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To Be Limited Partnership
7

8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION**

10
11 TO BE LIMITED PARTNERSHIP, an
Arizona limited partnership;

12 Plaintiff,

13 vs.

14 JUDE HUDSON, an individual;
15 [REDACTED], an individual;
nominal defendant PARAGON
16 TECHNOLOGY & DEVELOPMENT,
INC., a Delaware corporation; nominal
17 defendant GATSBY ENTERPRISES,
INC., a California corporation; and
18 DOES 1 – 10, inclusive;

19 Defendants.
20

Case No. 2:20-cv-03238-JFW-MAA

FIRST AMENDED COMPLAINT

- 1. BREACH OF FIDUCIARY DUTY;
- 2. EMBEZZLEMENT/ CONVERSION;
- 3. CORPORATE WASTE
- 4. UNJUST ENRICHMENT
- 5. ACCOUNTING
- 6. APPOINTMENT OF RECEIVER

JURY DEMAND

21 Plaintiff TO BE LIMITED PARTNERSHIP (“Plaintiff”) hereby alleges as a
22 first amended complaint (“Complaint”) against defendants JUDE HUDSON (“Mr.
23 Hudson”), [REDACTED], and nominal defendant for the
24 purpose of asserting derivative claims PARAGON TECHNOLOGY &
25 DEVELOPMENT, INC. (“Paragon”) and its wholly owned subsidiary and alter ego
26 GATSBY ENTERPRISES, INC. (“Gatsby”) and DOES 1-10 as follows:

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JURISDICTION AND VENUE

1
2 1. This Court has jurisdiction over this matter under 28 U.S.C. Section
3 1332(a)(1) on the basis of diversity of citizenship because (1) the amount in
4 controversy exceeds \$75,000, (2) the parties are citizens of different states, and (3)
5 there is an actual controversy between the parties.

6 2. Venue in this District is proper under 28 U.S.C. Section 1391(b) and
7 1391(b)(2) because all of the named defendants reside within the District and
8 because a substantial part of the events or omissions giving rise to the claims
9 occurred in within the District.

PARTIES

10
11 3. Plaintiff is, and at all relevant times was, an Arizona limited
12 partnership. None of Plaintiff’s partners are citizens of California.

13 4. Mr. Hudson is, and at all relevant times was, an individual. Mr.
14 Hudson currently resides in Los Angeles, California.

15 5. Mrs. Hudson is, and at all relevant times was, an individual. Mrs.
16 Hudson currently resides in Los Angeles, California. Mr. Hudson and Mrs. Hudson
17 are husband and wife.

18 6. Nominal defendant Paragon is, and at all relevant times was, a
19 Delaware corporation with its principal place of business in Los Angeles, California.

20 7. Gatsby is, and at all relevant times was, a California corporation with
21 its principal place of business in Los Angeles, California. Gatsby is a wholly owned
22 subsidiary of Paragon.

23 8. Plaintiff alleges that Paragon and Gatsby were at all relevant times one
24 single enterprise being the alter egos of one another by reason of the following:

25 a. Plaintiff is informed and believes, and based thereon alleges,
26 that, at all times herein mentioned, Paragon owned, dominated, influenced and
27 controlled the business, property, and affairs of Gatsby as well its officers;
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1 themselves hundreds of thousands of dollars in undocumented interest free
2 “shareholder loans”, caused the Company to pay for their extravagant personal
3 residence and lifestyle, put Mrs. Hudson’s mother on the Company payroll even
4 though she did not perform any work for the Company, caused the Company to pay
5 more than a hundred thousand dollars directly to Mr. Hudson’s mother, and assigned
6 themselves company stock without consideration.

7 11. As of the filing of this Complaint, Paragon’s board of directors is
8 comprised of three persons with Mr. Hudson and Mrs. Hudson holding two of the
9 three positions, thus exercising control over Paragon.

10 12. Based upon applicable law (including, but not limited to, FRCP
11 23.1(b)(3)(b) and California Corporations Code §800), the facts alleged in this
12 Complaint, and the longstanding rule that equity does not compel a useless and
13 futile act, Plaintiff is excused from any requirement to make a formal request to the
14 board of directors to bring the instant action. Such demand is excused because (1) a
15 pre-submission demand would be a futile and useless act as the majority of the
16 board of directors are not able to conduct an independent and objective investigation
17 of the alleged wrong doings, (2) a pre-submission demand would be a futile and
18 useless act as it would require Mr. Hudson and Mrs. Hudson to vote to recommend
19 bringing an action against themselves, and (3) the wrongful conduct alleged is not
20 subject to the business judgment rule.

21 **FACTUAL BACKGROUND**

22 13. Mr. Hudson is an ex-convict who was convicted of gun running across
23 the Canadian border in or about 2005. His wife, Mrs. Hudson, was a stripper until
24 she became a successful female dominatrix online.

25 14. In 2013, Defendants created a platform for online adult content based
26 on Mrs. Hudson’s experience as a dominatrix. The platform operates under the
27 domain name iwantclips.com (the “Website”). The Company’s primary business is
28 to market and operate the Website.



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1 15. Defendants have always had complete control over the Company.
2 Since its inception, either Mr. Hudson or Mrs. Hudson has always served as
3 Paragon's chief executive officer. Mr. Hudson also owns 100% of Paragon's Class
4 A Common (voting) stock and approximately 51% of the Company's total shares.

5 16. Plaintiff was first introduced to Mr. Hudson in or about April 2014.
6 That same year, Mr. Hudson induced Plaintiff to loan \$20,000 to Paragon by way of
7 an initial promissory note.

8 17. Over the next several years, Mr. Hudson repeatedly returned to Plaintiff
9 claiming that Paragon was experiencing cash flow issues and that Paragon needed
10 additional capital in order to maintain its operations and position itself for sale. Mr.
11 Hudson represented that unless Plaintiff provided the needed capital, the Company
12 would go under before the Company could be sold and Plaintiff would lose his
13 entire investment. Over and over again, Plaintiff loaned monies to Paragon
14 believing that he needed to do so in order to save the Company. As of January
15 2019, Plaintiff had loaned to the Company approximately \$2,903,333 from thirteen
16 different transactions as follows:

Date	Loan Amount
4/25/2014	\$ 20,000
10/1/2015	\$ 50,000
12/2/2016	\$ 150,000
4/18/2017	\$ 150,000
6/12/2017	\$ 450,000
10/1/2017	\$ 100,000
12/18/2017	\$ 200,000
12/1/2017	\$ 150,000
2/1/2018	\$ 200,000
6/6/2018	\$ 333,333

1	6/6/2018	\$ 400,000
2	8/2/2018	\$ 300,000
3	1/17/2019	\$ 400,000

4 18. During this time period, April 2014 to January 2019, Plaintiff also
5 acquired approximately 30% of Paragon's common stock. All of Plaintiff's shares
6 are Class B (non-voting) shares.

7 19. The above loans were expensive for the Company. The interest rates on
8 the notes rates were relatively high and the Company had to surrender stock in order
9 to induce Plaintiff to continually invest more money. Nevertheless, the amounts
10 charged by Plaintiff to Paragon were justified due to the loans being high risk, being
11 made without meaningful collateral, and being made without financials or cash
12 forecasts. Plaintiff alleges on information and belief that more affordable forms of
13 financing were not available to Paragon especially given that the Company's
14 financial statements did not reflect a net profit.

15 20. In or about March 2019, at Plaintiff's request, Paragon hired Robert
16 Lunny ("Mr. Lunny") to be the Company's chief financial officer and chief
17 operating officer. Plaintiff requested that Mr. Lunny be hired to help solve
18 Paragon's consistent cash flow issues. Before Mr. Lunny, Paragon had never before
19 hired an executive with any meaningful experience and did not have a dedicated
20 controller or accountant.

21 21. Upon being given access to the Company's records, Mr. Lunny
22 discovered that Paragon's cash flow issues were largely attributable to the fact that
23 Defendants had been looting the Company and were using corporate funds for their
24 own benefit. Specifically, Mr. Lunny discovered all of the following:

25 a. Defendants had borrowed hundreds of thousands of dollars from
26 the Company in undocumented interest free "shareholder loans." These shareholder
27 loans were often taken out at times when Company was operating at a loss and when
28 Paragon was borrowing money from Plaintiff.



1 b. Defendants were causing the Company to pay for Mr. and Mrs.
2 Hudson’s extravagant personal residence and lifestyle in West Hollywood,
3 California.

4 c. Defendants had put Mrs. Hudson’s mother who did not work for
5 the Company on Paragon’s payroll.

6 d. Defendants had caused the Company to directly pay Mr.
7 Hudson’s mother more than a hundred thousand dollars.

8 22. Plaintiff alleges on information and belief that, but for Defendants’
9 defalcations alleged in the preceding paragraph, Paragon could have operated at a
10 profit and therefore avoided or paid down the debt to Plaintiff and made
11 distributions to Plaintiff and the other shareholders.

12 23. In April 2019, Paragon began negotiating with Plaintiff in an effort to
13 restructure Paragon’s loan obligations to Plaintiff. Paragon represented that unless it
14 was able to reduce its debt service, it would likely default on its obligations. As a
15 result of these negotiations, Plaintiff agreed to (1) consolidate all of the outstanding
16 loans into a single promissory note with a lower interest rate, (2) defer the principal
17 payments on the outstanding loans from July 2019 to January 2020 and (3) not
18 charge any interest for three months. In exchange for these concessions, Paragon
19 agreed to have the loans properly documented and securitized. Mr. Hudson also
20 agreed to stop his excessive spending and to move out of his luxurious rental by the
21 fall of 2019.

22 24. In or about June 2019, Mr. Hudson once again approached Plaintiff
23 requesting additional monies to supposedly fund Paragon’s operations. Plaintiff
24 agreed to loan additional \$100,000 to Paragon. In conjunction with this loan, and in
25 accordance with the parties’ previous agreement to document and securitize
26 Plaintiff’s loans, in August 2019, the parties finalized the legal paperwork
27 consolidating outstanding amounts owed on the loans between Plaintiff and Paragon
28 into an Amended and Restated Promissory Note (the “Promissory Note”) secured by

1 the Company’s assets. A true and correct copy of the Promissory Note is attached
2 hereto as **Exhibit A**. Even after entering into this secured Promissory Note,
3 Defendants continued to take money from the Company to support their extravagant
4 lifestyles. Indeed, in the same month that Defendants caused the Company to enter
5 into the Promissory Note, Defendants took out an additional \$28,118 in
6 undocumented interest free “shareholder loans.”

7 25. In or about December 2019, Paragon experienced yet another cash
8 crunch. As it had done, many times before, Paragon turned to Plaintiff for
9 additional capital. This time, Paragon requested that Plaintiff loan it \$150,000 and
10 agree to forbear the collection of principal payments on the Promissory Note until
11 March 2020. Plaintiff was extremely disappointed that, despite their explicit
12 promises to do so, Defendants had not reduced their extravagant spending nor had
13 they moved out of their luxurious residence. Knowing that the Company could be
14 irreparably harmed if it was unable to stay current on its obligations, Plaintiff agreed
15 to Paragon’s request. However, Plaintiff required Defendants to enter into a formal
16 agreement aimed at preventing Defendants from continuing to loot the company.
17 To that end, on December 17, 2019, the parties entered into a Forbearance
18 Agreement. A true and correct copy of the Forbearance Agreement is attached
19 hereto as **Exhibit B**. The Forbearance Agreement provided that:

- 20 a. Plaintiff would loan Paragon an additional \$150,000;
- 21 b. Plaintiff would forbear the collection of the Promissory Note
22 until March 2020;
- 23 c. Paragon would lower its overhead expenses;
- 24 d. Mr. and Mrs. Hudson would no longer be permitted to receive
25 shareholder loans from the Company with the exception of loans for housing that
26 would end as of March 31, 2020;
- 27 e. Mr. and Mrs. Hudson would not increase their annual salaries or
28 otherwise authorize themselves to receive additional compensation;



1 f. Mr. and Mrs. Hudson’s family members would stop receiving
2 compensation unless the company could satisfy its obligations to Plaintiff;

3 g. Mr. Hudson would be removed as a signatory on the Company’s
4 bank accounts; and

5 h. Paragon would regularly inform Plaintiff of Paragon’s financial
6 progress and status.

7 26. In February 2020, Mr. Hudson fired Mr. Lunny on account of Mr.
8 Hudson’s belief that Mr. Lunny was somehow responsible for the restrictions put in
9 place by the Forbearance Agreement and that Mr. Lunny had been causing the
10 Company to comply with the restrictions.

11 27. As of the date that Mr. Lunny was terminated, Defendants had looted
12 well over a million dollars from the Company. Plaintiff reasonably estimates that,
13 as of February 2020, Defendants owed \$1,420,440 (not including interest) to the
14 Company as follows:

15	Outstanding shareholder loans	\$867,160
16	Rent and utilities for personal residence	\$273,280
17	Overpayments to Mr. Hudson’s mother	\$180,000
18	Salary to Mrs. Hudson’s mother	\$100,000
19		
20	Total	\$1,420,440

21
22 28. Plaintiff alleges on information and belief that the estimates provided in
23 the preceding paragraph underestimate the monies misappropriated by Defendants
24 and that the true amount owed by Defendants to Paragon can only be determined
25 through an accounting.

26 29. In addition, Defendants also caused the Company to buy back
27 approximately \$224,603.65 of Paragon’s shares from certain of its employees and
28 transferred such shares to Mr. Hudson personally without any consideration.

1 30. As explained above, March 2020 was a significant month. Pursuant to
2 the Forbearance Agreement, as of March 2020, the Hudson’s could no longer
3 borrow Company funds to pay for their personal housing and the forbearance period
4 would end requiring Paragon to start making principal payments to Plaintiff.

5 31. In or about March 2020, Mr. Hudson began requesting that the
6 obligations under the Forbearance Agreement be further postponed. Specifically,
7 Mr. Hudson requested that he be permitted to cause Paragon to continue paying for
8 his personal residence until the end of the lease and that Plaintiff continue to forbear
9 its loan obligations for another thirty days.

10 32. At the time Mr. Hudson made this request, the Company was being
11 positioned for sale. Not wanting to disrupt any potential sale, Plaintiff indicated to
12 Mr. Hudson that he would agree to Mr. Hudson’s proposal on several conditions: (1)
13 Mr. Lunny was to be permitted to have access to the company records, (2) Plaintiff
14 was to be kept up to date on progress towards the sale of the Company, (3) Paragon
15 hire an experienced accounting professional, (4) the shareholder loans be properly
16 reconciled and any personal expenses improperly charged as personal costs be
17 included, and (5) family member loans also be reconciled.

18 33. Upon receiving Plaintiff’s proposal, Mr. Hudson flew into a rage and
19 began actively acting against the interests of the Company and its shareholders. On
20 March 20, 2020, Mr. Hudson abruptly fired the firm tasked with selling the
21 Company and also sent an email to Paragon’s management team instructing them
22 that they could take a three month vacation. True and correct copies of emails from
23 Mr. Hudson to this effect are attached as **Exhibits C and D**.

24 34. Then on March 21, 2020, Mr. Hudson texted Mr. Lunny and Plaintiff
25 stating that Mr. Hudson would not talk about any of conditions presented by
26 Plaintiff and, unless his demands were satisfied, (1) he and Paragon’s entire
27 management and development teams would be taking a three month vacation, (2) he
28 would allow the Company’s sales and value to “sink to zero”, (3) he would cease his

1 efforts to sell the Company, and (4) instead of selling the Company he would enter
2 into a non-compete with a competitor to allowing him to receive a “great income” to
3 “sit on [his] ass at home.” A true and correct copy of the March 21, 2020 text
4 correspondence is attached hereto as **Exhibit E**.

5 35. Defendants cannot be permitted to follow through with Mr. Hudson’s
6 threats. Paragon’s business primarily involves operating the Website. Paragon
7 itself does not generate any content for the Website; all of the videos posted to the
8 Website are submitted by content providers who share in the profits their content
9 generates. If, for any reason, Paragon is unable to make payments to its content
10 providers, the content providers are likely to move their content to a competitor’s
11 website. Without the content providers, Paragon would have nothing to display on
12 its Website and Paragon’s sales would truly “sink to zero.” Moreover, Paragon’s
13 reputation amongst the content providers would be so irreparably harmed that
14 Paragon would be unlikely to ever recover.

15 36. Paragon is extremely valuable as an ongoing entity; however, if
16 Paragon lost its content providers and the Company was forced into liquidation,
17 there would be very little to distribute to the shareholders. Paragon has no
18 significant physical assets. It owns no real property. Its personal property consists
19 of computer and internet equipment with limited resale value. Only Paragon’s
20 intellectual property, including the Website and Paragon’s client and content
21 provider lists, have any significant value.

22 37. To ensure that Defendants do not follow through with their threats to
23 destroy the Company, by purposefully driving down Paragon’s sales or by allowing
24 Paragon’s content providers to go unpaid because the entire management team is on
25 vacation, Plaintiff and the other shareholders are entitled to the appointment of a
26 receiver who can ensure that (1) Paragon’s online platform continues to operate and
27 receive income, (2) Paragon’s finances are managed and the content providers are
28 paid timely and in full, and (3) Defendants cannot continue looting the Company.



1 38. The conduct and activities of Defendants as described herein, if
2 allowed to continue, will result in immediate and irreparable harm to Paragon for
3 which there is no adequate remedy at law to compensate Plaintiff and the other
4 shareholders. Accordingly, Plaintiff and the other shareholders are entitled to
5 temporary and preliminary injunctive relief enjoining and restraining Defendants,
6 their agents, servants, employees, and all persons acting under, in concert with, or
7 for them from, directly or indirectly:

8 a. Interfering with, altering, or materially changing the contracts
9 and economic relationships between nominal defendant Paragon Technology &
10 Development, Inc. and its wholly owned subsidiary, Gatsby Enterprises, Inc.
11 (collectively “Paragon” or the “Company”) and their customers, content providers,
12 employees, investors, merchant accounts, and business partners;

13 b. Interfering with, altering, or materially changing the websites
14 owned and operated by Paragon, including the websites under the domain name
15 iwantclips.com, including without limitation modifying, altering, or materially
16 changing in any way the Website’s domains, webhosting services, customer
17 management systems, referral leads, or payment systems;

18 c. Interfering with Paragon’s employees or causing Paragon’s
19 employees to fail to perform their ordinary duties and responsibilities;

20 d. Transferring, licensing, encumbering, exchanging, expending,
21 pledging, loaning, or otherwise disposing of, directly or indirectly, any Paragon
22 asset other than in the ordinary course of business;

23 e. Transferring, licensing, encumbering, exchanging, pledging,
24 loaning, or otherwise disposing of, directly or indirectly, Paragon’s ownership
25 interests in the Website and any other intellectual property;

26 f. Transferring, licensing, encumbering, exchanging, pledging,
27 loaning, or otherwise disposing of, directly or indirectly, any of their ownership
28 interests in Paragon;



- 1 c. Causing the Company to pay a salary to Mrs. Hudson’s mother
- 2 who did not work for the Company;
- 3 d. Causing the Company to pay Mr. Hudson’s mother more than a
- 4 hundred thousand dollars; and
- 5 e. Causing stock repurchased by the Company to be transferred to
- 6 Defendants personally without consideration.

7 42. As explained in more detail in paragraphs 33 and 34 above, Mr.

8 Hudson has threatened to further devalue the company by (1) causing Paragon’s

9 management and development teams to take a three month vacation, (2)

10 purposefully driving down the Company’s sales and value so that they to “sink to

11 zero”, (3) ceasing all efforts to sell the company, and (4) entering into a non-

12 compete with a competitor to allowing Mr. Hudson to receive a “great income” to

13 “sit on [his] ass at home.”

14 43. As a direct and proximate result of the above-described breaches of

15 Defendants’ fiduciary duties, Paragon (and by extension Plaintiff and the other

16 shareholders) has suffered damages in an amount to be determined at trial, but not

17 less than \$2,000,000.

18 44. Plaintiff is informed and believes, and on that basis alleges, that in

19 doing the acts described above, Defendants acted with malice and with the specific

20 intent to injure Plaintiff and the other shareholders. Plaintiff, therefore, seeks an

21 award of punitive damages in an amount to be determined at the time of trial.

22 45. The conduct and activities of Defendants as described herein, if

23 allowed to continue, will result in immediate and irreparable harm to Paragon for

24 which there is no adequate remedy at law to compensate Plaintiff and the other

25 shareholders. Accordingly, Plaintiff and the other shareholders are entitled to have a

26 receiver appointed to ensure that (1) Paragon’s online platform continues to operate

27 and receive income, (2) Paragon’s content providers are paid timely and in full, and

28 (3) Defendants cannot continue looting the Company.

1 46. Plaintiff and the other shareholders are also entitled to temporary and
2 preliminary injunctive relief set forth in paragraph 38 above.

3 **SECOND CLAIM FOR RELIEF**

4 **(Embezzlement / Conversion)**

5 47. Plaintiff refers and incorporates by reference the allegations of
6 paragraph 1 through 46 as though set forth fully herein.

7 48. Plaintiff is informed and believes and on that basis alleges that
8 Defendants have embezzled and converted Paragon's property as alleged in
9 paragraphs 20 - 27 above.

10 49. As a direct and proximate result of the above-described embezzlements
11 and conversions, Paragon (and by extension Plaintiff and the other shareholders) has
12 been damaged in an amount to be determined at trial, but not less than \$2,000,000.

13 50. Plaintiff is informed and believes, and on that basis alleges, that in
14 doing the acts described above, Defendants acted with malice and with specific
15 intent to injure Plaintiff and the other shareholders. Plaintiff, therefore, seeks an
16 award of exemplary and punitive damages in an amount to be determined at the time
17 of trial.

18 51. The conduct and activities of Defendants as described herein, if
19 allowed to continue, will result in immediate and irreparable harm to Paragon for
20 which there is no adequate remedy at law to compensate Plaintiff and the other
21 shareholders. Accordingly, Plaintiff and the other shareholders are entitled to have a
22 receiver appointed to ensure that (1) Paragon's online platform continues to operate
23 and receive income, (2) Paragon's content providers are paid timely and in full, and
24 (3) Defendants cannot continue looting the Company.

25 52. Plaintiff and the other shareholders are also entitled to temporary and
26 preliminary injunctive relief as set forth in paragraph 38 above.

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28

THIRD CLAIM FOR RELIEF

(Corporate Waste)

53. Plaintiff refers and incorporates by reference the allegations of paragraph 1 through 52 as though set forth fully herein.

54. As directors, officers, and majority shareholders of Paragon, Defendants stood in a fiduciary relationship with Plaintiff and the other shareholders and owed Plaintiff and the other shareholders the duty of care and diligence in the administration of the affairs of Paragon and in the use of Paragon’s assets.

55. Plaintiff is informed and believes and on that basis alleges that Defendants have committed corporate waste by entering into exchanges that are so one sided that no business person of ordinary, sound judgment could conclude that Paragon has received adequate consideration. Such wasteful exchanges, include without limitation:

- a. Borrowing hundreds of thousands of dollars from the Company through undocumented interest free “shareholder loans.”
- b. Causing the Company to pay for their luxury personal residence and lifestyle;
- c. Causing the Company to pay a salary to Mrs. Hudson’s mother who did not work for the Company;
- d. Causing the Company to pay Mr. Hudson’s mother more than one hundred thousand dollars; and
- e. Causing stock repurchased by the Company to be transferred to Defendants personally without consideration.

56. As a direct and proximate result of the above-described corporate waste, Paragon (and by extension Plaintiff and the other shareholders) has been damaged in an amount to be determined at trial, but not less than \$2,000,000.

57. Plaintiff is informed and believes, and on that basis alleges, that in doing the acts described above, Defendants acted with malice and with specific

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1 intent to injure Plaintiff and the other shareholders. Plaintiff, therefore, seeks an
2 award of exemplary and punitive damages in an amount to be determined at the time
3 of trial.

4 58. The conduct and activities of Defendants as described herein, if
5 allowed to continue, will result in immediate and irreparable harm to Paragon for
6 which there is no adequate remedy at law to compensate Plaintiff and the other
7 shareholders. Accordingly, Plaintiff and the other shareholders are entitled to have a
8 receiver appointed to ensure that (1) Paragon’s online platform continues to operate
9 and receive income, (2) Paragon’s content providers are paid timely and in full, and
10 (3) Defendants cannot continue looting the Company.

11 59. Plaintiff and the other shareholders are also entitled to temporary and
12 preliminary injunctive relief as set forth in paragraph 38 above.

13 **FOURTH CLAIM FOR RELIEF**

14 **(Unjust Enrichment)**

15 60. Plaintiff refers and incorporates by reference the allegations of
16 paragraph 1 through 59 as though set forth fully herein.

17 61. Defendants derived property from Paragon to which they were not
18 entitled, including without limitation:

- 19 a. Hundreds of thousands of dollars in undocumented interest free
- 20 “shareholder loans.”
- 21 b. Rent and utilities paid for Defendants’ luxury personal residence;
- 22 c. Salary paid to Mrs. Hudson’s mother who did not work for the
- 23 Company on Paragon’s payroll; and
- 24 d. More than a hundred thousand dollars paid directly to Mr.
- 25 Hudson’s mother; and
- 26 e. Stock repurchased by the Company from its employees.

27 62. Defendants’ unjust enrichment is directly and causally related to the
28 detriment of Paragon. Plaintiff alleges on information and belief that, but for

1 Defendants’ unjust enrichment, the Company could have operated at a profit and
2 distributions could have been made to Plaintiff and the other Shareholders.

3 63. Defendants’ enrichment was accepted under circumstances such that it
4 would be unjust for Defendants’ to retain such benefits without payment to Paragon.

5 **FIFTH CLAIM FOR RELIEF**

6 **(Accounting)**

7 64. Plaintiff refers and incorporates by reference the allegations of
8 paragraph 1 through 63 as though set forth fully herein.

9 65. As set forth in paragraphs 20 - 27 above, Plaintiff is informed and
10 believes that Defendants have misappropriated and misused property belonging to
11 Paragon.

12 66. The amount that Defendants have misappropriated and misused is not
13 fully known by Plaintiff and is only ascertainable by an accounting.

14 67. An accounting is therefore necessary to determine the amount obtained
15 by Defendants as a result of their misconduct as set forth above.

16 **SIXTH CLAIM FOR RELIEF**

17 **(Appointment of Receiver)**

18 68. Plaintiff refers and incorporates by reference the allegations of
19 paragraph 1 through 67 as though set forth fully herein.

20 69. Under Delaware law, a shareholder may bring a claim for relief for the
21 appointment of a receiver. (See, e.g. *Glenbrook Capital Ltd. P'ship v. Kuo*, 525 F.
22 Supp. 2d 1130, 1147 (N.D. Cal. 2007).)

23 70. As set forth in paragraphs 20 – 27 above, Defendants have grossly
24 mismanaged Paragon by looting Paragon’s property for their own benefit.

25 71. Mr. Hudson has threatened to further devalue the company by (1)
26 causing Paragon’s entire management and development teams to take a three month
27 vacation, (2) purposefully driving down the Company’s sales that they to “sink to
28 zero”, and (3) ceasing all efforts to sell the company, and (4) entering into a non-

1 compete with a competitor to allowing him to receive a “great income” to “sit on
2 [his] ass at home.”

3 72. The conduct and activities of Defendants as described herein, if
4 allowed to continue, will result in immediate and irreparable harm to Paragon for
5 which there is no adequate remedy at law to compensate plaintiff and the other
6 shareholders. Accordingly, Plaintiff and the other shareholders are entitled to have a
7 receiver appointed to ensure that (1) Paragon’s online platform continues to operate
8 and receive income, (2) Paragon’s content providers are paid timely and in full, and
9 (3) Defendants cannot continue looting the Company.

10 **DEMAND FOR JURY TRIAL**

11 Plaintiff hereby demands a jury trial as to all claims for which he has a right
12 to trial by jury.

13 **PRAYER FOR RELIEF**

14 **WHEREFORE**, Plaintiff prays for judgment on his Complaint as follows:

15 1. For general, special, compensatory and consequential damages
16 according to proof against Defendants for all losses and damages suffered as a result
17 of the wrongful acts described herein;

18 2. For a complete verified accounting from Defendants of all monies they
19 received from the Company or paid out from the Company and an order directing
20 the immediate disgorgement of all monies improperly diverted;

21 3. For an order requiring Defendants to show cause, if they have any, why
22 a receiver should not be appointed to ensure that (1) Paragon’s online platform
23 continues to operate and receive income, (2) Paragon’s content providers are paid
24 timely and in full, and (3) Defendants cannot continue looting the Company

25 4. For an order requiring Defendants to show cause, if they have any, why
26 they should not be restrained and enjoined as set forth in paragraph 38 of this
27 Complaint during the pendency of this action;

28

1 5. For a temporary restraining order, a preliminary injunction and a
2 permanent injunction enjoining and restraining Defendants as set forth in paragraph
3 38 above.

4 6. For exemplary and punitive damages according to proof at the time of
5 trial;

6 7. For reasonable attorneys’ fees and costs of suit incurred herein as
7 allowed by law;

8 8. For pre-judgment and post-judgment interest on the amount recovered
9 at the highest legal rate from the earliest legal date; and

10 9. For such other and further relief as the Court may deem just and proper.
11

12 DATED: April 17, 2020

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15 By: /s/ Dirk Julander

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17 M. Adam Tate
18 Attorneys for Plaintiff
19 To Be Limited Partnership
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