automotive to Casual. Casual's legal counsel will prepare the appropriate revisions to the promissory note to document

the Additional Loan. The maturity date of the promissory note (as revised) will be extended to no early than September 30, 2013. The use of the Additional Loan shall be subject to a budget, mutually agreed upon by Holdings and Casual.

2. Upon the execution of an Amended and Restated Operating Agreement for Automotive setting forth the parties management and ownership rights as detailed in #4 below, Causal will pay immediately to Automotive \$525,000, such amount to be treated as an equity contribution to Automotive. At such time, all principal amounts represented by the Initial Loan and the Additional Loan shall convert into equity contributions to Automotive by Casual. The use of this cash contribution shall be sum to a budget, mutually agreed upon by Holdings and Casual.
3. In addition, Causal will place \$1,500,000 in escrow subject to an agreed upon escrow agreement which will provide for the release of the funds to Automotive upon Automotive obtaining 90% of the TPR. Such \$1,500,000 amount shall be treated as an equity contribution to Automotive immediately upon deposit into the escrow account. The use of this cash contribution shall be sum to a budget, mutually agreed upon by Holdings and Casual.
4. Management and ownership terms of the Amended Operating Agreement for Automotive shall consist of the following:
 - a. Casual will have the right to be a managing member;
 - b. Causal will receive a 49% equity ownership;
 - c. Holdings' equity ownership in Automotive will be reduced to 23.104% with the right to an equity "clawback" as provided in #5 below;
 - d. Firey's equity ownership in Automotive will be reduced to 10.971% with the right to an equity "clawback" as provided in #6 below;
 - e. Casual will have the right to review the monthly sales, income and expenses for Automotive on a monthly basis, and in the event expenses are not in line with overhead and expenses as presented in the budget, Casual will have the right to object to all reimbursement of certain employee and consulting expenses;
 - f. Approval of expenditures in excess of \$2,500 shall require the approval of a majority of the managing members; and
 - g. Checks in excess of \$250 will require two signatures or approval by Casual.
5. Under the Amended and Restated Operating Agreement, Firey will have the following equity "clawback" rights:
 - a. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are at least 90% of TPR, Firey will have the right to receive an additional 14.61% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.
 - b. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 90% of TPR but at least 80% of TPR, Firey will have the right to receive an additional 7.305% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.

AT₂

- c. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 80% of TPR but at least 70% of TPR, Firey will have the right to receive an additional 3.65% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.
 - d. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 70% of TPR, Firey will not be entitled to any additional equity ownership in Automotive.
6. Under the Amended and Restated Operating Agreement, Holdings will have the following equity "clawback" rights:
 - a. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are at least 90% of TPR, Holdings will have the right to receive an additional 5% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.
 - b. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 90% of TPR but at least 80% of TPR, Holdings will have the right to receive an additional 2.5% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.
 - c. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 80% of TPR but at least 70% of TPR, Holdings will have the right to receive an additional 1.25% equity ownership in Automotive, which will reduce Causal's equity ownership in Automotive by a corresponding percentage.
 - d. If the combined revenues for Automotive for the six month period of June 2013 through November 2013 are less than 70% of TPR, Holdings will not be entitled to any additional equity ownership in Automotive.
7. In addition to the TPR provisions as applicable to Firey in #5 above, as a measure of performance, AF will be measured on how many "new doors" are opened each month, with a minimum opening order of \$550 per door. Specifics to be outlined in AF's revised employment agreement as follows:
 - a. From June 1 2013 to December 31st 2013, 82 new doors per month with opening order of \$550 per door.
 - b. From January 1 2014 to December 31st 2014, 160 new doors per month with opening orders of \$550 per door.
 - c. From January 1 2015 to December 31st 2015, 320 new doors per month with opening orders of \$550 per door.
8. AF will receive a salary of \$5,000 per month starting June 1st through November 31st as long as the projected monthly revenues are obtained. AF's employment agreement will be revised based on key performance indicators and cash flow. AF's compensation after November 31st will be based on good faith negotiations and AF's performance.

AF₃

9. AF's current outstanding expenses will be reviewed by Casual and if approved, reimbursed to AF by Automotive.
10. AF's deferred compensation of \$117,500.00 which represents accrued salary and approved expenses through February 1, 2013 will remain on the books of Automotive. No other compensation or expenses will be accrued thereafter. Payback of the deferred compensation will begin December 2013 in the amount of \$10,000 per month but only in the event 100% of the TPR is obtained through November 2013.
11. The due date for the Promissory Note dated October 12, 2012 in the amount of \$200,000 by and between Automotive as Borrower and Atticus Frey and Lender will be extended to February 12, 2014. The due date for the Promissory Note dated October 18, 2012 in the amount of \$12,500 by and between Automotive as Borrower and SA MGMT, LLC as Lender will be extended to February 18, 2014.
12. Scott Bisch will be re-hired and paid \$20,000 upon rehiring. In additional, payment of the deferred compensation due Scott Bisch will start based on Automotive's cash flow.
13. This Letter Agreement, upon it full execution, shall be binding on all parties hereto to consummate all of the transactions as described herein. In the event this Letter Agreement is not fully signed on or before May 14, 2013, all of the provisions and terms set forth herein shall be null and void.

This Letter Agreement is effective the 14 day of May, 2013.

SANCTIONED HOLDINGS, LLC

By: [Signature]
 Name: MARK SNOFF
 Title: Member

ATTICUS FIREY CONSULTING, INC.

By: [Signature]
 Name: ATTICUS FIREY
 Title: President

CASUAL INVESTMENTS, INC.

By: _____
 Name: _____
 Title: _____
[Signature]

ATTICUS FIREY, individually and as CEO of Sanctioned Automotive Group, LLC

AF 4

EXHIBIT B

EXHIBIT A

Members; Capital Contributions; Membership Units; and Percentage Interests

<u>Names and Addresses</u>	<u>Membership Units¹</u>		<u>Percentage Interests¹</u>	
	Class A	Class B	Of Class	Overall
Sanctioned Holdings LLC 1375 East 6 th Street, Suite #2 Los Angeles, California 90021 E-mail: suroff@sastudiosglobal.com	4,500	0	<u>Class A</u> 50.0%	45.0%
Atticus Firey Consulting Inc. 945 West Balboa Boulevard Newport Beach, California 92661 E-mail: afirey@gmail.com	4,500	0	<u>Class A</u> 50.0%	45.0%
Class B Investors, as a group (assuming full subscription of 1,000 initial Class B units)	0	1,000	<u>Class B</u> 100.0%	10.0%
Totals	9,000	1,000	--	100.0%

¹ Numbers presented on a *pro forma* basis and assume, for presentation purposes, the full subscription of all 1,000 initial Class B units.

EXHIBIT C

ANNEX 1

EXHIBIT A

Members; Capital Contributions; Membership Units; and Percentage Interests

<u>Names and Addresses</u>	<u>Membership Units</u>			<u>Percentage Interests</u>	
	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Of Class</u>	<u>Overall</u>
Sanctioned Holdings LLC 1375 East 6 th Street, Suite #2 Los Angeles, California 90021 E-mail: suroff@sastudiosglobal.com	[4,500]	0	0	<u>Class A</u> 50.0%	
Atticus Firey Consulting Inc. 945 West Balboa Boulevard Newport Beach, California 92661 E-mail: afirey@gmail.com	[4,500]	0	0	<u>Class A</u> 50.0%	
Class B Investors, as a group	0	[]	0	<u>Class B</u> 100.0%	
Class C Investors, as a group	0	0	[]	<u>Class C</u> 100.0%	
Totals	[9,000]	[]	[]	--	100.0%