Filed D.C. Superior Court 02/27/2018 14:34PM Clerk of the Court

IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA CIVIL DIVISION

DISTRICT OF COLUMBIA, a municipal corporation, 441 4th Street, N.W. Washington, D.C. 20001,	
Plaintiff,	Civil Action No.:
V.	
HOWARD THEATRE RESTORATION, INC. 635 Florida Avenue, N.W. Third Floor Washington, D.C. 20001,	
Defendant.	
Serve: Dorothy Jones, Registered Agent 635 Florida Avenue, N.W Washington, D.C. 20001	

COMPLAINT FOR EQUITABLE RELIEF

The District of Columbia (District), by its Office of the Attorney General, brings this action against Howard Theatre Restoration, Inc. (HTR or Defendant) pursuant to the District's Nonprofit Corporation Act, D.C. Official Code § 29-412.20(a)(1), seeking equitable relief to ensure that Defendant complies with the requirements of the Nonprofit Corporation Act, Defendant's corporate requirements, and its nonprofit purposes by maintaining appropriate corporate governance and financial accountability. The District alleges as follows:

<u>The Howard Theatre is a</u> <u>Cultural Icon in the District of Columbia</u>

1. The Howard Theatre is one of the great historical and cultural landmarks of the District of Columbia. It opened in 1910 as one of the first African-

American jazz entertainment theaters in the country. Entertainers such as Billie Holiday, Louis Armstrong, Duke Ellington, Ella Fitzgerald, James Brown, Miles Davis, Marvin Gaye, Aretha Franklin and Jimmy Hendrix performed at the theater. For decades, the Howard Theatre was a mainstay of the District's music scene and the Shaw neighborhood of the District. The District designated the theater as a historic landmark in 1973, and it was placed on the National Register of Historic Places in 1975.

2. However, following the 1968 riots, the Howard Theatre fell into serious physical disrepair. After years of slowly deteriorating, the District purchased the theater and property in 1986 and assumed stewardship of the building, which by then sat empty and unused.

3. In 2000, the Howard Theatre was designated as an American Treasure under the federal "Save America's Treasures" program.

4. The District, along with other stakeholders, worked for years toward restoring the Howard Theatre, physically and culturally, to its formerly-prominent place in the community. By 2007, the Howard Theatre restoration project began in earnest, starting with the organization of Howard Theatre Restoration, Inc. (HTR) as the primary conduit responsible for managing the renovation and renaissance of the theater.

HTR is the Chief Steward of the Howard Theatre's Preservation and Operation

5. Defendant HTR is a nonprofit corporation organized under the laws of the District of Columbia. HTR's nonprofit purposes are the restoration, revival, and maintenance of the Howard Theatre, "thereby lessening the burdens of government"; to educate the general public in music, dance and other art forms as well as in the historic significance of the Howard Theatre; and to focus on the performing arts and the history of African-American arts and entertainment, particularly jazz, rhythm and blues and rock.

6. HTR is the center of the network of nonprofit and for profit companies that have been involved in the Howard Theatre renovation project. HTR serves as the principal entity with leasehold rights in the Howard Theatre property. As the renovation project was getting started, the District granted development rights to a for profit company run by the founders and incorporators of HTR. That entity, Howard Theatre Development Group (HTDG) leased the Howard Theatre property from the District in 2008 for a 75-year turn and immediately executed a mirror lease to HTR. Since that time, HTR has leased or sub-leased the property or management interests in the Howard Theatre.

7. HTR is the principal entity that received and organized the funding for the renovation. In particular, HTR is the parent of for-profit subsidiaries Howard Theatre Subsidiary, Inc. (HTS) and Howard Theatre Landlord, LLC (HTL), which were formed to obtain tax credit financing, which is the largest segment of financing for the project.

8. After the Howard Theatre opened its doors in April 2012, HTR continues to be the focal point for the ongoing preservation of the theater and its historical legacy through its role as the landlord of the theater's operator. In May

2011, HTR contracted the operation of the theater to Howard Theatre Entertainment (HTE or Operator), a for-profit entity, for a 20-year term. HTR has no ownership interest or managing role of HTE. HTE is responsible for the operation of the Howard Theatre and for paying rent and a percentage of Howard Theatre ticket sales to HTR. HTE consistently has been delinquent on its payments to HTR since the Howard Theatre reopened in April 2012.

HTR's History of Failing to Maintain its Corporate Form and Accountability

9. Despite HTR's key role in preserving and maintaining the Howard Theatre, it has a lengthy record of violating its obligations under the District's Nonprofit Corporation Act or its own governing documents. For almost a year anda-half, HTR did not have a functioning Board of Directors as required by District law and HTR's governing documents. A nonprofit corporation is required to have a board of directors with "3 or more directors, with the number specified in or fixed in accordance with the articles of incorporation or bylaws." D.C. Official Code § 29-406.01; *see* § 29-406.03. HTR's Bylaws require at least 3 directors at all times. HTR Bylaws ¶ 2.2. HTR's pattern of non-compliance, and the importance of its nonprofit mission, requires the District to seek equitable relief to ensure HTR is functioning as required.

10. HTR also failed to maintain its corporate form as required by District law, leading to the loss of its ability to operate in the District between September 9, 2016 and February 14, 2017.

11. These governance failures rendered HTR unable to act to represent its interests and fulfill its nonprofit purposes. HTR generally failed to function as a nonprofit organization. This failure to function impaired Defendant's ability to fulfill its responsibilities as the landlord of the Howard Theatre, one of the most important ways it furthers its nonprofit mission. Despite recent steps by HTR to add directors to the Board, the effectiveness of the Board in fulfilling its obligations remains in doubt.

12. HTR's ongoing failures to comply with its financial obligations are also substantial. From 2010 to the present, HTR has failed to obtain conclusive independent financial audits of its financial records, accounts, business transactions, accounting practices, and internal controls. These audits are necessary to provide transparency into HTR's operation and finances, and those of HTR's wholly-owned or controlled subsidiaries involved with the operation of the Theatre. HTR's failure to complete the required audits are compounded by its, and HTE's, inability to provide the operating revenue necessary to sustain the Howard Theatre, which has created financial difficulties for HTR.

13. HTR's financial and governance issues have impacted its ability to act in accordance with its nonprofit purposes, particularly its ability to maintain the operation of the Howard Theatre as a center of performing arts and entertainment in the District with a focus on jazz, rhythm and blues and rock. HTR's historical difficulties show that it requires enforcement oversight to function effectively in achieving its nonprofit missions. HTR's success as a nonprofit corporation is

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necessary to ensure the success of the renovated Howard Theatre and honor the theater's cultural and historical significance.

14. Pursuant to D.C. Official Code § 29-412.20(a)(1)(C), the District seeks equitable relief, including the Court's appointment of an auditor, to provide such oversight to HTR.

Jurisdiction

15. This Court has subject matter jurisdiction over this case pursuant to D.C. Official Code § 11.921, as this action is brought by the District, and D.C. Official Code § 29.412.20(a)(1), as the District asserts claims arising under the District's Nonprofit Corporation Act. This Court has personal jurisdiction over the Defendants pursuant to D.C. Official Code § 13.423(a)(1) and (3) because Defendants committed acts in the District that are proscribed by the District's Nonprofit Corporation Act.

Parties

16. The District, a municipal corporation empowered to sue and be sued, is the local government for the territory constituting the permanent seat of the government of the United States. The District is represented by and through its chief legal officer, the Attorney General for the District of Columbia. The Attorney General has general charge and conduct of all legal business of the District and all suits initiated by and against the District and is responsible for upholding the public interest. D.C. Code § 1-301.81(a)(1).

17. Howard Theatre Restoration, Inc. is a non-profit organization incorporated under the laws of the District on February 26, 2007.

HTR Failed to Obtain Audits for the Past Seven Years

18. D.C. Official Code § 29-413.01 requires a District nonprofit corporation to maintain proper accounting records and a permanent record of all Board meetings and actions taken by the Board.

19. HTR's Bylaws require HTR to "keep full and accurate records" that are maintained by a treasurer who shall be in charge of the corporation's books of account and accounting records, and of the corporation's accounting procedures." HTR, Bylaws $\P\P$ 4.1, 4.6.

20. HTR further is required to prepare conclusive independent financial audits that identify and examine the pass-through functions of financial records, accounts, business transactions, accounting practices, and internal controls of its subsidiaries Howard Theatre Subsidiary, Inc. (HTS) and Howard Theatre Landlord, LLC (HTL). These subsidiaries were formed to obtain New Market Tax Credit Program (NMTC) financing, which is the largest segment of financing for the Howard Theatre project. HTL, through HTR, is required to produce audited financial statements for each fiscal year as part of the NMTC financing.

21. HTR has not obtained a conclusive independent financial audit that examines its financial records, accounts, business transactions, accounting practices, and internal controls by a public accounting firm or CPA since its fiscal year 2009.

22. The lack of audits of HTR shows its failure to maintain proper accounting records and corporate documents. Likewise, HTR has not filed a Form 990, the informational return that nonprofits are required to file with the Internal Revenue Service, since 2015, and did not file Form 990s at all for its fiscal years 2013 and 2014.

23. Without independent audits and the proper maintenance of financial records and information, HTR is ineligible for donations and grants that would help finance HTR's operation, and by extension support the Howard Theatre.

24. HTR's failure to produce current independent financial audits for its fiscal years of 2010 to the present, and its concurrent failures to satisfy the District's Nonprofit Corporations Act and HTR's governing documents, has caused, and continues to cause, HTR to act contrary to its nonprofit purposes.

<u>Count I</u> Continuing to Act Contrary to Nonprofit Purposes D.C. Official Code 29-412.20(a)(1)(C)

25. The District re-alleges paragraphs 1 through 24 as if set forth fully in this paragraph.

26. HTR has acted, and is continuing to act, contrary to its nonprofit purposes by failing to obtain and maintain necessary financial records, including conclusive independent financial audits. These failures have impacted, and will continue to impact, HTR's ability to accomplish its historical, educational, and cultural nonprofit missions set forth in its articles of incorporation and bylaws.

HTR's failures in this regard threaten the ongoing viability of the renovated Howard Theatre and the theater's operation as a cultural center of the District.

27. The District is authorized to seek equitable relief pursuant to D.C. Official Code 29-412.20(a)(1)(C) to remedy the effects of HTR's failure to comply with the Nonprofit Corporation Act.

<u>Prayer for Relief</u>

WHEREFORE, the District, pursuant to the Nonprofit Corporation Act, D.C. Official Code § 29-412.20(a), requests that this Court:

- Appoint an independent auditor to review HTR's books and records and oversee completion of a complete and conclusive independent financial audit of HTR, HTS, and HTL for the years of 2010, 2011, 2012, 2013, 2014, 2015, 2016, and 2017;
- b. Order further injunctive or equitable relief regarding HTR's financial condition, corporate governance, and compliance with the District's Nonprofit Corporations Act following completion of the relief requested above; and
- c. Order such other relief as the Court determines to be just and proper.

Dated: February 27, 2018 Respectfully submitted,

KARL A. RACINE Attorney General for the District of Columbia

<u>/s/ Robyn R. Bender</u> ROBYN R. BENDER [D.C. Bar No. 465117] Deputy Attorney General, Public Advocacy Division /s/ Catherine A. Jackson CATHERINE A. JACKSON [D.C. Bar No. 1005415] Chief, Public Integrity Section

NICHOLAS JOHNSON [VA Bar No. 92319]* Assistant Attorney General 441 Fourth Street, N.W., Suite 630 South Washington, D.C. 20001 (202) 741-0764 nicholas.johnson@dc.gov

Attorneys for the District of Columbia

*Admitted to practice only in the State of Virginia. Practicing in the District of Columbia under the direct supervision of Catherine Jackson, a member of the D.C. bar, pursuant to D.C Court of Appeals Rule 49 (c).

TRIBUNAL SUPERIOR DEL DISTRITO DE COLUMBIA

AND A CONTRACT OF CONTRACT.

DIVISIÓN CIVIL 500 Indiana Avenue, N.W., Suite 5000 Washington, D.C. 20001 Teléfono: (202) 879-1133

District of Columbia (a municipal corporation)

441 4th Street, N.W., Suite 630 S

Washington, D.C. 20001

contra Howard Theatre Restoration, Inc.

Número de Caso:

Subsecretario

SERVE: Dorothy Jones, Registered Agent

635 Florida Avenue, N.W., Third Floor

Washington, D.C. 20001

CITATORIO

Demandado

Demandante

Al susodicho Demandado:

Por la presente se le cita a comparecer y se le require entregar una Contestación a la Demanda adjunta, sea en persona o por medio de un abogado, en el plazo de veinte (20) días contados después que usted haya recibido este citatorio, excluyendo el día mismo de la entrega del citatorio. Si usted está siendo demandado en calidad de oficial o agente del Gobierno de los Estados Unidos de Norteamérica o del Gobierno del Distrito de Columbia, tiene usted sesenta (60) días contados después que usted haya recibido este citatorio, para entregar su Contestación. Tiene que enviarle por correo una copia de su Contestación al abogado de la parte demandante. El nombre y dirección del abogado aparecen al final de este documento. Si el demandado no tiene abogado, tiene que enviarle al demandante una copia de la Contestación por correo a la dirección que aparece en este Citatorio.

A usted también se le require presentar la Contestación original al Tribunal en la Oficina 5000, sito en 500 Indiana Avenue, N.W., entre las 8:30 a.m. y 5:00 p.m., de lunes a viernes o entre las 9:00 a.m. y las 12:00 del mediodía los sábados. Usted puede presentar la Contestación original ante el Juez ya sea antes que Usted le entregue al demandante una copia de la Contestación o en el plazo de cinco (5) días de haberle hecho la entrega al demandante. Si usted incumple con presentar una Contestación, podría dictarse un fallo en rebeldía contra usted para que se haga efectivo el desagravio que se busca en la demanda. Catherine A. Jackson, SECRETARIO DEL TRIBUNAL

Por:

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441 4th Street N.W., Suite 630 S

Dirección Washington, D.C. 20001

(202) 442-9864

Teléfono

Standar by the

如需翻译,请打电话 (202) 879-4828 Veuillez appeler au (202) 879-4828 pour une traduction Dé có một bài dịch, hãy gọi (202) 879-4828 번역을 원하시면, (202) 879-4828 로 전화주십시요 *የ內ጣር节 구ርጉም ስጣግኘት* (202) 879-4828 ይደውሉ-

IMPORTANTE: SI USTED INCUMPLE CON PRESENTAR UNA CONTESTACIÓN EN EL PLAZO ANTES MENCIONADO, O, SI LUEGO DE CONTESTAR, USTED NO COMPARECE CUANDO LE AVISE EL JUZGADO, PODRÍA DICTARSE UN FALLO EN REBELDÍA CONTRA USTED PARA QUE SE LE COBRE LOS DAÑOS Y PERJUICIOS U OTRO DESAGRAVIO QUE SE BUSQUE EN LA DEMANDA, SI ESTO OCURRE, PODRÍAN RETENERLE SUS INGRESOS, O PODRÍAN TOMAR SUS BIENES PERSONALES O RAÍCES Y VENDERLOS PARA PAGAR EL FALLO. SI USTED PRETENDE OPONERSE A ESTA ACCIÓN, <u>NO DEJE DE CONTESTAR LA DEMANDA DENTRO DEL PLAZO EXIGIDO</u>.

Si desea converser con un abogado y le parece que no puede afrontar el costo de uno, llame pronto a una de nuestras oficinas del Legal Aid Society (202-628-1161) o el Neighborhood Legal Services (202-682-2700) para pedir ayuda o venga a la Oficina 5000 del 500 Indiana Avenue, N.W., para informarse de otros lugares donde puede pedir ayuda al respecto.

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Superior Court of the District of Columbia CIVIL DIVISION 500 Indiana Avenue, N.W., Suite 5000 Washington, D.C. 20001 Telephone: (202) 879-1133

District of Columbia, (a municipal corporation) (441 4th Street N.W., Suite 630S Plaintiff Washington, D.C. 20001 vs.

Case Number

Howard Theatre Restoration, Inc.

SERVE: Dorothy Jones, Registered Agent

635 Florida Avenue, N.W., Third Floor Washington, D.C. 20001

SUMMONS

Defendant

To the above named Defendant:

You are hereby summoned and required to serve an Answer to the attached Complaint, either personally or through an attorney, within twenty (20) days after service of this summons upon you, exclusive of the day of service. If you are being sued as an officer or agency of the United States Government or the District of Columbia Government, you have sixty (60) days after service of this summons to serve your Answer. A copy of the Answer must be mailed to the attorney for the party plaintiff who is suing you. The attorney's name and address appear below. If plaintiff has no attorney, a copy of the Answer must be mailed to the plaintiff at the address stated on this Summons.

You are also required to file the original Answer with the Court in Suite 5000 at 500 Indiana Avenue, N.W., between 8:30 a.m. and 5:00 p.m., Mondays through Fridays or between 9:00 a.m. and 12:00 noon on Saturdays. You may file the original Answer with the Court either before you serve a copy of the Answer on the plaintiff or within five (5) days after you have served the plaintiff. If you fail to file an Answer, judgment by default may be entered against you for the relief demanded in the complaint.

Catherine A. Jackson,			Clerk of the Court		
Name of Plaintiff's Attorney D.C. Office of the Attorney General	x = 3				
441 4th Street, N.W., Suite 630 S		By			2
Address			Deputy Cle	rk	
Washington, D.C. 20001				23	°≊ - ₁₄
(202) 442-9864		Date			3* 10

Telephone

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IMPORTANT: IF YOU FAIL TO FILE AN ANSWER WITHIN THE TIME STATED ABOVE, OR IF, AFTER YOU ANSWER, YOU FAIL TO APPEAR AT ANY TIME THE COURT NOTIFIES YOU TO DO SO, A JUDGMENT BY DEFAULT MAY BE ENTERED AGAINST YOU FOR THE MONEY DAMAGES OR OTHER RELIEF DEMANDED IN THE COMPLAINT. IF THIS OCCURS, YOUR WAGES MAY BE ATTACHED OR WITHHELD OR PERSONAL PROPERTY OR REAL ESTATE YOU OWN MAY BE TAKEN AND SOLD TO PAY THE JUDGMENT. IF YOU INTEND TO OPPOSE THIS ACTION, <u>DO NOT FAIL TO ANSWER WITHIN THE REQUIRED TIME.</u>

If you wish to talk to a lawyer and feel that you cannot afford to pay a fee to a lawyer, promptly contact one of the offices of the Legal Aid Society (202-628-1161) or the Neighborhood Legal Services (202-682-2700) for help or come to Suite 5000 at 500 Indiana Avenue, N.W., for more information concerning places where you may ask for such help.

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Superior Court of the District of Columbia

CIVIL DIVISION- CIVIL ACTIONS BRANCH						
INFORMATION SHEET						
District of Columbia Case Number:						
VS	Date: February 27, 2018					
Howard Theatre Restoration, Inc. SERVE: Dorothy Jones, Registeed Agent	One of the defendants is being sued in their official capacity.					
Name: (Please Print) Catherine Jackson	Relationship to Lawsuit					
Firm Name: District of Columbia Office of the Attorney General	Attorney for Plaintiff Self (Pro Se)					
(202) 442-9864 1005415						
TYPE OF CASE: Image: Non-Jury Image: 6 Pers Demand: \$	ion Jury I2 Person Jury Other: Injunctive or Equitable Relief					
PENDING CASE(S) RELATED TO THE ACTION BEING FILED Case No.: Judge: Calendar #:						
Case No.: Judge:	Calendar#:					
NATURE OF SUIT: (Check One Box Only)						
A. CONTRACTS COLL	JECTION CASES					
□ 01 Breach of Contract□ 14 Under \$25,000 Pltf. Grants Consent□ 16 Under \$25,000 Consent Denied□ 02 Breach of Warranty□ 17 OVER \$25,000 Pltf. Grants Consent□ 18 OVER \$25,000 Consent Denied□ 06 Negotiable Instrument□ 27 Insurance/Subrogation□ 26 Insurance/Subrogation□ 07 Personal Property□ 07 Insurance/Subrogation□ 07 Insurance/Subrogation□ 15 Special Education Fees□ 07 Insurance/Subrogation□ 34 Insurance/Subrogation□ 15 Special Education Fees□ 28 Motion to Confirm Arbitration Award (Collection Cases Only)□ 16 Under \$25,000 Consent Denied						
B. PROPERTY TORTS						
 □ 01 Automobile □ 03 Destruction □ 02 Conversion □ 04 Property Date □ 07 Shoplifting, D.C. Code § 27-102 (a) 	mage					
C. PERSONAL TORTS						
	ander Not Malpractice) interference 18Wrongful Death (Not Malpractice) rosecution 19 Wrongful Eviction					

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CV-496/June 2015

Information Sheet, Continued

C. OTHERS 01 Accounting 02 Att. Before Judgment 05 Ejectment 09 Special Writ/Warrants (DC Code § 11-941) 10 Traffic Adjudication 11 Writ of Replevin 12 Enforce Mechanics Lien 16 Declaratory Judgment	 17 Merit Personnel Act (OEA) (D.C. Code Title 1, Chapter 6) 18 Product Liability 24 Application to Confirm, Modify, Vacate Arbitration Award (DC Cod 29 Merit Personnel Act (OHR) 31 Housing Code Regulations 32 Qui Tam 33 Whistleblower 					
II. 03 Change of Name 15 Libel of Information 21 Petition for Subpoena 06 Foreign Judgment/Domestic 19 Enter Administrative Order as [Rule 28-I (b)] 08 Foreign Judgment/International Judgment [D.C. Code § 22 Release Mechanics Lien 13 Correction of Birth Certificate 2-1802.03 (h) or 32-151 9 (a)] 23 Rule 27(a)(1) 14 Correction of Marriage 20 Master Meter (D.C. Code § (Perpetuate Testimony) Certificate 42-3301, et seq.) 24 Petition for Structured Settlement 26 Petition for Civil Asset Forfeiture (Vehicle) 25 Petition for Liquidation 27 Petition for Civil Asset Forfeiture (Other) 28 Petition for Civil Asset Forfeiture (Other)						
D. REAL PROPERTY 09 Real Property-Real Estate 08 Quiet Title 12 Specific Performance 25 Liens: Tax / Water Consent Granted 04 Condemnation (Eminent Domain) 30 Liens: Tax / Water Consent Denied 10 Mortgage Foreclosure/Judicial Sale 31 Tax Lien Bid Off Certificate Consent Granted 11 Petition for Civil Asset Forfeiture (RP)						

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Attorney's Signature

February 27,2018

Date