

# Courthouse News Service

Monday, January 21, 2013

## Former Partners Sue Podcaster Adam Carolla

By MATT REYNOLDS



LOS ANGELES (CN) - A businessman claims in court that his "very close friend" comedian Adam Carolla kicked him out of a partnership they formed to produce the free podcast, "The Adam Carolla Show."

Donny Mirage sued Carolla and Lotzi Digital, the company formed to hold the partnership's assets. Joining as plaintiffs in Superior Court are Misraje's wife Kathee Schneider-Misraje and business associate Sandy Ganz.

Misraje seeks damages for breach of partnership agreement, breach of fiduciary duty, breach of employment contract, conversion, and seven other counts.

"Though Carolla has repeatedly acknowledged the partnership agreement between himself (60 percent), Mr. Misraje (30 percent) and Mr. Ganz (10 percent) (the 'partnership agreement'), he has since wrongfully 'kicked' plaintiffs out of the business and seeks to exclude them from their share of the partnership profits, all while he continues to reap the benefits of the business that plaintiffs conceived and developed," the complaint states. (Parentheses in complaint.)

Misraje claims that Carolla "was at a professional crossroad due to the abrupt cancellation of his syndicated radio talk show" on CBS Radio's KLSX, when Misraje suggested he start a podcast, which listeners typically download through a subscription at the Apple iTunes store.

Misraje, "a very close friend of Carolla's for over 30 years," claims he also came up with the idea for The ACE Broadcasting, a network of several other podcasts.

"Having tried to guide Carolla (who is admittedly 'computer illiterate') in the direction of Internet entertainment for years, Mr. Misraje now saw the perfect opportunity for Carolla to transform his traditional radio audience into podcast listeners," the complaint states. "Upon learning of the cancellation, Mr. Misraje brought the idea to Carolla and convinced him to immediately start a daily podcast in order to retain his avid fan base."

Misraje says he recorded the first show using his own laptop, microphone, cables and digital converter. Despite its "meager beginnings," the show quickly became the world's most popular podcast, with 59.5 million downloads between March 2009 - just weeks after Carolla uploaded the first episode - and March 2011, according to the complaint.

Misraje claims that he and his wife left their successful careers in showbiz to build the partnership "from the ground up," contributing \$10,000 in capital.

"While Carolla continued to collect a handsome paycheck under the duration of his CBS Radio contract and insisted that plaintiffs could not pursue advertising revenue until his contract expired, plaintiffs forewent any compensation for over a year and lived off a home equity line of credit in exchange for the promise of deferred partnership distributions (in the case of Mr. Misraje and Mr. Ganz) and deferred wages (in the case of Mrs. Schneider-Misraje) once the partnership became profitable," the complaint states. (Parentheses in complaint.) "Plaintiffs contributed the overall concept, creative vision, business acumen, technical know-how and over \$10,000 in personal equipment and supplies. They additionally put in the sweat equity to make it successful - all at a time when Carolla admittedly had no other job opportunities. They did so in good faith and on the constant reassurances of Carolla that they were 'building a network together' and that they would 'all get rich' and all 'look forward to sending [their] kids to an expensive college.'"

Though the podcast "netted significant profits" through advertising, and increased its profit margin by 75 percent in 2011, Carolla became "increasingly dictatorial and threatening" when his partners "sought to enforce their rights to decision making," the complaint states.

"In May 2011, Carolla wrote Mr. Misraje an email insisting that the partnership hire another person as the 'chief financial officer' and give him a 5 percent stake in the partnership (to be taken from Mr. Misraje's shares). Carolla's email also attacked Mr. Misraje personally and threatened to kick Mr. Misraje out of the partnership. In his authoritarian fashion, Carolla also unilaterally purported to place Mr. Misraje on a three-month 'probation' period and refused to discuss with Mr. Misraje the questionable business practices of certain individuals working for the partnership, (who have since been fired by Carolla for such practices)," according to the complaint. (Parentheses in complaint.)

Misraje claims that Carolla had no right to put him on probation or to fire him. But Carolla did just that in September 2011, when he gave Misraje and Ganz their walking papers, the complaint states.

"Since unilaterally ousting Mr. Misraje and Mr. Ganz from the partnership, Carolla has attempted to paint a picture for the public that Mr. Misraje was insubordinate, unable to 'get along' with anyone, unproductive and simply not 'up to the job.' Such statements represent disingenuous rhetoric, as the Misrajes and Mr. Ganz spent years successfully developing the business aspects of the partnership and sacrificed much of their lives, professional reputations and personal net worth in reliance upon a future payoff promised by Carolla," according to the lawsuit.

The plaintiffs seeks punitive damages, a constructive trust, an order dissolving the partnership, unpaid wages, accounting, restitution and costs.

They are represented by Gregory Doll with Doll Amir & Eley.

Carolla's publicist could not immediately be reached for comment.