

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF SUFFOLK

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LAUREN SARDIS, Individually and as a Shareholder and on
behalf of JLAJ HOLDING CORP. and as a Shareholder and
on behalf of SCCC HOLDINGS CORPORATION,

Plaintiff,

- against -

Index No.:

JEFFREY SARDIS, and AETEA INFORMATION
TECHNOLOGY, INC.,

Defendants,

VERIFIED COMPLAINT

and SCCC HOLDINGS CORP.,

Nominal Defendant.

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Lauren Sardis (“Lauren”), individually and as a shareholder of JLAJ Holding Corp. (“JLAJ”) and as a shareholder of SCCC Holdings Corporation (“SCCC”), by her attorneys, Meyer, Suozzi, English & Klein, P.C., alleges that:

SUMMARY OF ACTION

1. This action concerns the breaches of fiduciary duty owed by defendant Jeffrey Sardis to Plaintiff Lauren, and the corporations on whose behalf she sues derivatively, as well as breaches of various agreements Jeffrey entered into with Lauren, all governed by New York law. Jeffrey Sardis controls SCCC and JLAJ and has run these companies so that he can profit from them while conducting their operations and entering into transactions in an unfair manner to the detriment of Plaintiff, his former wife. Jeffrey, who is in control of SCCC and JLAJ, and its operating entity, AETEA, runs them for his personal benefit, ignoring all the protections provided to Lauren in each agreement, in order to wrest control of her shares without paying her fair value therefor, and to deprive her of her investment, including on the note held by SCCC.

Jeffrey's conduct and attempt to avoid his duties and representations, constitute breaches of the parties' agreements and the fiduciary duties owed under common law.

THE PARTIES

2. Lauren resides at 26 Cheshire Avenue, Syosset, New York 11791 and is a shareholder of nominal plaintiff JLAJ Holding Corp.

3. Defendant Jeffrey resides at 9 Vanderbilt Parkway, Dix Hills, New York 11746.

4. JLAJ is a Delaware Corporation located at 1445 Research Boulevard, Suite 300, Rockville Maryland, and is doing business in this State.

5. JLAJ is a holding company. All of its operations are conducted through its wholly owned subsidiary and operating entity, defendant AETEA Information Technology, Inc. ("AETEA").

6. Lauren Sardis is a shareholder of JLAJ and has been a shareholder for over 25 years.

7. Lauren presently owns 33% of JLAJ and Jeffrey owns the remaining 67% of that corporation.

8. Jeffrey is the sole director and President of JLAJ and is its controlling shareholder. As such, Jeffrey owes fiduciary duties to Lauren and JLAJ.

9. Defendant AETEA is a Delaware corporation and is presently conducting its business under said name at 1445 Research Boulevard, Suite 300, Rockville, Maryland, and is doing business in this State, and maintains an office located at 9 Vanderbilt Parkway, Dix Hills, New York 11746.

10. AETEA provides IT consulting services to Fortune 500 companies in a wide range of industries, from financial services and pharmaceutical industries to the government

sector, manufacturing and consumer packaged goods. Primarily, AETEA places IT professionals at its customers, and is paid pursuant to contracts that it has with its customers, including contract, contract-to-hire and direct hire to clients nationwide. AETEA has been in business since 1979.

11. Jeffrey is the president and sole director of AETEA. As such, Jeffrey owes fiduciary duties to JLAJ and to Lauren.

12. Nominal Plaintiff and Nominal Defendant SCCC Holdings Corporation (“SCCC”) is a Delaware Corporation, with its principal place of business, upon information and belief, at 1445 Research Boulevard, Rockville, Maryland.

13. Presently, the shareholders of SCCC are Jeffrey (40%), Lauren (40%) and trusts for Justin Michael Sardis and Andrew Marc Sardis, the former couple’s two sons (10% each).

14. Upon information and belief, the sole business and asset of SCCC is a promissory note that it holds (the “Note”). The debtor on the Note is AETEA.

15. Pursuant to the Note, AETEA owes SCCC \$4 million, which has been accruing interest at the rate of 12% per annum since March 4, 2003. As of February, 2014 AETEA owed \$8.4 million in accrued interest to SCCC.

16. Jeffrey, as sole director and President of SCCC, owes fiduciary duties to Lauren and SCCC.

17. Jeffrey is in control of SCCC, JLAJ and AETEA, and exercises unbridled power over each. As shown below, Jeffrey has failed to exercise appropriate care and loyalty and has acted in derogation of the fiduciary duties he owes to Plaintiffs.

THE AGREEMENTS

18. Jeffrey and Lauren were divorced in 2009, pursuant to a Settlement Agreement, dated as of September 16, 2008 (the “Settlement Agreement”), which incorporated by reference a stockholders agreement for JLAJ, dated as of September 16, 2008 (the “Stockholders Agreement”). A true and correct copy of the Stockholders Agreement is annexed as Exhibit 1. Both agreements are governed, pursuant to their express terms, by New York law.

19. Prior to the divorce, Lauren owned 40% of SCCC and 40% of JLAJ, but as a result of the distribution of the marital assets pursuant to the Settlement Agreement, she conveyed shares in JLAJ to Jeffrey, so that he became a 67% owner of JLAJ and her shareholdings in JLAJ were reduced to 33%. Her ownership of SCCC, at 40%, remained unchanged.

20. Lauren, JLAJ and Jeffrey are parties to the Stockholders Agreement, dated as of September 16, 2008, which is governed by New York law.

AETEA IS DISSOLVED BY JEFFREY IN ADVANCE OF HIS SELF-INTEREST

21. Out of the blue, and quite shockingly, on or about April 10, 2014, Jeffrey filed a certificate of dissolution of AETEA. He executed such as AETEA’s sole director. A copy of the certificate of dissolution of AETEA is annexed as Exhibit 2. (An exhibit to this Exhibit is confidential and will be hereafter provided to the Court as required.)

22. Jeffrey held no meetings at which the sale of AETEA or its assets were discussed with Lauren, nor was any notice given.

23. On April 10, 2014, acting as the sole director of JLAJ, Jeffrey orchestrated a shareholder’s consent by JLAJ (as AETEA’s sole shareholder) to approve and adopt AETEA’s dissolution and Plan of Liquidation.

24. No meeting of the shareholders of JLAJ was held, nor did Jeffrey give any advance notice to Lauren of the actions he took in April 2014.

25. AETEA's Plan of Liquidation included the approval of a contemplated negotiation and consummation of one or more sales of AETEA's property and assets, which are the sole assets of JLAJ. A copy of the shareholder's consent is annexed as Exhibit 3, which includes the Plan of Liquidation.

26. The dissolution of AETEA is not in JLAJ's or Lauren's best interests.

27. The AETEA liquidation plan adopted by Jeffrey as controlling shareholder and director of JLAJ provides in pertinent part that:

a. Jeffrey's salary can be increased beyond that provided by the Settlement Agreement and Stockholders Agreement; and

b. The receiver or Board of Directors of AETEA (Jeffrey) can determine the price to be paid for AETEA or its assets.

28. On or about April 15, 2014, Jeffrey, as the sole director of AETEA, petitioned to the Delaware Chancery Court, pursuant to Del. Gen. Corp. Law § 279, to appoint a receiver to wind down the affairs of AETEA and sell its assets, announcing that he was the "potential" purchaser of the property and assets of AETEA. A copy of the petition for appointment of a receiver (without exhibits) is annexed as Exhibit 4.

29. Under Delaware law, the filing of the certificate of dissolution dissolved AETEA immediately and the statutory period for its officers and directors to wind down its affairs is three years.

30. Upon information and belief, Jeffrey petitioned the Chancery Court for appointment of a receiver, solely for his own benefit, so as to orchestrate a supposed "arm's

length” sale of AETEA and/or its assets to himself or an entity with which he will be or is affiliated solely to avoid contractual restrictions that prohibit any such sale absent Lauren’s consent.

31. The application for a receiver and the appointment of a receiver are not really for the benefit of JLAJ or AETEA, but, in actuality, solely for Jeffrey’s personal benefit and will add expense and thereby diminish any sales proceeds available to Lauren.

32. Further, upon information and belief, the costs and legal fees incurred in connection with the application for a receiver are being incurred solely by AETEA and not by Jeffrey, although these expenditures have been incurred and legal proceedings have been instituted solely for Jeffrey’s benefit.

33. Jeffrey provided notice to Lauren of the dissolution *after* the certificate of dissolution was filed. Jeffrey provided notice to Lauren of the application for a receiver *after* it was filed, but did not name her as a party to the receivership proceeding, filed in Delaware, nor was she formally served. Instead, informal notification of these corporate actions and judicial filing were mailed to her and her matrimonial counsel.

34. After receiving notice, Lauren retained counsel so that she could formally move to intervene in the Delaware proceeding, and thereby have standing to be heard by the Court. Before she could file the intervention application, and 21 days after filing the motion for receiver, however, Jeffrey filed a motion for summary judgment, announcing that Lauren had not filed any opposition to the motion. (The Delaware dissolution proceeding and application for a receiver is hereinafter referred to as “the Delaware Action”.) Lauren has incurred significant expense to appear in the Delaware Action so as to assert her rights and interests.

JEFFREY DEFAULTS ON THE INSPECTION

35. The Stockholders Agreement of JLAJ provides at 9.4 that:

Lauren Sardis and her professional advisors, have the right, upon reasonable notice to JLAJ, during normal business hours, to inspect and audit the books and records of JLAJ and the Operating Entities at her sole cost and expense.

Ex. 1 at 9.4 (p.13). There is no limitation on what information Lauren is entitled to obtain.

36. After the notice of dissolution and the application for the appointment of a receiver was received, pursuant to Section 9.4, Lauren's attorney, Erica B. Garay, Esq. on May 5, 2014 sent a communication to Jeffrey Sardis, President, of JLAJ, requesting an examination of the corporate books and records.

37. Notwithstanding this clear right to information, in response to this letter, counsel to Defendants and Jeffrey Sardis, Steven Gersh, Esq., telephoned Ms. Garay and advised that although Ms. Sardis was an owner of JLAJ, he would provide no information about the pending sale of AETEA's assets *and* advised that he was directed by his client not to provide any information.

38. In addition, on behalf of Lauren, her accountant, Ronald Eagar, CPA, of Grassi & Co., made a similar request by email to Charles Brown, III, Chief Financial Officer of AETEA. By responsive email, Mr. Brown denied and refused the request.

39. A Notice of Default was sent on or about May 6, 2014, a copy of which is annexed hereto as part of Exhibit 5.

40. In response to the Notice of Default, Jeffrey agreed to permit an inspection, but refused to schedule it until June.

41. The inspection took place on June 11-13, 2014 in Maryland.

42. As part of the inspection, three (3) emails with Sun Trust Bank were produced. Each related to Jeffrey attempting to purchase the assets of AETEA through “NEWCO”, which was to be a newly formed entity, to be owned 80% by Jeffrey and 20% by the Trusts. Not coincidentally, 80% is the total of Jeffrey and Lauren’s interest in SCCC.

43. These three emails contained a description of how Jeffrey intended AETEA’s assets to be purchased (hereinafter the “Prospective AETEA Transaction”), including that he would use the debt owed by AETEA to SCCC and convert some – but not all – of it to equity, so that he (as an 80% owner of NEWCO) would again own AETEA directly and be in complete control of it without any of the restrictions that Lauren bargained for and obtained in the Stockholders Agreement and the matrimonial settlement, both of which were incorporated into the New York divorce judgment.

44. In the Stockholders Agreement, ¶3, Jeffrey and JLAJ agreed that AETEA would not be sold to any company in which Jeffrey had an ownership interest. Specifically, it was agreed that:

3. Approved Sale

3.1 For purposes of this Agreement, an “*Approved Sale*” means either the sale, transfer, conveyance or other disposition, in one or a series of related transaction of (i) all or substantially all of the assets of [AETEA] ...

Exhibit 1 at p. 3.

45. A sale to any entity in which Jeffrey has an ownership interest is not an “Approved Sale”, as the Stockholders Agreement provides:

3.2 Notwithstanding anything to the contrary set forth in this Agreement. (i) a transaction with an Affiliate or Family Member of Jeffrey Sardis shall not be an Approved Sale;.... In order for a transaction to be deemed an Approved Sale, the transaction must be an “arms-length” transaction with all payment

related thereto (with the exception of base salary only to be received by Jeffrey Sardis from the acquiring entity or an affiliate of the acquiring entity at market rate levels) deemed purchase price for purposes of this Agreement.

Exhibit 1 at p. 4. The Stockholders Agreement does not permit an “unapproved sale.”

46. Further, the Stockholders Agreement gave Lauren the opportunity and right to consent to and vote on the transaction, notwithstanding anything to the contrary under Delaware law:

3.3 In the event of an Approved Sale, each Stockholder will: (i) consent to and vote for the Approved Sale; (ii) waive any dissenter’s rights and other similar rights to such sale;

Exhibit 1 at p. 4.

47. The Stockholders Agreement also contemplated that, within four (4) years of the settlement, Jeffrey on behalf of AETEA would enter into a “Liquidity Transaction,” which is defined therein as “the sale, transfer, conveyance or other disposition, in one or a series of related transactions, of (i) all or substantially all of the assets of [AETEA], (ii) all of the capital stock of AETEA ..., or (iii) all of the capital stock of JLAJ, only during the first four years following the date of the parties’ entry into the Stockholders Agreement. (Exhibit 1 at p. 7, § 6.1). That deadline expired on September 16, 2012 with no “Liquidity Transaction” having occurred.

48. Lauren further bargained for and Jeffrey agreed that neither he nor an entity that he controlled or was related to would buy AETEA or its assets, as both the Liquidity Transaction and the Approved Sale were the only transactions permitted by and consented to by Lauren.

49. Thus, the Stockholders Agreement required and contemplated that Lauren and Jeffrey would be treated identically in the event of a sale of AETEA, thus, incentivizing Jeffrey to “grow” AETEA, so both he and Lauren would share in the success of AETEA when that entity was sold to an unrelated party, (not controlled by Jeffrey) in an “Approved Sale”.

50. A notice of default was sent to Jeffrey on or about June 25, 2014 pursuant to Article XIX, Section E. of the Settlement Agreement. A copy of this notice is annexed hereto as part of Exhibit 5.

51. The Stockholders Agreement further incentivized Jeffrey to both grow and sell AETEA in the short term, as his failure to enter into an Approved Sale or Liquidity Transaction by 2012 would result in a reduction of his salary by \$100,000 per annum (plus a cost of living adjustment).

52. As of September 2014, because there was no sale of AETEA or its assets, Jeffrey's salary was reduced to zero.

53. There have been no meetings of the shareholders of JLAJ.

54. There have been no meetings of the shareholders of SCCC.

55. Lauren has been conducting discovery in the Delaware Action.

56. Jeffrey has twice sought a protective order in the Delaware Action to avoid deposition and the production of documents. Jeffrey has refused to respond to various questions asked at his deposition conducted in the Delaware Action and has sought a protective order in connection therewith.

57. Jeffrey's efforts to avoid discovery and to delay the production of documents to Lauren have been paid for with AETEA's funds, although that lawsuit was brought to benefit Jeffrey (so as to avoid the protections given to Lauren in the Stockholders Agreement and Settlement Agreement).

JEFFREY CAUSES EVENT OF DEFAULT UNDER SCCC NOTE

58. As part of the distribution of marital assets (Settlement Agreement at Article IX(E)), 20 shares of SCCC stock were transferred from Jeffrey to Lauren, bringing her total ownership to 40% of the issued and outstanding shares of SCCC, and making her an equal shareholder to Jeffrey.

59. Also pursuant to Settlement Agreement at Article IX(E) (at p. 22), Jeffrey and Lauren acknowledged that the debt due SCCC by AETEA on the promissory note was \$4,000,000 and that the accrued interest as of July 31, 2008 was \$2,715,000. A copy of the Notice is annexed hereto as Exhibit 6.

60. Importantly, Jeffrey agreed, as did Lauren, that he would “not enter into any contract or agreement which will adversely affect the repayment of the SCCC Note in any manner.” (Settlement Agreement at p. 22, Article IX(E))

61. The Note provides at (4)(a)(iii) that an event of default includes, among other things, the petitioning to any tribunal for appointment of a receiver of “any substantial part of the assets of the Company” or the filing for “dissolution” or “liquidation.”

62. The Note also provides that upon an event of default under §4(a)(iii), all the principal and interest then accrued “shall become immediately due and payable without any action of the Holder” and AETEA was obligated to pay all amounts due and payable.”

63. Both the filing of the Certificate of Dissolution and the application for a Receiver in the Delaware Action were events of default under the Note, both of which were caused by Jeffrey and, therefore, known to him.

64. Despite his knowledge of the event of default, Jeffrey failed to take any action against AETEA on behalf of SCCC to collect on the Note.

65. By failing to take action to protect SCCC and its shareholder, Jeffrey breached his fiduciary duties owed to Lauren.

66. By failing to take action to protect SCCC, Jeffrey has acted in furtherance of his ownership in JLAJ (and his indirect ownership of AETEA), of which he owns 67%. Thus, notwithstanding his conflict of interest, Jeffrey has “chosen sides” and has chosen the interest in which he owns a majority of shares, in derogation of Lauren’s rights and interests in SCCC.

67. Upon information and belief, Jeffrey failed to take any action due to the event of default so as to protect his own interests as a controlling force of AETEA, all to the detriment of Lauren.

68. Further, Jeffrey has plotted to use his minority ownership of SCCC in a manner that violates the terms of the Note, all to the harm of Lauren, and demonstrating his conflicting roles, as he is directing SCCC and controlling its conduct so as to benefit himself and his sons, while not treating Lauren in a similar manner.

69. Upon information and belief, Jeffrey has avoided, ignored and breached the explicit terms of the SCCC Note so as to wrest Lauren’s 40% ownership of SCCC for himself and to wrest Lauren’s 33% ownership of JLAJ for himself.

70. The Note at section 5(a) contains a “Conversion Procedure” which provides that SCCC has the option to convert “all but not less than all of the outstanding principal amount of the Note” into equity shares of the Maker and all interest owed shall be paid to the Holder.

71. Jeffrey signed the Note on behalf of SCCC on November 13, 2000.

72. The Company that was the maker of the Note was AETEA, Inc. (“Old AETEA”).

73. Upon information and belief, Old AETEA was unable to make timely payments on the Note and was in default.

74. As a result, Old AETEA used the indebtedness in the Note to convert the interest then due and owing to equity, resulting in Jeffrey and Lauren becoming owners of the Company, which was re-named AETEA. The Note in the face amount of \$4 million remained in place. Prior to the divorce, Lauren owned 40% of JLAJ, but shares were distributed to Jeffrey as part of the Settlement Agreement, resulting in the ownership set forth above.

75. Upon information and belief, instead of using his own money to acquire AETEA's assets, Jeffrey intends to convert some (but not all) the debt owed on the Note to equity, so that he owns 80% and the Trusts own 20% of the entity that purchases AETEA's assets, with Lauren owning none of AETEA's equity.

76. If all the indebtedness owed on the Note was converted to equity in AETEA, then Jeffrey would own 40%, Lauren would own 40% and the Trusts would own 20%. In other words, Jeffrey's ownership of AETEA (through JLAJ) would be reduced from 67% to 40% and Lauren's ownership would be increased from 33% to 40%. By treating Lauren differently from himself and the Trusts, as a shareholder of AETEA, Lauren is being harmed.

77. As part of his plan to re-acquire AETEA and force Lauren out of her ownership interest in SCCC, and treating her differently than the other shareholders of SCCC, Jeffrey sought (at first) to obtain financing for "NEWCO" from SunTrust Bank. SunTrust advised that it would not provide financing unless there was a receiver appointed, apparently recognizing that, without a receiver, Jeffrey would be negotiating with himself (as AETEA's sole director) for the acquisition of AETEA's assets. Instead, by appointing a receiver, the transaction would appear to be arm's length, notwithstanding that the Settlement Agreement and Stockholders Agreement prevent Jeffrey or an entity he owns from buying AETEA's assets without Lauren's consent and preclude Jeffrey from entering into an agreement inconsistent with those agreements.

78. Jeffrey is in complete control of JLAJ and SCCC (as well as AETEA) as President and sole Director of each.

79. No demand has been made on Jeffrey or the Board of Directors of SCCC or JLAJ as such would be futile, as the subject actions were taken to advance Jeffrey's self-interests and he is in complete control as the sole Director of each company.

80. The actions taken by Jeffrey and contemplated by him constituted breaches of the parties' Agreements and the Note.

81. Jeffrey's actions are self-interested, not protected by the business judgment rule, are not reasonable or entirely fair.

82. Jeffrey has not sought to acquire Lauren's stock interests in AETEA or SCCC, nor has he ever sought her agreement to any of the actions he has taken or is contemplating.

JEFFREY'S USE OF AETEA'S ASSETS

83. In connection with the discussions with SunTrust Bank, Jeffrey's interests, and those of NEWCO were represented by Charles Brown, the CFO of AETEA and Steven Gersh, Esq., counsel to AETEA.

84. Mr. Gersh is also the attorney for JLAJ and SCCC. Jeffrey has advised that Mr. Gersh is also his personal attorney, and is a Trustee of the Trusts.

85. Mr. Gersh has a conflict of interest in his legal representation of Jeffrey (on an individual basis), as well as of each of the corporate entities, and while being a trustee of each of the Trusts.

86. Mr. Brown, as the CFO of AETEA, owes it fiduciary duties and complete loyalty.

87. Mr. Brown receives a salary from AETEA.

88. Jeffrey may not use the resources of AETEA for his own personal benefit, or for the benefit of other entities, including “NEWCO.”

89. Jeffrey has also violated his fiduciary duties owed to Lauren and AETEA (JLAJ’s sole asset) by paying for various expenses from AETEA’s treasury including but not limited to the legal fees of Mr. Gersh and of Jeffrey’s Delaware counsel, including for services rendered in connection with Jeffrey’s personal business (related to acquiring AETEA and/or its assets), SCCC, and the Trusts.

90. It is a violation of Mr. Brown’s fiduciary duties owed to AETEA for him to spend AETEA’s time, money and resources to investigate opportunities, banking relationships, financing and other interests on behalf of NEWCO and/or Jeffrey’s personal endeavors.

91. Jeffrey directed AETEA’s Mr. Brown to investigate opportunities, banking relationships, financing and other interests of NEWCO and/or Jeffrey’s personal endeavors in connection with the acquisition of AETEA, and to do so during business hours of AETEA and using the resources of AETEA. This misuse of AETEA’s personnel is a violation of Jeffrey’s fiduciary duties owed to AETEA and its shareholder, JLAJ.

JEFFREY BREACHES DUTIES AND AGREEMENTS

92. In discussions with SunTrust Bank, as evidenced by documents and memoranda obtained from SunTrust, both Mr. Gersh and Mr. Brown advised the following:

- (a) Jeffrey sought to enter into an ownership stake and/or partnership with a minority-owned entity named B.J. Personnel, Inc. d/b/a Opus Staffing, in an attempt to retain placements formerly placed with Merck, Inc. by AETEA;
- (b) Jeffrey sought to lower SunTrust’s “minimum effective tangible net worth compliance level” for AETEA, as he was apparently planning to take and/or taking extra “special distributions” from AETEA to make up for his salary having been reduced to zero pursuant to the terms of the Stockholders Agreement;
- (c) Jeffrey sought to pay off AETEA’s SunTrust credit facility, and to establish a new credit facility with Virginia Commercial Finance in the name of AETEA IT

Consulting, LLC, a Maryland Limited Liability Company formed in late October, 2014 and which may be the “NEWCO” entity through which Jeffrey apparently plans to purchase the property and assets of AETEA;

- (d) Jeffrey was willing to withdraw his request for the appointment of a receiver for AETEA should he find a bank that was willing to provide financing for NEWCO without the appointment of a receiver; and
- (e) Jeffrey planned to pay for the purchase of the property and assets of AETEA by converting some, but not all, of the SCCC debt owned by AETEA into shares of equity in NEWCO, in violation of the Note’s explicit terms and in dereliction of duties owed to Lauren, an SCCC equityholder.

93. The SunTrust memoranda and e-mails demonstrate that the dissolution of AETEA and receivership application were filed in bad faith, and for the purpose of wresting control of Lauren’s interests in AETEA (through her interests in JLAJ) without paying fair value, and so as to avoid the Settlement Agreement’s provisions that provided for a stream of income to Lauren, and to prevent the reduction of Jeffrey’s ownership of AETEA from 67% to 40%, to avoid Jeffrey’s diminution of salary, and to treat himself and the Trusts more favorably than Lauren, as shareholders of SCCC, and to treat himself differently from Lauren as a shareholder of JLAJ.

94. Notwithstanding that the divorce occurred many years ago, Jeffrey still harbors anger toward Lauren.

95. Jeffrey has sought to supplement his lost salary (as a President of AETEA), pursuant to the explicit terms of the Stockholders Agreement with “special distributions”, while apparently not sharing those distributions with Lauren, his co-shareholder, or alternatively still treating her distributions as “loans”.

96. These documents further establish that Jeffrey is using AETEA’s personnel, such as Mr. Brown, and its counsel, Mr. Gersh, for his own personal benefit, although their fees and salary are being paid by AETEA.

97. A ten-day Notice of Default was sent to Jeffrey, through his counsel, on or about November 24, 2014 pursuant to Article XIX, Section E. of the Settlement Agreement. A copy of this notice is annexed hereto as part of Exhibit 5.

98. Therein, Jeffrey was placed on notice, *inter alia*, that his dissolution of AETEA and application for the appointment of a receiver of AETEA constitute events of default under the Note. Jeffrey was further placed on notice that the Note, addressed in the Settlement Agreement, does not permit the conversion of some, but not all, of the debt owed by AETEA to SCCC to equity.

99. Jeffrey was further put on notice that any conduct in furtherance of the plan to acquire the assets of AETEA (or its stock), including one that treats Lauren differently than the other stockholders of SCCC and JLAJ, or to pay “special dividends” to substitute for compensation, and/or if Jeffrey entered into any contract or agreement that adversely impacts the ability of the Note to be repaid, would be viewed as a breach of Settlement Agreement (as well as the duties owed under Delaware and New York law by him to Lauren).

100. Jeffrey has not cured these defaults nor responded to the Notice of Default.

101. Pursuant to the Stockholders Agreement and Settlement Agreement the parties agreed that Lauren would receive an income from AETEA by way of dividends from AETEA in lieu of alimony and maintenance, which she waived.

102. Further, it was also agreed that Lauren would have 40% interest in AETEA’s indebtedness pursuant to the SCCC Note and would be treated the same as other shareholders of SCCC.

103. Upon information and belief, Jeffrey’s plan and scheme with respect to the dissolution of AETEA, and the conversion and use of AETEA’s indebtedness on the Note is to:

a. wrest control of Lauren's interest in SCCC without paying her fair value or obtaining her consent;

b. wrest Lauren's interest in JLAJ without paying fair value therefor by selling AETEA in liquidation and without obtaining Lauren's consent to a sale; and

c. acquire control of AETEA without paying Lauren fair value or negotiating with her and to avoid all obligations he accepted as part of the divorce settlement, in derogation of his statutory and common law duties and the written agreements, and by using AETEA's assets, attorneys and employees to further his personal goals in violation of these duties.

104. No previous application has been made for the relief herein sought.

AS AND FOR A FIRST CAUSE OF ACTION

**(By Lauren Sardis Individually for Breach of Fiduciary Duty against Jeffrey Sardis)
(SCCC)**

105. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

106. Jeffrey is and has been the President and sole director of SCCC.

107. As such, Jeffrey owes SCCC and its shareholders the highest duties of good faith, fair dealing, due care, and loyalty.

108. To fulfill these duties, Jeffrey was not permitted to use his position of trust and confidence to further his private interests.

109. He was required to provide this duty in an undivided and unselfish manner, for SCCC's best interests only.

110. Jeffrey has used and is using SCCC's assets, employees and counsel for his personal, selfish interest and doing so at SCCC's expense.

111. That duty required Jeffrey to put the best interest of SCCC and its shareholders first, over any interest he otherwise possessed, and above the interest possessed by Jeffrey otherwise, and he had to observe this rule using the most scrupulous observance of his duty.

112. Throughout Jeffrey's tenure as an officer at SCCC, SCCC had only one director: Jeffrey. Accordingly, there was no majority of directors who were disinterested who could have approved of Jeffrey's acts or omissions.

113. Jeffrey has breached these duties by, among other things, (a) the filing of the Certificate of Dissolution and the application for a Receiver in the Delaware Action, which were both events of default under the Note, were both caused by Jeffrey and, therefore, known to him; (b) his plan to convert some but not all the debt owned on the Note to equity, so that he owns 80% and the Trusts own 20% of the Company, with Lauren owning none; and (c) by treating Lauren differently than the other shareholders of SCCC.

114. No majority of disinterested directors ever approved of Jeffrey's acts, because SCCC lacked sufficient disinterested directors to do so.

115. By reason of the foregoing, Lauren has suffered damages, and she is entitled to an award of damages, in an amount to be determined at trial, but not less than \$20 million plus interest.

116. By reason of the foregoing, alternatively, the Court should enjoin Jeffrey, SCCC and AETEA from entering into any transaction that treats Lauren and her share ownership in SCCC differently than Jeffrey's without her consent, pursuant to Settlement Agreement Article XIX(E).

AS AND FOR A SECOND CAUSE OF ACTION
(By Lauren Sardis Individually for Breach of Contract against Jeffrey Sardis)
(Breach of JLAJ Stockholders Agreement)

117. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

118. Jeffrey is a party to the Stockholders Agreement in which he agreed that the “Operating Entities”, that is, including AETEA, would not be sold without Lauren’s consent.

119. Pursuant to the terms of the Stockholders Agreement, Jeffrey further agreed that the “Operating Entities”, that is, including AETEA, would not be sold except in an “approved sale”.

120. Jeffrey failed to sell AETEA by September 2012 in a Liquidity Transaction.

121. The Prospective AETEA Transaction is not an Approved Sale or a Liquidity Transaction, nor was it otherwise approved by Lauren, nor was her consent sought.

122. The Prospective AETEA Transaction is not an “Approved Sale” because it is a sale to an entity in which Jeffrey has an ownership interest.

123. The Prospective AETEA Transaction is not a Liquidity Transaction as the deadline for such a transaction expired on September 16, 2012.

124. The Prospective AETEA Transaction is not an arm’s length transaction, as the seller and, upon information and belief, the buyer are controlled by Jeffrey.

125. The sale of all or substantially all of the assets of JLAJ triggers dissenter’s rights possessed by Lauren as a minority shareholder pursuant to New York law, which governs both the Stockholders Agreement and Settlement Agreement.

126. Lauren has not been given notice of her dissenter’s rights concerning the sale of AETEA.

127. Pursuant to the Stockholders Agreement, Lauren waived her dissenter’s rights only in connection with a sale of AETEA to an entity that is not owned by Jeffrey (in whole or in part).

128. Jeffrey knows or should know that the Prospective AETEA Transaction is a breach of the Stockholders Agreement.

129. By adopting the liquidation plan, the terms of which are violative of the parties' Stockholders Agreement and Settlement Agreement, Jeffrey has breached the Agreements; including by purporting to lift his salary restrictions and permitting a sale to an entity affiliated with Jeffrey.

130. No notice of the AETEA dissolution and proposed AETEA transaction were given to Lauren prior to the filing of the Delaware Action by Jeffrey on behalf of AETEA.

131. The dissolution of AETEA without the consent or knowledge of the shareholders of JLAJ is also a breach of the Stockholders Agreement.

132. The dissolution of AETEA is a breach of the Stockholders Agreement, as the agreement contemplates that AETEA will continue to operate until an Approved Sale is finalized.

133. Adopting the Liquidation Plan was a violation of the Stockholders Agreement, which provides that Jeffrey would not enter into any agreement that violates its terms.

134. Jeffrey manipulated JLAJ and AETEA so as to adopt the Liquidation Plan that provides that Jeffrey's salary can be increased in violation of the Stockholders Agreement and to orchestrate a potential sale of AETEA to Jeffrey, also in violation of the explicit provision of the Stockholders Agreement.

135. Jeffrey's attempt to supplement his lost salary with "special distributions", while apparently not sharing those distributions with on a *pro rata* basis with Lauren, or alternatively still treating her distributions as "loans" is a breach of the Stockholders Agreement.

136. The Stockholders Agreement has been breached by Jeffrey by the Prospective AETEA Transaction and the dissolution of AETEA and such breaches are material, which breaches of contract have damaged Lauren.

137. Lauren has not breached the Stockholders Agreement and has fully performed her obligations thereunder.

138. Lauren is entitled to an award of damages, in an amount to be determined at trial, but not less than \$20 million, plus interest.

139. As a result of the foregoing breaches, and having been given notice of Default, which default was not cured, Lauren is entitled to recover her attorneys' fees incurred in connection with this action, as well as the Delaware Action, pursuant to Settlement Agreement Article XIX(E) which states in relevant part that "[i]n the event that either party defaults with respect to any obligation under this Stipulation and said default is not remedied within ten (10) days after the sending of a written notice to the defaulting party specifying such default, such defaulting party shall . . . indemnify the other party against, or shall reimburse him or her for, reasonable attorneys' fees, disbursements and Court costs incurred by the non-defending party in bringing suit or other proceeding to enforce any of the terms, covenants or conditions of [the Settlement Agreement]"

AS AND FOR A THIRD CAUSE OF ACTION
(By Lauren Sardis Individually for Breach of Contract against Jeffrey Sardis)

140. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

141. The Settlement Agreement incorporated by reference the Stockholders Agreement (at p. 17, Article IX(C)), which Agreement sets "forth their respective rights and obligations as

the sole stockholders of JLAJ”, into both that Settlement Agreement and the parties’ Judgment of Divorce.

142. The Settlement Agreement required Lauren to convey to Jeffrey 56 shares of JLAJ common stock, which conveyance gave Jeffrey an ownership interest in that entity of 67% (p. 16, Article IX(C)), so as to give him control.

143. The Stockholders Agreement provided protection to Lauren insofar as it ensured that she would receive a flow of distributions from JLAJ and prevented a sale of the Operating Entities, *i.e.*, AETEA, without her consent, only in an “Approved Transaction”, which sale could not be to Jeffrey.

144. Lauren was further induced to enter into the Settlement Agreement, pursuant to the terms of which she waived any claim to alimony, maintenance or support, “provided that she receives the Minimum Distribution Amount and/or the proceeds of sale of JLAJ provided for in this Stipulation”. (p. 29, Article XI(B)).

145. The sale of AETEA’s assets to an entity controlled by Jeffrey is not an Approved Sale, and thus, frustrates the purpose and intent of the Settlement Agreement.

146. Jeffrey, as the sole director of AETEA, has dissolved AETEA as of on or about April 10, 2014 (Ex. 2).

147. Jeffrey, as the sole director of AETEA, has sought the appointment of a Receiver to wind-down the operations of AETEA (Ex. 4).

148. Jeffrey has stated that AETEA will have no further operations.

149. By selling AETEA’s assets to an entity that he controls in a transaction that is not an Approved Sale, and preventing AETEA from having a further income stream (and thus depriving Lauren of further income from JLAJ), Jeffrey has breached the Settlement Agreement.

150. Upon information and belief, the purpose of the scheme to dissolve AETEA and to sell its assets is to avoid the obligation to pay a monthly distribution to Lauren.

151. The breach of the Settlement Agreement has caused Lauren to suffer damages, including but not limited, to the loss of income from JLAJ, her respective share of the expenses associated with the appointment of a Receiver, the loss of JLAJ's assets, and the failure to receive the full benefit of the value of AETEA's property and assets, in that the sale thereof is not an arm's length transaction.

152. But for the promise that AETEA's assets and true value would be realized in a sale that was an arm's length transaction, subject to the consent of Plaintiff, Lauren would not have transferred 56 shares of JLAJ to Jeffrey, and would not have waived her right to receive maintenance, alimony and support from Jeffrey.

153. Lauren has not breached the Settlement Agreement and has fully performed her obligations therefor.

154. Plaintiff is entitled to an award of damages, in an amount to be determined at trial, but not less than \$20 million, plus interest.

155. As a result of the foregoing breaches, and having been given notice of Default, which default was not cured, Lauren is entitled to recover her attorneys' fees incurred in connection with this action, as well as the Delaware Action, pursuant to Settlement Agreement Article XIX(E).

AS AND FOR A FOURTH CAUSE OF ACTION
(Derivatively on Behalf of JLAJ for Breach of Fiduciary Duty against Jeffrey Sardis)

156. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

157. Jeffrey is and has been the President and sole director of JLAJ. He is also a majority shareholder.

158. As such, Jeffrey owes JLAJ and its shareholders the highest duties of good faith, fair dealing, due care, and loyalty.

159. To fulfill these duties, Jeffrey was not permitted to use his position of trust and confidence to further his personal interests.

160. He was required to act in an undivided and unselfish manner, for JLAJ's best interests only and that of its shareholders.

161. By the above conduct, Jeffrey has breached the fiduciary duties he owed to JLAJ and Lauren.

162. Jeffrey has breached these duties by, among other things: (a) acting as the sole director of JLAJ (the sole shareholder of AETEA) in consenting to and approving the AETEA's dissolution and plan of liquidation, which includes the negotiation and consummation of one or more sales of AETEA's property and assets; (b) simultaneously planning to sell AETEA's assets to an entity that he controls so that the transaction is not an Approved Sale; (c) preventing JLAJ from having a further income stream from AETEA, the shares of which are JLAJ's sole asset; and (d) using AETEA's personnel, such as Mr. Brown, and its counsel, Mr. Gersh, for his own personal benefit.

163. No majority of disinterested directors ever approved of Jeffrey's acts, because JLAJ lacked sufficient disinterested directors to do so.

164. Throughout Jeffrey's tenure as an officer at JLAJ, JLAJ had only one director: Jeffrey. There was accordingly no majority of directors who were disinterested who could have approved of Jeffrey's acts or omissions.

165. As shown by the foregoing, Jeffrey has manipulated, controlled and operated JLAJ and AETEA for his own personal benefit. He has used its resources, including Mr. Brown, for his own personal benefit and paid legal fees that should have been borne by himself individually.

166. Jeffrey is not protected by the business judgment rule as he is self-interested in these transactions.

167. Jeffrey has acted in a manner in which he put his own personal interests (including his animosity toward Lauren) ahead of the interests of JLAJ, as well as of Lauren.

168. Jeffrey acted as a deliberately faithless servant by his acts and omissions as set forth above, including but not limited his manipulation, control and operation of JLAJ and AETEA for his own personal benefit.

169. By reason of the foregoing, JLAJ is entitled to an award of damages, in an amount to be determined at trial, but not less than \$20 million plus interest.

170. Additionally, based on the foregoing, judgment should be entered in favor of JLAJ in an amount to be determined at trial, comprising all salary and distributions collected by Jeffrey from AETEA during the period of disloyalty.

AS AND FOR A FIFTH CAUSE OF ACTION
(Derivatively on Behalf of JLAJ for Breach of Contract against Jeffrey Sardis)

171. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

172. Jeffrey and JLAJ are both parties to the Stockholders Agreement, in which he agreed that the “Operating Entities”, that is, including AETEA, would not be sold without Lauren’s consent.

173. Pursuant to the terms of the Stockholders Agreement, Jeffrey further agreed that the “Operating Entities”, that is, including AETEA, would not be sold except in an “Approved Sale”.

174. The Prospective AETEA Transaction is not an Approved Sale or a Liquidity Transaction, nor was it otherwise approved by Lauren, nor was her consent sought.

175. The Prospective AETEA Transaction is not an “Approved Sale” because it is a sale to an entity in which Jeffrey has an ownership interest.

176. The Prospective AETEA Transaction is not a Liquidity Transaction as the deadline for such a transaction expired on September 16, 2012.

177. The Prospective AETEA Transaction is not an arm’s length transaction, as the seller and, upon information and belief, the buyer are controlled by Jeffrey.

178. The dissolution of AETEA without the consent or knowledge of the shareholders of JLAJ is also a breach of the Stockholders Agreement.

179. The dissolution of AETEA prior to the closing of the Prospective AETEA Transaction is a breach of the Stockholders Agreement.

180. The Stockholders Agreement has been breached by Jeffrey by the Prospective AETEA Transaction and the dissolution of AETEA and such breaches are material, which breaches of contract have damaged Lauren.

181. But for Jeffrey’s actions taken as the sole director of JLAJ, JLAJ would not be in breach of the Stockholders Agreement.

182. JLAJ is entitled to an award of damages, in an amount to be determined at trial, but not less than \$20 million, plus interest.

AS AND FOR A SIXTH CAUSE OF ACTION
(Derivatively on Behalf of SCCC for Breach of Contract against AETEA)

183. Plaintiff repeats and realleges each of the foregoing allegations as if fully set forth herein at length.

184. The Note provides at § (4)(a)(iii) that an event of default includes, among other things, the petitioning to any tribunal for appointment of a receiver of “any substantial part of the assets of the Company” or the filing for “dissolution” or “liquidation.”

185. The Note also provides that upon an event of default under §4(a)(iii), all the principal and interest then accrued “shall become immediately due and payable without any action of the Holder” and AETEA was obligated to pay all amounts due and payable.

186. The filing of the certificate of dissolution of AETEA on or about April 10, 2014 was an event of default pursuant to the terms of the Note, which filing was caused and signed by the sole director of AETEA.

187. The application for a Receiver in the Delaware Action on or about April 15, 2014 was an event of default pursuant to the terms of the Note, which filing was caused and signed by the sole director of AETEA, Jeffrey.

188. The plan to convert some, but not all debt, owed by AETEA to equity is a breach of the Note.

189. SCCC has fully performed its contractual obligations and is not in breach thereof.

190. A notice of default was sent on November 25, 2014.

191. The events of default have not been cured.

192. By reason of the foregoing, SCCC has suffered damages, and is entitled to an award of damages, in an amount to be determined at trial, but not less than \$4 million plus

accrued interest and attorneys' fees, and the debt owed by AETEA should be converted to equity as provided by the terms of the Note.

WHEREFORE, Plaintiff Lauren Sardis hereby demands judgment:

(a) On the first cause of action, awarding plaintiff Lauren Sardis damages in an amount to be determined at trial, but in no event less than \$20 million plus prejudgment interest thereon, and alternatively, issuing an injunction that enjoins Jeffrey, SCCC and AETEA from entering into any transaction that treats Lauren and her share ownership in SCCC differently than Jeffrey's without her consent, pursuant to Settlement Agreement Article XIX(E);

(b) On the second cause of action, awarding plaintiff Lauren Sardis damages in an amount to be determined at trial, but in no event less than \$20 million plus prejudgment interest thereon and attorneys' fees;

(c) On the third cause of action, awarding plaintiff Lauren Sardis damages in an amount to be determined at trial, but in no event less than \$20 million plus prejudgment interest thereon and attorneys' fees;

(d) On the fourth cause of action, awarding JLAJ Holding Corp. damages in an amount to be determined at trial, but in no event less than \$20 million plus prejudgment interest thereon, and including but not limited to all salary and distributions collected from AETEA during the period of Jeffrey Sardis' disloyalty;

(e) On the fifth cause of action, awarding JLAJ Holding Corp. damages in an amount to be determined at trial, but in no event less than \$20 million plus prejudgment interest thereon;

(f) On the sixth cause of action, awarding SCCC Holdings Corporation damages in an amount to be determined at trial, but in no event less than \$4 million plus prejudgment interest

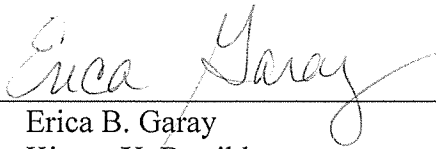
thereon and attorneys' fees, and the debt owed by AETEA should be converted into equity pursuant to the terms of the Note;

(g) Awarding plaintiff costs, disbursements, reasonable attorneys' fees as provided by law and/or the parties' agreements, and

(h) such other and further relief the Court deems just, proper and equitable

Dated: Garden City, New York
January 9, 2015

MEYER, SUOZZI, ENGLISH & KLEIN, P.C.

By: 
Erica B. Garay

Kieran X. Bastible

Attorneys for Plaintiff

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P.O. Box 9194

Garden City, New York 11530-9194

(516) 741-6565

VERIFICATION

STATE OF NEW YORK)
) ss.:
COUNTY OF NASSAU)

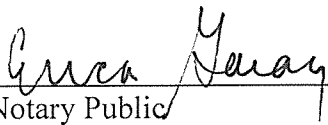
LAUREN SARDIS, being duly sworn, deposes and says:

1. I am the Plaintiff in the within action.
2. I have read the foregoing Verified Complaint and know the contents thereof. The same is true to my own knowledge, except as to the matters therein stated to be alleged upon information and belief, and as to those matters I believe them to be true. The basis for those matters stated upon information and belief is review of records and discussions with others.



LAUREN SARDIS

Sworn to before me this
9 day of January, 2015



Notary Public

ERICA B. GARAY
Notary Public, State Of New York
No. 02GA4952136
Qualified In Suffolk County
Commission Expires June 12, 20 15