

1 VENABLE LLP
David E Fink (SBN 169212)
2 defink@venable.com
Thomas E Wallerstein (SBN 232086)
3 tew@venable.com
Christina M Nordsten (SBN 304183)
4 cmnordsten@venable.com
2049 Century Park East, Suite 2300
5 Los Angeles, CA 90067
Telephone: 310.229.9900
6 Facsimile: 310.229.9901

7 Attorneys for Cross-Complainants

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 IN AND FOR THE COUNTY OF LOS ANGELES

10 Christopher Fenton,

11 Plaintiff,

12 v.

13 DMG ENTERTAINMENT, LLC, a Delaware
limited liability company; DMG
14 ENTERTAINMENT HOLDING, LLC, a
Delaware limited liability company; DMG
15 MANAGEMENT SERVICES, INC., a
Delaware corporation; NEW ASIA SUCCESS
16 PARTNERS LIMITED, a British Virgin
Islands corporation; HEALTHY SOAR
17 INVESTMENT LIMITED, a Hong Kong
corporation, DANIEL MINTZ, an individual;
18 BING WU, an individual; PETER XIAO, an
individual; and DOES 1 through 100, inclusive,

19 Defendant.

20 DMG ENTERTAINMENT, LLC, a Delaware
limited liability company; DMG
21 ENTERTAINMENT HOLDING, LLC, a
Delaware limited liability company; DMG
22 MANAGEMENT SERVICES, INC., a
Delaware corporation, and New Asia Success
23 Partners Limited,

24 Cross-Complainants,

25 v.

26 Christopher Fenton,

27 Cross-Defendant

Case No. 19stcv06482

Assigned to: Hon. Elizabeth Feffer

**CROSS COMPLAINT FOR
DAMAGES AND OTHER RELIEF
BASED ON CLAIMS FOR:**

(1) FRAUD

(2) BREACH OF FIDUCIARY DUTY

(3) NEGLIGENCE

Action Filed: February 25, 2019

VENABLE LLP
2049 CENTURY PARK EAST, SUITE 2300
LOS ANGELES, CA 90067
310.229.9900

1 For their Cross Complaint, Cross-Complainants DMG Entertainment, LLC, DMG
2 Entertainment Holding, LLC, and DMG Management Services, Inc., (collectively “Cross-
3 Complainants” or “DMG CC”), allege as follows.

4 **INTRODUCTION**

5 1. This case arises from the actions of a once trusted corporate officer who portrayed
6 himself as a trustworthy, experienced deal maker and skilled manager, but in fact turned out to be
7 a deceitful charlatan. Cross-Complainant DMG CC is a U.S. division of a globally recognized
8 media and entertainment company. Cross-Defendant Christopher Fenton (“Fenton” or “Cross-
9 Defendant” was hired to oversee DMG CC’s U.S. operations. In his capacity as President and
10 General Manager of DMG CC, Fenton misrepresented his credentials, took credit for other
11 people’s work and spent far more time and energy trying to portray himself as a “player” than on
12 actually doing his job. Fenton grossly mismanaged DMG CC’s investments and assets, neglected
13 to perform appropriate due diligence, made critical errors in the negotiation of business
14 transactions and failed to maintain essential corporate records – he either was unwilling or unable
15 to carry out even the most basic managerial tasks. In the process, he substantially harmed DMG
16 CC’s business and its brand in the marketplace, resulting in millions of dollars in damages.

17 2. In addition to the foregoing, Fenton misrepresented to DMG CC his qualifications
18 as an executive and corporate officer, and misrepresented the status, value or profitability of
19 several business transactions he negotiated on behalf of DMG CC. He also actively concealed
20 and blocked access to financial and other corporate information that would have shed light on the
21 true nature of his mismanagement. Further, and unbeknownst to DMG CC, Fenton hired a friend
22 as in-house counsel to represent DMG CC who Fenton knew was not actually a lawyer. Despite
23 his clear and well-established fiduciary duties under the law, he repeatedly placed his own
24 personal interests ahead of those of DMG CC, including but not limited to using confidential and
25 proprietary information belonging to DMG CC for his own selfish gains. In sum, Fenton
26 blatantly breached both his duty of care and his duty of loyalty to DMG CC.

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1 **THE PARTIES**

2 3. DMG CC, based and operated in Beverly Hills, is a U.S. division of a successful
3 global media and entertainment company with an impressive roster of world-class intellectual
4 property, diverse holdings and operations across motion pictures, television, comic book
5 publishing, gaming, next-gen technology and location-based entertainment.

6 4. Cross-Complainant DMG Entertainment, LLC is, and at all times relevant hereto
7 was, a limited liability company organized and existing under the laws of the State of Delaware,
8 with its principal place of business in the County of Los Angeles, State of California.

9 5. Cross-Complainant DMG Management Services, Inc. is, and at all times relevant
10 hereto was, a corporation organized and existing under the laws of the State of Delaware, with its
11 principal place of business in the County of Los Angeles, State of California.

12 6. Cross-Complainant DMG Entertainment Holding, LLC is, and at all times relevant
13 hereto was, a limited liability company organized and existing under the laws of the State of
14 Delaware, with its principal place of business in the County of Los Angeles, State of California.

15 7. Cross-Defendant Christopher Fenton is and at all relevant times was, an individual
16 residing in the County of Los Angeles, State of California.

17 **GENERAL ALLEGATIONS**

18 8. Cross-Complainants are informed and believe, and based thereon allege that, prior
19 to working for DMG CC, Fenton was a Hollywood talent agent for over 17 years working for
20 various agencies, most notably William Morris Agency, prior to his eventual termination. During
21 Fenton's years as an agent, DMG Entertainment and Media Co., Ltd. was one of his clients.

22 9. In or around 2014, DMG Entertainment, LLC, and DMG Entertainment Holding,
23 LLC, were formed. In or around 2015, DMG Management Services, Inc. was formed.

24 10. In or around November 2013, Fenton started providing executive services to DMG
25 CC and held the titles "General Manager" and "President." Simultaneously, Fenton sold his
26 management company, "H2F," which is now owned and operated by DMG Entertainment LLC.
27 In the process of selling H2F, Fenton made false representations, wildly overstating the value of
28 H2F. For example, Fenton made false representations regarding the profitability and value of

1 assets held by H2F. Cross-Complainants are informed and believe, and based thereon allege, that
2 Fenton oversold and misrepresented the value of H2F for his personal gain and in order to harm
3 DMG CC.

4 11. DMG CC is informed and believes, and based thereon alleges that Fenton deceived
5 many employers and business contacts during his career, including DMG CC, in order to gain
6 advancement and personal aggrandizement. Specifically, Fenton took credit for other people's
7 work, overstated his experience in negotiating complex transactions, and misrepresented his skill
8 in managing and running a business. Indeed, Fenton frequently acted out of a desire for self-
9 promotion, rather than doing what was in the best interest of DMG CC. Unaware of the
10 foregoing, DMG CC reasonably relied on Fenton's representations when hiring him and believed
11 him to be a competent executive. Fenton's misrepresentations finally caught up with him,
12 however, after several of his deals resulted in millions of dollars in losses and DMG CC hired a
13 financial officer to review his work and oversee his conduct.

14 12. Specifically, while Fenton served as an executive, he engaged in the following
15 misconduct:

- 16 • Actively concealed his gross mismanagement;
- 17 • Failed to engage directly or through third-parties in proper due diligence when
18 negotiating deals;
- 19 • Entered into agreements for his own personal gain rather than act in the best
20 interest of DMG;
- 21 • Intentionally provided false information concerning the profitability of investment
22 deals;
- 23 • Failed to alert DMG CC to negative financial information with respect to
24 investment deals he negotiated;
- 25 • Repeatedly misled DMG CC to such an extent that it was impossible for the
26 company to make informed financial decisions;

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- 1 • Misrepresented the qualifications of employees he hired; in particular an in-house
- 2 counsel who Fenton represented was a qualified attorney, but in fact was later
- 3 revealed not to be an attorney at all;
- 4 • Manipulated the firing of employees to further his personal agenda;
- 5 • Made false representations with respect to the financial records that he was
- 6 required to keep as an officer;
- 7 • Entered into highly risky and financially irresponsible investments;
- 8 • Placed his personal interests ahead of those of his employer by cultivating his
- 9 persona of a “player” even though this conduct was detrimental to DMG CC;
- 10 • Failed to perform industry-standard chain of title searches in underlying
- 11 intellectual property;
- 12 • Failed to execute long-term agreements for complex business transactions, relying
- 13 instead on simplistic short-form term sheets that are customarily used as
- 14 preliminary documentation of agreements for services of actors in motion pictures
- 15 and television projects;
- 16 • Failed to disclose conflicts of interest;
- 17 • Utilized corporate opportunities, such as a membership in the Academy of Motion
- 18 Picture Arts and Sciences, for his own personal gain rather than for the benefit of
- 19 DMG CC;
- 20 • Disclosed and used for personal gain confidential information belonging to DMG
- 21 CC, including attorney-client privileged information, to which he gained access as
- 22 an officer and fiduciary but which did not belong to him.

23 13. Fenton was originally hired by DMG CC based on (1) what he represented as his
24 ability to find opportunities and make deals based on business connections; and (2) his additional
25 representations that he had the business acumen and skills to manage a complex business.
26 Among other things, Fenton was responsible for finding profitable acquisitions, making
27 connections, and negotiating and closing the appropriate agreements. Fenton was also
28 responsible for supervising the necessary legal and financial due diligence, investigation and

1 safeguarding needed for the business opportunities that he pursued. Notwithstanding the
2 foregoing, Fenton presided over multiple investments that failed due to poor due diligence and
3 mismanagement – leaving DMG CC with millions of dollars in damages and write-downs on its
4 books. Upon information and belief, Fenton was driven by his own ego and desire for personal
5 glorification in the public eye; in order to cultivate the persona of a “player,” his priority was
6 getting a deal “done,” rather than looking out for the best interest of DMG CC. Indeed, upon
7 information and belief, Fenton entered into several agreements on DMG CC’s behalf for the sole
8 purpose of increasing his own public profile at the expense of DMG CC. To that end, Fenton
9 abandoned the standard of business judgment expected and required of a company executive in
10 his position.

11 **The S2BN Deal**

12 14. In 2015, Fenton entered into an agreement with S2BN, a production company, to
13 produce and exhibit live shows in China based on the popular Transformers characters. The
14 trademark and related rights were owned by Hasbro, which would license those rights to S2BN.
15 The deal contemplated a launch date by December 2016. Although DMG CC would be required
16 to invest millions of dollars, Fenton assured DMG CC that the upside would be enormous.

17 15. Despite the complexity of the transaction, Fenton documented it with only a basic
18 term sheet that expressly contemplated a future long-form agreement which would contain the
19 additional terms of the parties’ agreement. Subsequently, Fenton failed to complete the necessary
20 long-form agreement, leaving several terms of the agreement between the parties insufficiently
21 documented.

22 16. Fenton’s mismanagement of the deal resulted in the project launch date being
23 delayed until the time the Hasbro license of the IP to S2BN was set to expire.

24 17. Further, it was later discovered that Fenton agreed to numerous modifications,
25 agreements and understandings in the deal with S2BN that he also failed to memorialize in
26 writing. Fenton also effectively waived DMG CC’s right to reporting by S2BN, resulting in
27 essentially no record keeping as Fenton spent millions of dollars of DMG CC’s funds.

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1 18. In addition, and perhaps most egregiously, Fenton never reached any agreement, in
2 writing or otherwise, requiring S2BN to extend the term of its license with Hasbro beyond the
3 initial expiration date. As a result, when the launch dates of the shows were delayed, S2BN was
4 allowed to let its license with Hasbro to expire, which prevented DMG CC from moving forward
5 with the shows. Because of Fenton’s negligence, the deal terminated and DMG CC suffered
6 millions of dollars in damages.

7 19. Compounding the problems set forth above, Fenton did not maintain proper books
8 and records in connection with the project.

9 **Gross Mismanagement of DMG CC**

10 20. DMG CC employed Fenton based upon his representations that he was a “star
11 negotiator,” avid deal maker, and experienced executive. In reality, Fenton was incapable of
12 putting another’s interests ahead of his own, was ignorant of the basic financial concepts and
13 elements necessary to do his job competently, and had little knowledge of industry-standard due
14 diligence requirements. After numerous transactions resulted in substantial financial losses to the
15 company, DMG CC decided to hire an external financial officer to oversee Fenton’s work. As
16 provided in detail below, the financial officer discovered serious mismanagement and fraudulent
17 conduct by Fenton resulting in his eventual termination.

18 21. During Fenton’s employment, Fenton engaged in gross negligence and serious
19 misconduct in the discharge of his duties as an executive.

20 22. Among other things, Fenton failed to produce and maintain even the most basic
21 financial records. Indeed, although Fenton represented otherwise, he kept no record of DMG
22 CC’s earnings, cash flow, or income.

23 23. In addition, Fenton made misrepresentations to the Academy of Motion Picture
24 Arts and Sciences in order to qualify to become a member of the Academy.

25 24. Fenton also made reckless decisions and intentional misrepresentations for the
26 purpose of closing deals rather than acting in the best interest of his employer. For example, on
27 several occasions Fenton pursued intellectual property investments, but failed to engage in proper
28 due diligence as to its underlying ownership. On at least one occasion Fenton attempted to

1 compete a transaction in which the seller could not establish that it had chain of title to the
2 property at issue in the transaction.

3 25. As previously alleged herein, during Fenton's employment, Fenton hired and
4 utilized the services of in-house counsel. In fact, as DMG CC later discovered, not only was
5 Fenton's in-house counsel incompetent – he was not even an attorney. Rather than retaining a
6 competent, independent minded attorney to represent the interests of DMG CC, Fenton lied about
7 the qualifications of this individual, an old friend and lackey of Fenton, whom he could control.
8 Fenton lied in order to install an employee whom he could direct and control for his individual
9 benefit, lying about his qualifications in order to justify the decision. Indeed, DMG CC is
10 informed and believes, and based thereon alleges, that Fenton terminated the previous in-house
11 counsel (who was keeping appropriate checks and balances on him) in order to replace her with
12 his non-attorney friend whom he could control.

13 26. During Fenton's employment, Fenton routinely used simplistic short-form deal
14 memos and term sheets for complex transactions, failing to properly negotiate and document
15 important terms of business transactions that should have been memorialized in more extensive,
16 specific transactional documentation. This failure by Fenton led to later confusion and disputes,
17 substantially damaging DMG CC.

18 27. After several "bad deals" and losses in investments, DMG CC decided to hire an
19 external financial officer to oversee Fenton's activities in Los Angeles. As a result of the
20 financial officer's findings, and in or around February 2018, Fenton was terminated for his poor
21 performance, gross mismanagement, and fraud on the companies he served.

22 **Fenton Is Withholding Critical Information and Access Regarding H2F**

23 28. As previously alleged herein, DMG Entertainment LLC now owns Fenton's
24 former management company H2F.

25 29. Upon information and belief, Fenton actively used H2F's bank accounts and email
26 account to perform his duties as an executive, and to conduct other personal business that
27 conflicted with his duties.

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1 30. DMG CC is further informed and believes, and based thereon allege, that Fenton
2 surreptitiously used the foregoing H2F accounts to conceal his activities from DMG CC.

3 31. After Fenton was terminated, DMG CC repeatedly asked him to provide all email
4 login and password information, as well as necessary bank account access information for the
5 H2F accounts. The H2F bank accounts and email account belong to DMG CC. Yet, Fenton has
6 refused to provide this information to DMG CC since he was terminated in February 2018.

7 32. Upon information and belief, Fenton is withholding the H2F accounts to cover up
8 his fraud, self-dealing and gross mismanagement.

9 **Fenton Improperly Disclosed Confidential Information Belonging To DMG CC**

10 33. As an officer and manager, Fenton had access to confidential, proprietary, and
11 privileged information and was legally obligated to protect said confidences even after his
12 employment relationship terminated. However, instead of protecting said confidences, Fenton
13 utilized confidential and privileged attorney-client communications between DMG CC and its
14 counsel for his own personal gain and to DMG CC's detriment. Fenton's conduct is even more
15 egregious because it was not necessary for Fenton to breach his duty to maintain corporate
16 confidences. Rather, his actions were gratuitous and malicious, designed solely to harm DMG
17 CC.

18 **FIRST CAUSE OF ACTION**

19 **(Fraud)**

20 34. The Cross-Complainants re-allege and incorporate by reference each and every
21 allegation set forth in paragraphs 1 through 33 above, as though fully set forth herein.

22 35. As previously alleged herein, during Fenton's employment, Fenton made several
23 misrepresentations to DMG CC, including the following:

- 24 a) Fenton misrepresented his experience and took credit for other people's work.
25 b) Fenton misrepresented the value of H2F. Fenton made false representations
26 regarding the future profitability and value of assets held by H2F. Cross-
27 Complainants are informed and believe, that Fenton oversold and misrepresented
28 the value of H2F for his personal gain and to the detriment of DMG CC.

- 1 c) Fenton misrepresented the profitability and status of the S2BN deal. As previously
2 alleged herein, Fenton misrepresented the progress of the development of the
3 underlying project causing a lapse of third-party licenses which were essential for
4 the success off the S2BN transaction.
- 5 d) Fenton misrepresented that DMG CC was being properly managed. Fenton failed
6 to produce and maintain financial records of DMG CC's earnings, cash flow, or
7 income. Upon information and belief, Fenton's lack of record keeping was done
8 for the purpose of concealing the true state of DMG CC's finances.
- 9 e) Fenton misrepresented the qualifications of employees that he hired including in-
10 house counsel who Fenton represented was a qualified attorney, but in fact was
11 later revealed not to be an attorney at all.
- 12 f) Fenton misrepresented the value of deals entered into on DMG CC's behalf.
- 13 g) Fenton misrepresented the extent of due diligence he performed on deal
14 acquisitions. For example, Fenton misrepresented that he performed industry-
15 standard chain of title searches on underlying intellectual property. Specifically,
16 Fenton pursued and negotiated deals for intellectual property, vouching for its
17 authenticity, when it later was revealed that the seller could not establish it had
18 chain of title to the property at issue in the transaction.

- 19 36. At the time Fenton made these representations he knew they were false.
- 20 37. At the time Fenton made these representations DMG CC believed them to be true.
- 21 38. Fenton also omitted and actively concealed the following material facts from

22 DMG CC:

- 23 a) Upon information and belief, Fenton did not conduct adequate due diligence on the
24 investments and acquisitions he was pursuing.
- 25 b) Fenton concealed his mismanagement of DMG CC.
- 26 c) Fenton concealed his lack of knowledge and experience.
- 27 d) Fenton concealed his mismanagement of the S2BN transaction.

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1 e) Fenton concealed DMG CC's financial status by failing to keep and maintain
2 financial records of DMG CC's earnings, cash flow, or income.

3 39. The Cross-Complainants are informed and believe, and based thereon allege that
4 Fenton intended to induce DMG CC to act on Fenton's material misrepresentations and
5 omissions.

6 40. DMG CC acted upon Fenton's material misrepresentations and omissions with
7 justifiable reliance.

8 41. As a direct and proximate result of Fenton's fraud, the Cross-Complainants have
9 been damaged in an amount to be proven at trial, but not less than \$30 million.

10 42. Fenton's acts were undertaken intentionally and in conscious disregard of DMG
11 CC's interests and rights, and with fraud, oppression, and malice. Therefore, DMG CC is entitled
12 to an award of punitive and exemplary damages sufficient to punish Fenton and deter similar
13 conduct in the future.

14 **SECOND CAUSE OF ACTION**

15 **(Breach of Fiduciary Duty)**

16 43. The Cross-Complainants re-allege and incorporate by reference each and every
17 allegation set forth in paragraphs 1 through 42 above, as though fully set forth herein.

18 44. Fenton owed fiduciary duties to DMG CC, including of the utmost loyalty, duty of
19 care, disclosure, good faith and fair dealing, and the duty to place DMG CC's interests over those
20 of himself.

21 45. Fenton presided over multiple investments that failed because Fenton was driven
22 by his own ego and desire for personal gain; looking to get a deal "done" and cultivate the
23 persona of a "player," rather than look out for the best interest of DMG CC. To that end, Fenton
24 abandoned all business judgment expected and required of a company executive in his position.

25 46. Fenton breached his fiduciary duty of care when he mismanaged and concealed his
26 mismanagement. As previously alleged herein, Fenton's mismanagement includes but is not
27 limited to Fenton's: (1) failure to maintain financial records of DMG CC's earnings, cash flow or
28 income; (2) mismanagement of the S2BN deal; (3) failure to undertake or direct any type of due

1 diligence with respect to investment and acquisition deals; (4) failure to hire competent
2 employees; and (5) failure to document and execute long-term agreements for complex business
3 transactions.

4 47. Fenton breached his fiduciary duty of loyalty when he put his interests ahead of
5 DMG CC interests.

6 48. As previously alleged herein, Fenton put his interests ahead of DMG CC by
7 cultivating his persona as a “player,” motivated to get a deal “done” rather than look out for the
8 best interest of DMG CC. This includes but is not limited to Fenton’s conduct with respect to the
9 S2BN deal. Specifically, Fenton breached his duty of loyalty when he actively concealed his
10 mismanagement of the S2BN transaction.

11 49. As previously alleged herein, Fenton breached his duty of loyalty when he used
12 corporate opportunities, such as membership in the Academy, for his own personal gain.

13 50. As previously alleged herein, Fenton breached his continuing duty of loyalty when
14 he failed to provide DMG CC with access to the H2F email and bank accounts.

15 51. As previously alleged herein, Fenton breached his continuing duty of loyalty when
16 he divulged confidential, proprietary, and attorney-client privileged information belonging to
17 DMG CC.

18 52. As a direct and proximate result of Fenton’s breach of his fiduciary duty, DMGCC
19 has suffered damages in an amount to be proven at trial, but not less than \$30 million.

20 53. Fenton’s acts were undertaken intentionally and in conscious disregard of DMG
21 CC interests and rights, and with fraud, oppression, and malice. Therefore, DMG CC is entitled
22 to an award of punitive and exemplary damages sufficient to punish Fenton and deter similar
23 conduct in the future.

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1 **THIRD CAUSE OF ACTION**

2 **(Negligence)**

3 54. The Cross-Complainants re-allege and incorporate by reference each and every
4 allegation set forth in paragraphs 1 through 53 above, as though fully set forth herein.

5 55. Fenton was retained to find opportunities and make deals on DMG CC's behalf
6 based on his connections and additional representations that he had the business acumen and
7 skills to manage a complex business. Among other things, Fenton was responsible for finding
8 profitable acquisitions, making connections, and negotiating and closing the appropriate
9 agreements. Fenton was also responsible for supervising the necessary due diligence,
10 investigation and safeguarding needed for the business opportunities that he pursued.

11 56. Fenton had a duty of care to use skill, prudence, and diligence in providing his
12 services. Fenton breached his duty of care by failing to perform his services and mismanaging
13 DMG CC's investments and assets. Among other things, Fenton concealed his mismanagement,
14 failed to undertake any type of due diligence with respect to deals and investments he negotiated,
15 failed to keep proper records of DMG CC's financials, failed to alert DMG CC of negative
16 financial information, hired unqualified employees, and failed to execute long form agreements
17 for complex business transactions.

18 57. As a proximate result of Fenton's negligence, DMG CC was damaged in an
19 amount to be proven at trial, but not less than \$30 million.

20 **PRAYER FOR RELIEF**

21 WHEREFORE, the Cross-Complainants respectfully pray for the following relief:

- 22 1. Entry of judgment for Cross-Complainants and against Cross-Defendant on all
23 counts of the Complaint;
- 24 2. For actual, compensatory and consequential damages according to proof but in an
25 amount no less than \$30,000,000;
- 26 3. For punitive damages in a sum sufficient to punish and make an example of Cross-
27 Defendant;

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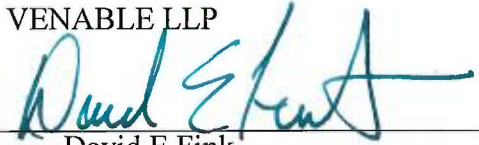
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4. For prejudgment and post-judgment interest according to proof;
5. For injunctive relief requiring Cross-Defendant to provide Cross-Complainant with access to H2F email and bank accounts;
6. For such other and further relief as the Court deems just and proper.

Dated: April 11, 2019

VENABLE LLP

By:



David E Fink
Attorneys for Cross-Complainants

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DEMAND FOR JURY TRIAL

Cross-Complainants demand a trial by jury.

Dated: April 11, 2019

VENABLE LLP

By: _____



David E Fink

Attorneys for Cross-Complainants

