

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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TGT, LLC

Index No. 650633/2017

Plaintiff,

- against -

AMENDED VERIFIED COMPLAINT

JURY TRIAL REQUESTED

ADVANCE ENTERTAINMENT LLC, DTI
MANAGEMENT, LLC, CURTIS CHENG,
individually and in his official capacity as
CEO of DTI Management, LLC, and JOSEPH
MELI

Defendants.

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Plaintiff, TGT, LLC, by and through its attorneys at Wormser, Kiely, Galef & Jacobs, LLP, alleges the following against Defendants Advance Entertainment, LLC, DTI Management, LLC, Curtis Cheng and Joseph Meli (collectively, “Defendants”). All of the following allegations are based on information and belief, except where otherwise stated.

PRELIMINARY STATEMENT

1. This action arises from the creation and orchestration of a fraudulent investment scheme by Defendant Joseph Meli (“Meli”), a director, top executive and head of the Entertainment Division of Defendant DTI Management, LLC (“DTI”), a leading player in the live event ticket industry.

2. Meli—through the auspices of DTI and Defendant Advance Entertainment LLC (“Advance”)—first represented that he, DTI and Advance were in the business of purchasing and reselling tickets to concerts and other live events.

3. Meli then falsely asserted that DTI and Advance, through Meli's efforts as a director, top executive, and part owner of the company, had secured an opportunity from Ambassador Theatre Group Ltd. ("ATG"), a major international theatre organization, to purchase large blocks of tickets to the 2017-2018 two-part Broadway performances of *Harry Potter and the Cursed Child* (the "ATG Agreement").

4. Meli fraudulently induced the Plaintiff into believing that his companies DTI and Advance had partnered in connection with the ATG Agreement, which according to Meli offered a legitimate investment opportunity in which Plaintiff would earn a substantial return on each ticket sold based on the amount invested.

5. In deciding to invest in Meli's fraudulent scheme, Plaintiff relied upon the conduct of Defendants DTI, Meli and Advance. In particular, DTI's appointment of Meli as a director, top executive and head of its Entertainment Division caused Plaintiff to believe Meli's representations that he was authorized to solicit investments on behalf of DTI in the live event ticket industry. These representations ultimately induced Plaintiff into believing that the purported ATG Agreement was actually arranged by DTI, and that a legitimate investment opportunity existed therein.

6. DTI added fuel to the fire by entering into a letter of intent which contemplated Meli's company Advance purchasing DTI in its entirety. DTI thereafter permitted Meli to flaunt that transaction as further support for DTI's purported involvement in Meli's endeavor to raise funds for live event ticket investment opportunities. This letter of intent, and the transaction contemplated thereby, became a critical element of Meli's means to deceive Plaintiff.

7. These multiple fraudulent and deceptive acts resulted in \$7,860,000 being stolen from Plaintiff and funneled into Meli's Ponzi scheme.

THE PARTIES

8. TGT, LLC, ("Plaintiff") is a Minnesota limited liability company, which was formed on or about January 6, 2017, for the purposes of investing in a "Confidential Offering" from the Defendants.

9. Defendant Advance is a Delaware limited liability company organized in 2011 and controlled by Joseph Meli, its sole and managing member, with a principal place of business at 95 Horatio Street, Apartment 701, New York, New York. Upon information and belief, Advance also indirectly owns a minority ownership interest in DTI.

10. Defendant DTI is a Delaware limited liability company organized in 2016 with a principal place of business at 4226 King Street, Alexandria, Virginia. Both Defendants Meli and Cheng are top executive officers at DTI.

11. Defendant Meli is a resident of New York, New York. Meli is the managing member and 100% owner of Defendant Advance and, at all material times, was a director, top executive and the head of the Entertainment Division of Defendant DTI.

12. Curtis Cheng ("Cheng") is a resident of Virginia and is named as a Defendant individually and in his official capacity as CEO and a director of Defendant DTI.

JURISDICTION AND VENUE

13. Venue is proper in the Supreme Court of the State of New York, New York County, because Defendants Advance and Meli are located in the County and State of New York; all Defendants conduct business in the County and State of New York; and because

Defendant DTI appointed Defendant Meli, a New York resident, as a director, top executive and head of its Entertainment Division, by which he committed the fraudulent actions described herein, most of which involve events in and communications to and from New York. Moreover, Plaintiff wired the payments to fund the fraudulent deal to a Merrill Lynch bank account in the name of Defendant Advance based out of a New York, New York.

14. This Court has jurisdiction over the Defendants because the Defendants “transact business” within this state under CPLR 302(a)(1) and are located here such as to be subject to general jurisdiction under CPLR 301.

FACTUAL BACKGROUND

Defendant Meli “Baits” Plaintiff With His Position at DTI

15. On or about June 10, 2016, Meli approached Michael Connor, a friend of many decades and a Governor on the Board of Plaintiff TGT, and told him about the business of Defendant DTI, a preeminent player in the secondary ticket market.¹ Defendant Meli was an event producer who was known for the concerts he had organized in the Hamptons. He told Mr. Connor that he was in discussions to purchase DTI through his company Advance, of which Meli was the sole and managing member. Meli boasted to Mr. Connor that Meli would ultimately be “in charge of” DTI.

¹ Over the prior four years, Defendant DTI had worked with more than 100 ticket brokers and such professional sports teams as the Cleveland Cavaliers, the New Jersey Devils and the Phoenix Suns in managing the respective teams’ resale markets. (See Exhibit E)

16. Meli wanted Mr. Connor to believe that his company, Advance, which had no real track record in the entertainment industry, had been so successful in various deals that it was financially capable of purchasing all or part of DTI.

17. Meli intended to use the (allegedly) upcoming DTI/Advance purchase transaction to increase Mr. Connor's confidence in the legitimacy and likely success of the various "investment opportunities" Meli would soon be offering him through the auspices of DTI and Advance.

18. From June 2016 to January 2017, Meli solicited Mr. Connor's interest in investing in entertainment industry-related ticket deals that were offered by DTI/Advance. Meli's representations ultimately induced Mr. Connor and other investors, through Plaintiff TGT, to invest \$7,860,000 with Meli, sincerely believing that these funds were going to be infused into a DTI/Advance investment opportunity.

The DTI/Advance Letter of Intent

19. On June 13, 2016, Defendant Meli provided to Mr. Connor a copy of a letter of intent (the "LOI") entered into by Advance and DTI, by which the parties agreed that Advance would purchase 100% of the ownership interest in DTI for a total purchase price of \$63 Million, including \$48 Million in cash. (A copy of the LOI and related cover email is attached hereto as Exhibit A.)

20. While the copy of the LOI included as Exhibit A is executed only by Meli on behalf of Advance, the LOI was also executed by Curtis Cheng on behalf of DTI. Cheng was the

CEO and a director of DTI prior to Meli being brought on by the company in an apparently similar capacity, given Meli's representation that he was "running" DTI.

21. Shortly thereafter, Mr. Connor learned that the \$250,000 Good Faith Deposit described in Article 5 of the LOI had been paid by Advance to DTI. (See attached wire transfer from Defendant Advance to Defendant DTI as Exhibit B.)

22. Meli shared the LOI with Mr. Connor intending to begin building upon Mr. Connor's confidence in Advance's ownership/partnership with DTI. Under the LOI, Advance, a company which had no reputation or track record in the live event ticket industry, would purchase DTI, a preeminent player in that industry. Notably, when Mr. Meli transmitted the LOI to Mr. Connor, Mr. Meli titled the subject of his email "45 days away from n[o]w[.]" and included in the body of the email "Ownership structure[.]" indicating to Mr. Connor that Advance would effectuate the purchase of DTI within 45 days. (See Exhibit A.)

23. The LOI contemplated that Advance would purchase DTI for \$48 Million in cash and \$15 Million in Advance's stock.

24. What Mr. Connor did not and could not know, however, is that Meli flaunted Advance's alleged upcoming acquisition of DTI to increase the likelihood that Mr. Connor would later invest money into purported entertainment industry "investment opportunities" (i.e. fraudulent schemes) that Meli was then orchestrating or preparing to orchestrate.

25. In reality, neither Advance (Meli) nor DTI (Curtis Cheng) ever intended to actually close on the acquisition contemplated by the DTI/Advance LOI.

26. As Advance's bank records demonstrate, Advance never had anywhere near the \$48 Million in cash required to fund the acquisition. Indeed, Advance's account balances show that it was a significant financial strain for Advance to pay even the \$250,000 Good Faith Deposit.

27. Further, Meli and Cheng both knew that paragraph 2 of the LOI—which stated that Advance had “the requisite financial capacity to consummate the Transaction without any Third Party financing of any kind”—was false.

28. Rather, Meli and Cheng's intention was to use the LOI to set a benchmark value for legitimate prospective purchasers of DTI. Effectively, Meli and Cheng hoped that the \$63 Million purchase price offered by Advance would induce third parties to bid even higher to purchase DTI.

29. At the same time, the DTI/Advance LOI served to buttress Meli's story that he was presenting to third parties—that he was the owner of all, or a controlling interest in, DTI. He boasted this partnership in pitching to third parties (such as Mr. Connor) his various schemes in the secondary ticket market.

30. Meli and Cheng fully intended for Meli to make these representations to third parties.

31. Meli and Cheng also intended to highlight to third parties how the DTI/Advance partnership would work. Advance would be responsible for sourcing “investment opportunities” in the secondary ticket market and investor funds to place. Those investors would thereafter be

able to use DTI's online platform to monitor their investment and see details such as the number of tickets sold and amount of return earned.

32. Unaware of any of these events behind the scenes, Mr. Connor had no reason to doubt that Advance was the soon-to-be owner of Defendant DTI. The LOI contemplated Advance's purchase of 100% of DTI, and the Good Faith Deposit required under the LOI had been paid.

33. Meli, knowing that Mr. Connor was "hooked," and that Mr. Connor would trust him even more so given their longstanding friendship, began to solicit Mr. Connor for funds in connection with a number of investment opportunities in the live entertainment ticket market.

34. Meli touted DTI as a key player in these deals, and he continued to reference Advance's purported ownership of DTI, a well-known company with a proven track record of success in the industry.

35. Meli also repeatedly boasted to Mr. Connor about the high return on investment earned by other investors in similar deals Meli had organized involving the purchase of large blocks of tickets to the Broadway play *Hamilton* and concerts for the musical artist *Adele*.

CVC Invests in the DTI/Advance Company Group

36. On July 18, 2016, Defendant Meli informed Plaintiff that the form of the proposed transaction whereby Advance would purchase DTI had changed, but for the better. Under the revised transaction, a subsidiary of CVC Capital Partners ("CVC"), a private equity firm with approximately \$80 Billion in assets, would purchase and/or make a substantial investment in DTI, and Advance would receive an equity interest in that entity.

37. Meli provided to Plaintiff a copy of a proposal prepared by CVC (the “CVC Proposal”) and shared with DTI describing how CVC would reorganize the DTI/Advance company group after an investment by CVC. (A copy of the CVC Proposal is attached hereto as Exhibit C.)

38. The CVC Proposal contemplated a “contribution of AE [Advance Entertainment] to a newly formed company set up to acquire DTI.” To this end, CVC believed that Defendant Advance already owned at least a part of DTI.

39. Meli informed Mr. Connor that, even under the revised structure, Meli would still be a top executive “in charge of DTI” who would be responsible for organizing entertainment industry investment opportunities similar to those already offered for the Broadway show *Hamilton*.

40. CVC, DTI, Advance and Meli apparently agreed upon a transaction by which CVC would acquire a substantial ownership stake in DTI. Advance was expected to indirectly own a stake in DTI through its position in CVC’s new investment vehicle.

41. Just as Meli “baited” Mr. Connor with his alleged intention to purchase DTI, Meli further enticed Mr. Connor with CVC’s investment in DTI. Meli was continuing to build upon Mr. Connor’s confidence that any investment by Mr. Connor in DTI and its affiliate Advance would be safe and profitable. Defendant Meli wanted Plaintiff to see that reputable, sophisticated private equity firms wished to partner with Advance in making a sizeable investment in DTI, which would apparently be accomplished through a new entity in which Advance would become a minority owner.

42. Meli focused his efforts on Mr. Connor, as Meli knew through his personal relationship with Mr. Connor that Mr. Connor and his extensive network had the means to pool together a substantial amount of capital. Meli targeted Mr. Connor and his extensive network and kept them enticed with Advance's partnership with DTI so that, when the time was right, he could count on them to invest in whatever ticket scheme he might be organizing and pitching at that time.

43. Mr. Connor's confidence in any investment opportunity offered by Advance/DTI continued to grow. With the involvement of DTI, a market leader in the live ticket industry, and with a substantial investment into the company group by private equity firm CVC (known for managing billions of dollars), Plaintiff believed, as Meli had represented, that there was very little risk in investing in proposals offered by DTI and Advance.

44. On or about September 9, 2016, Defendant DTI filed Form D with the U.S. Securities and Exchange Commission in connection with its endeavor to seek and raise capital. (A copy of DTI's Form D filing is attached hereto as Exhibit D.) The Form D filing listed Defendant Meli as a director of DTI.

45. Defendant DTI's Form D filing lent further support to Plaintiff's confidence in Meli's representations. In Mr. Connor's mind, the Form D filing fully supported all of Meli's previous representations that he would become a top executive and director who was "in charge of DTI," and would organize various live event ticket investment opportunities, as the head of its Entertainment Division.

46. Unknown to Mr. Connor, however, DTI had returned the Good Faith Deposit under the LOI to Meli back on August 26, 2016.² Meli and Cheng's plan had worked: while they never intended for Advance to purchase any part of DTI, they caused DTI and Advance to enter into the LOI to induce others such as CVC into believing that someone (Advance) was actually willing to pay \$63 Million to acquire DTI. This, in effect, immediately raised the value of DTI in others' eyes, and was certainly an influencing factor in CVC's decision to invest in DTI.

47. Regarding DTI's refund of the Good Faith Deposit, it is significant that, even though DTI was refunding Advance's deposit under the LOI, DTI wired that refund and expense money not to Advance but to 127 Holdings LLC, ("127 Holdings"), another entity solely owned and controlled by Meli.

48. In fact, DTI made numerous payments to Meli between August 2016 and January 2017, and although it was Advance that entered into the LOI and Advance that was to hold an ownership stake in DTI, many of those payments by DTI were directed to 127 Holdings, a completely separate Meli entity.

49. 127 Holdings was not the only other Meli entity with which DTI was familiar. From the outset of Meli's directorship and top executive position at DTI, the company and its other top executive Cheng were well aware that Meli was organizing and pitching various DTI-sponsored investment opportunities or strategic partnerships through a number of entities that Meli owned and controlled, including Advance, 127 Holdings and another entity Advance Entertainment II LLC ("Advance II"). These entities were not simply the receptacles in which

² Interestingly, the refund of the Good Faith Deposit included an additional \$82,000 for "out of pocket expenses."

Meli accepted payment from DTI for his services as a director and top executive of the company; rather, they were actually used by Meli in his capacity as a director and top executive of DTI to offer *DTI-related* investment opportunities.

50. When Meli was first introduced to DTI executives, they knew that Meli had been organizing “investment opportunities” and concerts in the Hamptons using these various entities. When Meli was elected to the board of DTI and as a top executive of the company, these activities did not stop; on the contrary, Meli continued to use his personal entities to offer to third parties DTI-related deals, as hereinafter described.

**Failure to Conduct Proper Due Diligence Before
Allowing Meli to Become a Top DTI Executive and Director**

51. CVC and DTI’s mistake was not just to permit Meli to represent DTI at its highest executive level (a director and head of the Entertainment Division), and conduct DTI-related business through his personal entities. They also utterly failed to conduct proper due diligence on him before they engaged in a \$75 Million transaction by which they appointed him to those positions.

52. Rather than properly investigate and/or heed the glaring red flags about Meli, CVC and DTI raced to complete due diligence and finalize the transaction by which they unleashed Meli on unsuspecting investors, now cloaked with the imprimatur of DTI and its controlling owner CVC.

53. First, CVC/DTI either knew or remained willfully blind to the fact that Meli deliberately falsified information about his college degree. Meli had told Mr. Connor that he graduated from Boston University, but upon information and belief, Meli has never received a

college degree. CVC must have, or certainly *should* have, uncovered this discrepancy in its due diligence process.

54. Thus, CVC knowingly or recklessly made a man with no executive experience whatsoever and no college degree a director and top executive of DTI, who would be in charge of leading business development in its Entertainment Division.

55. Second, before making Meli a top executive and director, CVC/DTI failed to perform the most basic of background checks on Meli through searching publicly available records. If they had bothered to perform such a search (or more likely they did and ignored the results), they would have discovered a plethora of records suggesting Meli's story of financial success through the *Hamilton* and *Adele* tickets deals was illusory.

56. For instance, public records at that time would have shown that liens had been filed against Meli for unpaid rent at his West Village residence, and that he had also been served with multiple eviction notices – suggesting he struggled with basic cash and liquidity issues, contrary to his public bravado.

57. A public records search would have also shown that there were multiple federal and state tax liens filed against Meli for unpaid taxes – another fact suggesting that Meli was actually struggling to find the cash to fund his opulent lifestyle.

58. Third, and most importantly, CVC and DTI failed to conduct proper due diligence on the entire reason why Meli was involved in the CVC/DTI/Advance investment transaction: his purported success in (i) securing agreements with the producers of high-caliber entertainment events to purchase large blocks of tickets, and (ii) soliciting investments for those ticket blocks.

59. As further described in Securities and Exchange Commission v. Meli et al. (S.D.N.Y. Civil Docket No. 1:17-cv-00632-LLS), Meli was relied upon for purported letter agreements he had secured with the producer of *Hamilton* to purchase blocks of advance tickets which would then be resold in order to provide lucrative profits to the investors. It was this type of ticket deal that CVC and DTI eagerly anticipated that Meli would organize on behalf of DTI as a top executive and head of its Entertainment Division, using DTI as the platform for resale into the secondary ticket market.

60. Yet CVC and DTI failed to properly vet these letter agreements to find out if they were legitimate. Indeed, despite having the prominent New York City law firm of Fried, Frank, Harris, Shriver & Jacobson LLP conduct the due diligence for this transaction, DTI/CVC failed to contact the producer of *Hamilton*, Jeffrey Seller, the purported signatory of the agreements, to confirm that they were, in fact, legitimate.

61. As confirmed by the SEC complaint and the complaint filed against Meli in a related federal criminal case, USA v. Simmons et al. (S.D.N.Y. Criminal Docket No. 1:17-cr-00127-KMW), any proper due diligence—including contacting the purported signatory Jeffrey Seller—would have inevitably revealed that these agreements were fraudulent and utterly fabricated. Yet CVC, DTI and its legal counsel, Fried Frank, inexplicably failed to conduct this basic due diligence.

62. CVC and DTI also failed to either conduct proper due diligence or knowingly ignored the results of that basic due diligence as to the other top executive of DTI, CEO Curtis Cheng. As a simple inquiry into public records would have determined, Cheng had been

previously charged for drug-related offenses on two separate occasions, one of which resulted in a conviction.

63. In the end, CVC and DTI ultimately decided that the two top executives in charge of DTI after the \$75 Million investment ought to be someone charged and convicted of a drug offense(s) and a man with no executive experience, no college education and whose most notable accomplishment was peddling the fraudulent *Hamilton* agreements to investors.

64. The CVC/DTI due diligence leading to the appointment of Meli as a top executive and director is a classic story of speed and unadulterated greed: their eagerness to take advantage of lucrative ticket investment opportunities like Meli's purported agreements with the producer of *Hamilton* led them to conduct shoddy due diligence in an accelerated time frame, while ignoring the obvious red flags indicating that Meli was not even close to the person he represented himself to be.

65. CVC and DTI raced to make Meli a top executive and head of DTI's Entertainment Division, thereby unleashing him to solicit investments from unsuspecting investors, such as the members of Plaintiff TGT, for new fraudulent schemes. This time, however, Meli was not just soliciting those investments as head of his various personal entities; he was now cloaked with executive authority at DTI, a leading player in the secondary ticket market, with the imprimatur of CVC, a private equity firm with billions of dollars in investments, both of which having purportedly vetted him prior to installing him in his top executive position at DTI.

66. Plaintiff's counsel has repeatedly asked DTI's counsel to provide a copy of all of the various agreements between Meli/Advance and DTI which detail the terms of Meli's directorship or executive position at DTI, but DTI's counsel has refused to provide these agreements.

The CVC Investment in DTI Closes

67. On or about October 11, 2016, CVC Growth Fund officially closed the final transaction and invested \$75 Million to purchase a substantial ownership stake in DTI. (Attached hereto as Exhibit E is a CVC press release which describes the investment.)

68. Now that CVC had invested in the Advance/DTI company group, Mr. Connor was very confident regarding the success, security and legitimacy of any investment placed with DTI and its Entertainment Division affiliate, Advance.

69. To date, Plaintiff has never been provided with any documents showing the exact ownership percentage of Advance in DTI or the corporate structure by which Advance holds this ownership, despite its repeated requests to counsel for DTI for these documents and related information. To this end, Plaintiff continues to investigate numerous suspicious wire transfers flowing between Advance, DTI and an entity named NAGC DTI, LLC ("NAGC DTI"), a Delaware limited liability company, during the period after CVC's investment, as well as the many other wire transfers flowing from various DTI entities to the various Meli entities.

70. For instance, before and after CVC invested in DTI on October 11, 2016, DTI and/or NAGC DTI transmitted the following wire transfers:

- (i) 8/26/16: DTI Management wires \$250,000 to 127 Holdings with a memo "Payment of transaction expenses; reimbursement of down payment";

- (ii) 8/26/16: DTI Management wires \$81,871.77 to 127 Holdings with a memo "Payment of transaction expenses: out of pocket expenses";
- (iii) 10/4/16: NAGC DTI wires \$700,000 to Advance;
- (iv) 10/19/16: NAGC DTI wires \$600,000 to 127 Holdings;
- (v) 10/26/16: DTI Management wires \$542,244 to Advance;
- (vi) 10/28/16: DTI Management wires \$3,000,000 to Advance;
- (vii) 11/23/16: NAGC DTI wires \$90,000 to 127 Holdings;
- (viii) 11/25/16: NAGC DTI wires \$80,000 to 127 Holdings;
- (ix) 11/25/16: NAGC DTI wires \$100,000 to 127 Holdings; and
- (x) 11/25/16: NAGC DTI *again* wires \$100,000 to 127 Holdings.

71. During this time period, Meli (through 127 Holdings) also received a number of wire transfers labeled "payroll" from Dreamtix Inc. ("Dreamtix"), a separate company which is owned and/or controlled by the other top DTI executive, Curtis Cheng:

- (i) 10/14/16: Dreamtix wires 127 Holdings \$30,760.57;
- (ii) 12/1/16: Dreamtix wires 127 Holdings \$12,340.28;
- (iii) 12/15/16: Dreamtix wires 127 Holdings \$13,403.24; and
- (iv) 12/30/16: Dreamtix wires 127 Holdings \$13,403.25.

72. Plaintiff believes that Advance purchased, and continues to hold, at least a minority ownership stake in DTI through NAGC DTI, but neither DTI nor NAGC DTI's counsel has provided Plaintiff with this requested information. However, it is undeniable that both NAGC DTI and DTI Management, as well as a totally separate entity Dreamtix (controlled by Cheng) wired Meli payments, all related to his new executive position and partial ownership of

DTI. Similarly, Meli received these payments not just through Advance, but also through another personal entity, 127 Holdings.

73. More importantly, all DTI directors, including the other top executive Cheng, were aware of the various entities which Meli used to transact DTI-related business.

74. Although Cheng and DTI disingenuously proclaimed in public news articles, after Meli's arrest, that they had "no role or involvement" in the various Meli ticket schemes, TGT believes that DTI involved itself in future profits from Meli's *Hamilton* and *Adele* ticket schemes.

Meli Begins Offering "Investments" Through DTI

75. During the closing period and then after the deal closed, Meli began offering new ticket investments through the auspices of his new position as top executive, director, part owner and Head of the Entertainment Division at DTI.

76. Meli explained that his new company DTI allowed him to have an immediate platform by which the advance block tickets for the shows in questions (*i.e.*, *Hamilton*, *Harry Potter*, *etc.*) could be easily sold with the sales monitored using DTI's online platform.

77. Neither Cheng nor any other DTI director monitored Meli's activities upon his assumption of roles as a DTI top executive, director and Head of its Entertainment Division. Indeed, Meli's role was to organize lucrative ticket deals, such as the purported *Hamilton* block ticket opportunity, using the DTI platform to resell those tickets into the secondary market.

78. Upon information and belief, Meli discussed the opportunity to secure advance blocks of tickets for the Broadway opening of *Harry Potter and the Cursed Child* with Cheng and other DTI directors.

**Meli Offers TGT the Fraudulent Harry Potter
Investment Opportunity through DTI/Advance**

79. In the late fall of 2016, Meli approached Plaintiff, through Mr. Connor, regarding an entertainment investment opportunity involving a deal that Defendants DTI and Advance had secured with Ambassador Theatre Group Ltd. (“ATG”), a major international theatre organization, for the anticipated Broadway debut of the play *Harry Potter and the Cursed Child*.

80. As Meli had “baited” Mr. Connor over the past few months with false representations regarding the successes of alleged investors in Meli’s various ticket deals and the highly profitable future of DTI/Advance, Plaintiff became very interested in this alleged opportunity with ATG.

81. Defendant Meli, a top executive, director and Head of the Entertainment Division of DTI, shared with Mr. Connor that DTI and Advance had secured the right to purchase \$62.5 Million worth of advance block tickets for the Broadway debut of the new *Harry Potter* play, which was already a huge success in London.

82. The alleged agreement with ATG involved DTI/Advance’s sale of those Harry Potter tickets in the secondary market over a staggered period of time, which would give investors in the deal a likely very lucrative return, given how successful the play already was.

83. Meli, through the auspices of DTI and Advance, estimated to Mr. Connor that investors could expect to receive a return of three to five times their original investment.

84. Plaintiff, in choosing to invest in the ATG Agreement that DTI and Advance had allegedly secured with ATG, relied on DTI and Meli's considerable experience in the live entertainment ticket industry, and more importantly, DTI's participation in the deal by DTI, of which CVC held the majority ownership interest.

85. DTI's prominence in the secondary ticket market, and the fact that it had been backed and was controlled by prominent private equity firms, lent further support to Plaintiff's belief that the Harry Potter investment was a legitimate opportunity and a likely success for Plaintiff's members.

86. As Plaintiff further investigated the Harry Potter opportunity, Mr. Connor, on behalf of the Plaintiff, requested to see a copy of the alleged ATG Agreement that DTI and its Entertainment Division affiliate, Advance, had procured with ATG.

87. Meli provided a copy of the ATG Agreement, which was between ATG and DTI's affiliate and minority owner, Advance, and purported to give Advance the right to purchase two hundred fifty thousand (250,000) tickets to the 2017-2018 two-part Broadway performances of *Harry Potter and the Cursed Child* with a face value of \$250 per ticket. The ATG Agreement specifically provided that Advance and DTI would then re-sell these Harry Potter tickets through DTI's online platform. Plaintiff was then promised it would receive a portion of the profits from every ticket sold by Advance/DTI. (See the ATG Agreement received from Defendants attached hereto as Exhibit F).

88. Plaintiff had no reason to doubt Advance and DTI's partnership with respect to the ATG Agreement. Meli was a top executive, director and the head of DTI's Entertainment

Division. DTI was also a prominent player in the secondary ticket market and had just received a \$75 Million investment from two high-profile private equity firms, which presumably performed extensive due diligence on the company group and were allowing Advance to hold a minority interest in DTI.

89. As Plaintiff would soon discover, however, the ATG Agreement was entirely fabricated by Meli. Neither Advance, DTI, nor Meli had any such agreement with ATG regarding the sale of tickets to the Broadway performances of *Harry Potter and the Cursed Child*.

90. In Meli's endeavor to secure Plaintiff's investment, he made countless fraudulent representations as to the non-existent ATG Agreement, which he repeatedly referred to as the "AE/DTI deal" (Meli often referred to his company Advance Entertainment as "AE"). These fraudulent representations continued through December 2016 and January 2017, culminating in Plaintiff's ultimate decision in January 2017 to transfer to Advance a total of \$7,860,000, which Plaintiff believed would be used by Meli, Advance and DTI to purchase blocks of tickets for the hit musical play *Harry Potter*.

91. Some of the most egregious examples of Meli's fraudulent representations during this time period include:

- (i) On December 13, 2016, Plaintiff, referring to the success of the *Harry Potter* show in the United Kingdom, asks Defendant Meli: "Based on the response in London, it would be a safe bet that the \$62M block sells out

QUICKLY.” Meli responds: “Of course.” (See text messages from Defendant Meli to Mr. Connor attached as Exhibit G.)

- (ii) On December 15, 2016, Plaintiff asks Defendant Meli: “What do you think the return will be? 3x?” Meli responds: “Just call it an easy 2+. [Between] us it looks like it can be 5-6 [times the return][.]” (See text messages from Defendant Meli to Mr. Connor attached as Exhibit H.)
- (iii) On December 16, 2016, Plaintiff asks Meli how Plaintiff would be able to monitor its investment. Meli responds that Plaintiff would receive a “[c]omputer breakdown. Your portion of the money goes into a dedicated account for you[.]” Meli represents that Plaintiff would “[o]f course” have access to sales proceeds as they are deposited into the dedicated account because, according to Meli, “[i]t is your money.” (See text messages from Defendant Meli to Mr. Connor attached as Exhibit I.)
- (iv) On December 18, 2016, Plaintiff asks Meli: “Advance assigns Tix to DTI to distribute/sell, correct? Advanced [sic] owns part of DTI, correct?” Meli responds: “Yes and advance owns 22% of DTI” (See text messages from Defendant Meli to Mr. Connor attached as Exhibit J.) Given that the LOI signed by Advance and DTI contemplated Advance’s purchase of DTI in its entirety, and that the CVC Proposal also presupposed that Advance was at least a part owner of DTI, Plaintiff had no reason to doubt that Advance owned a minority 22% ownership interest in DTI.

- (v) On December 19, 2016, this time in an email, Defendant Meli again represents that Defendant DTI is affiliated with the purported ATG Agreement, stating that the theater tickets would be “issued to Advance” which would then “assign [the tickets] to DTI.” In this same email, Defendant Meli represents that there is “limited credit risk” since any such risk would relate only to Advance and DTI, which companies “had CVC capital partners invest \$75mm.” Defendant Meli also again touts DTI’s success in the live event ticket industry, stating that “DTI sell [sic] over \$500mm in tickets Annually [sic].” (See an email from Defendant Meli to Mr. Connor attached as Exhibit K.)
- (vi) On December 20, 2016, Plaintiff asks Meli for a summary of how its investment would be used. Meli responds:

We assign you a prorated percentage of tickets purchased. Tickets get sold thru [sic] DTI. You provide a bank account that we make . . . deposits in regularly until all the tickets are sold. You are the only people that have access to withdrawing the money and can access it all the time. You will have portal access to the [Harry Potter] ticket sales that you can access and monitor the sales in real time.

Plaintiff asks Meli whether “AE/DTI are bidding on the \$62.5mm” and whether “the block is being purchased directly from the producers of the show[.]” With elaborate yet completely fraudulent detail, Meli responds:

Yes AE/DTI bidding \$62.5mm. Yes being bought directly from producer and box office. No other bidders . . . \$250 a ticket is ticket price . . . Mark up will be roughly \$100 dollars per ticket . . . Expected sales are going to be 3-4x face [value] . . . The secondary

market i.e. Resale [sic] market definitely staggers pricing which is why we will not sell all of our tickets immediately and bleed tix [sic] into the market place over time maximizing on profits.

Plaintiff questions Defendant Meli's representation as to the amount of return Plaintiff would see on its investment, and Meli responds in an email to Plaintiff outlining the math involved in his calculation. (See emails between Mr. Connor and Defendant Meli attached as Exhibit L.)

(vii) Later on December 20, 2016, Plaintiff asks Meli: "You are the reason why AE/DTI got a shot at this block, correct? How much are you personally doing [investing]?" Meli responds: "Yes I am the reason we are getting this and I am doing [investing] \$5mm personally." (See emails between Mr. Connor and Defendant Meli attached as Exhibit M.)

(viii) On December 31, 2016, Meli again makes fraudulent representations as to the fabricated agreement with ATG. Plaintiff asks Meli: "The \$62.5M is purchasing represents 20% of the house[?] Does ATG keep the rest of the 80% and sell direct to consumer or do they break off other chunks for [Advance] sales?" Meli responds: "80% of the house goes on sale and we help with that too." Plaintiff responds: "So 100% of the house goes on sale mid-June through December. 20% [is] owned and sold/distributed by AE/DTI and 80% is owned/sold by ATG. Correct?" (See text messages from Defendant Meli to Mr. Connor attached as Exhibit N.) Meli did not respond to Plaintiff's question in this instance, but Meli's fraudulent

representations were undoubtedly the basis upon which Plaintiff believed that “AE/DTI” would own and sell/distribute the tickets in question.

- (ix) Again in early January, Meli again represented that DTI was a “partner” with respect to the purported ATG Agreement, and that there was “absolutely 0 risk” in Plaintiff investing in the ATG Agreement.

92. On or about January 4, 2017, Meli traveled to Chicago, Illinois to meet with a majority of Plaintiff’s members/investors and discuss the investment opportunity Meli was presenting to the group -- whereby they could invest in the the AE/DTI deal, and make what Meli promised to be a very large return.

93. At the January 4, 2017 meeting, Defendant Meli repeated to Plaintiff TGT’s investors each of the false misrepresentations previously made, including that Advance was the Entertainment Division affiliate of DTI which owned 22% of DTI; that Advance partnered with DTI with respect to the ATG Agreement to secure the *Harry Potter* tickets, an “AE/DTI deal”; and that tickets would be “issued to Advance” who would then “assign them to DTI.”

94. Following the meeting on January 4, 2017, Plaintiff was formed on or about January 6, 2017 with the Minnesota Secretary of State, in order to provide its members a receptacle in which to combine their funds to place the investment with Advance, which they understood to be the Entertainment Division affiliate of DTI; a 22% owner of DTI; a partner of DTI on this “AE/DTI” deal.

95. On January 5, 2017, Defendant Meli again emphasized DTI’s participation in this venture, which was accepted as true given Meli’s position with DTI, Plaintiff asked Meli:

“Question: DTI gets 6% rip [return] on gross sales. So technically, we would break even at \$371 (\$350 x 6%). Correct?” Meli responds: “Correct” (See text messages from Defendant Meli to Mr. Connor attached as Exhibit O.)

96. On January 9, 2017, Defendant Meli again falsely represented that the ATG Agreement investment opportunity was a DTI-related deal by stating that Defendants Advance and DTI had a separate agreement in place with respect to the ATG Agreement. Specifically, Defendant Meli said that, while he could “not share the AE/DTI agreement” with respect to the ATG investment opportunity, he could still “rep” to it.

97. On January 11, 2017, Plaintiff asks Meli: “[D]o you have an [sic] fully executed copy of the ATG agreement?” Meli responds: “yes sir. I have hard copy [sic] need to scan,” referring to a hard copy original of the fully-executed ATG Agreement (See text messages from Defendant Meli to Mr. Connor attached as Exhibit P.) Of course, no such legitimate fully-executed document exists; the fully-executed ATG Agreement that Plaintiff received was entirely fraudulent, as Plaintiff would soon discover.

**DTI’s Responsibility For and
Complicity in Meli’s Actions**

98. Defendant DTI, one of the most prominent players in the secondary ticket market, made Meli a top executive, director and the head of its Entertainment Division. DTI gave Meli this executive authority despite the fact that Meli was a man with no executive experience, no college education and whose most notable life accomplishment was peddling fraudulent *Hamilton* agreements to investors.

99. In so doing, DTI either conducted no due diligence on Meli or deliberately ignored glaring red flags about Meli because of their desire to consummate a deal quickly and share in the lucrative profits that Meli claimed he was going to be able to provide in connection with the *Hamilton* and *Adele* ticket opportunities.

100. DTI's utter failure to perform or heed the due diligence on Meli was despite the fact that CVC, one of the world's leading private investment funds, was in charge of that due diligence as the new majority owner of DTI, and that CVC, upon information and belief, retained Fried Frank, a prominent New York City law firm, to perform that diligence.

101. DTI and its senior executives and directors were also well aware that Meli and his various entities were currently engaged in the very type of business which they elected Meli to lead at DTI, namely, transactions involving the purchase of tickets to live entertainment events.

102. In fact, in 2015 or early 2016, Christopher Stadler, a director of DTI and the Managing Partner of CVC (which controlled the majority of DTI), invested at least \$217,500 in Meli's purported deal to purchase large blocks of *Hamilton* tickets for resale on the secondary market.

103. DTI and its senior executive and directors knew, or should have known, that once they brought Meli on board as a top executive, director and head of its Entertainment Division, Meli would funnel all of the deals which he was currently working on, and deals which he would generate in the future, through DTI. In fact, this was the very premise for Meli's election to such a prominent position in the company: upon information and belief, DTI wanted Meli to bring in

revenue-earning opportunities, and its senior executives knew first hand that he already had a number of active opportunities.

104. Meli's executive position and portions of his compensation from DTI were based upon Meli bringing to the company promising opportunities in the live entertainment ticket industry. As such, DTI was well aware that Meli would use his status as a top executive, director and head of the Entertainment Division at DTI in order to solicit investors for such opportunities.

105. As such, Defendant DTI and its senior executives knew, or should have known, that Meli was out pitching the DTI/AE involvement in purchasing advance tickets to the *Harry Potter* Broadway play, a deal which was entirely within the scope of his position as a top executive of DTI and head of its Entertainment Division.

106. DTI did nothing to stop or monitor Meli from soliciting such tickets deals but instead encouraged and facilitated him.

107. As such, there is absolutely no basis in fact for DTI or Cheng to argue that they were unaware of Meli's activities with respect to *Hamilton* and *Harry Potter*.

108. To add insult to injury, Mr. Stadler, the managing partner of CVC, was a recipient of Plaintiff's funds, which were initially wired to Advance, but were in turn almost immediately wired to Stadler to repay him for 100% of the amount he invested in Meli's *Hamilton* ticket deal.

109. In the end, these events clearly demonstrate that DTI and its senior executives and directors had direct knowledge of the investment opportunities which Meli was running. When they appointed Meli as a DTI top executive, director and head of the Entertainment Division at DTI, they undoubtedly knew, that doing so would cloak Meli with DTI's authority to engage, on

DTI's behalf, in the type of tickets deals Meli was previously orchestrating. They knew, or should have known, that as soon as Meli was elected as a director and top executive of DTI, he would flaunt his credentials in dealing with third parties in order to get them to commit to investment opportunities.

110. Further, Stadler, Cheng and other DTI directors were also well aware that Meli utilized his various personal entities in the deals he was orchestrating prior to his appointment as a senior executive at DTI – indeed DTI, its affiliates and its directors were regularly wiring money back and forth to Meli entities.

111. To the extent that DTI was unaware of Meli's specific representations on its behalf with respect to the *Harry Potter* ticket opportunity, or his conducting of DTI business through his various entities, this can amount to nothing other than willful blindness or ignorance as to the activities of the company's own director and top executive.

112. There is also no basis in fact for DTI to argue that it was unaware that Meli conducted DTI business through Meli's various entities. DTI knew from the outset that Meli conducted business through various entities, including both Advance (which owned a small portion of DTI) and 127 Holdings; in fact, DTI (and DTI-related parties such as NAGC DTI and Dreamtix) sent payments and other wire transfers to Advance and 127 Holdings almost interchangeably, as discussed above.

113. Meli, in his position as a top executive, director and head of the Entertainment Division at DTI, had actual authority from DTI to solicit and agree to business opportunities in

the entertainment industry with respect to live event tickets, just like the investment opportunity pitched to Plaintiff.

114. As such, DTI is responsible and liable for the actions of its director and officer Meli.

115. At a minimum, Meli had the apparent authority to solicit and agree to such live event ticket business opportunities on DTI's behalf. Given that Meli was a director and head of the Entertainment Division at DTI, and that his company Advance held a minority ownership interest in DTI, Plaintiff reasonably relied upon Meli's proposed *Harry Potter* offering as a business deal within the scope of Meli's executive position at DTI.

116. Indeed, Plaintiff would not have invested these funds if its investors believed this was only an "Advance" opportunity – as they knew Advance was simply Meli's personal business entity. Plaintiff believed, as Meli represented repeatedly, that Advance owned 22% of DTI, and that the *Harry Potter* investment opportunity was in fact one of DTI's deals which Meli was organizing in his position as a top executive, director and head of the Entertainment Division at DTI, who was "in charge" of DTI.

**Plaintiff invests in the "AE/DTI" Harry Potter
Investment and later uncovers Defendants' fraudulent scheme**

117. On or about January 13, 2017, Plaintiff entered into a Funding Agreement with Advance and signed by Meli. (See Funding Agreement attached hereto as Exhibit Q).

118. Plaintiff invested a total of \$7,860,000, consisting of five wire payments from its Minnesota bank to Advance's Merrill Lynch account in New York, New York.

119. The five wire payments from Plaintiff to Advance were on the following dates and in the following amounts:

- (i) 1/18/2017 in the amount of \$5,910,000.00;
- (ii) 1/19/2017 in the amount of \$335,000.00;
- (iii) 1/20/2017 in the amount of \$215,000.00;
- (iv) 1/23/2017 in the amount of \$1,200,000.00;
- (v) 1/24/2017 in the amount of \$200,000.00.

120. On or about January 26, 2017, Plaintiff discovered that Meli was indicted on multiple criminal charges for securities and wire fraud. The indictment included allegations that Meli had made false representations that he had entered into a separate agreement that provided Advance the right to purchase advance tickets to the Broadway show, *Hamilton*, which could then be resold for a profit. Defendant Meli sold this alleged investment opportunity to a different set of investors.

121. Plaintiff, through Mr. Connor, contacted Meli in an effort to find out what was happening with its investment because the news stories described a very similar investment scheme to what Plaintiff had been offered, with the major difference being the substitution of *Harry Potter and the Cursed Child* for *Hamilton*.

122. Defendant Meli kept indicating he had meetings to tend to, so he couldn't follow up with Plaintiff, other than to proclaim he was innocent and he was going to fight the charges.

123. As the news stories continued to grow, Plaintiff demanded the return of the monies invested for the fraudulent offering in the Funding Agreement.

124. On January 27, 2017, Meli responded that he could not return Plaintiff's investment as his accounts were frozen.

125. Since the representation of Defendant Meli on January 27, 2017, Plaintiff discovered that it wasn't until Monday, January 30, 2017, at 12:05 p.m. that the Federal Court for the Southern District of New York issued a Temporary Restraining Order freezing the accounts of Defendants and, in the interim, Meli continued to transfer investor money. (A Copy of TRO attached hereto as Exhibit R).

126. On February 3, 2017, ATG confirmed to the Plaintiff – through an email to Mr. Connor – that ATG had “no knowledge” of the purported contract between Defendant Advance and ATG and, in fact, the international theatre organization had never had *any* business dealings with Defendant Meli or Defendant Advance. (A Copy of this email is attached as Exhibit S)

127. Defendants have provided no evidence to Plaintiff that Plaintiff's \$7,860,000.00 has been used to fund the alleged ATG Agreement.

128. In fact, after the filing of Plaintiff's Verified Complaint, Plaintiff subpoenaed Merrill Lynch for copies of Defendant Advance's bank statements in order to determine whether the funds Plaintiff wired were still present in Advance's account. In reviewing the bank statements received, Plaintiff learned that, on the day of or after each of Plaintiff's five (5) wire transfers to Defendant Advance's account, Advance wired to fourteen (14) third parties almost the entirety of Plaintiff's \$7,860,000. These transfers include:

- (i) 1/19/17: Advance wired \$600,000 to Reset Partners LLC
- (ii) 1/19/17: Advance wired \$2,000,000 to New Amsterdam AE, LLC
- (iii) 1/19/17: Advance wired \$250,000 to Karl Mikael Andren

- (iv) 1/19/17: Advance wired \$1,805,000 to Advance II
- (v) 1/19/17: Advance wired \$225,000 to 127 Holdings
- (vi) 1/20/17: Advance wired \$250,000 to Harsh Padia
- (vii) 1/20/17: Advance wired \$125,000 to MXCU Holdings, LLC
- (viii) 1/20/17: Advance wired \$15,000 to Richard Notar
- (ix) 1/20/17: Advance wired \$500,000 to Matthew P Smith
- (x) 1/23/17: Advance wired \$28,064.55 to Michael R. Cardonick
- (xi) 1/23/17: Advance wired \$150,000 to Material Good NY
- (xii) 1/24/17: Advance wired \$1,000,000 to an account maintained by Mostly Dune Holdings LLC at Pershing LLC, a clearing broker
- (xiii) 1/26/17: Advance wired \$1,250,000 to Kid Shelleen LLC

129. Plaintiff also subpoenaed a number of other banks for bank records, which documents served as the basis for the wire transfers described herein.

130. Plaintiff was shocked to learn that on January 26, 2017, \$450,000 of its funds had been wired to Defendant Meli's defense counsel, Kasowitz, Benson, Torres & Friedman LLP, to fund their retainer for his criminal and civil defense. Plaintiff learned that Meli indirectly wired more of Plaintiff's funds (\$235,000) to the Kasowitz law firm by transferring the money to 127 Holdings which then wired the additional funds to Kasowitz.

131. Throughout all events described herein, Defendant Meli was able to convince Plaintiff, and Plaintiff did, in fact, believe, that Meli was soliciting investments for the ATG Agreement, which Meli described as the "AE/DTI" deal, on behalf of DTI and in his capacity as a top executive, director and head of the Entertainment Division at DTI.

132. Throughout all events described herein, it is indisputable that Defendant Advance, which is wholly owned and managed by Defendant Meli, is simply one of Defendant Meli's personal business entities.

133. Throughout all events described herein, Defendant Meli, via communications with Plaintiff, used his position as a top executive, director and head of the Entertainment Division of Defendant DTI, to provide assurances to Plaintiff about the investment, including repeatedly plugging DTI's role in the "AE/DTI" transaction and stating that there was effectively no risk in the investment due to DTI's involvement.

134. Throughout all events described herein, Plaintiff reasonably believed that, as a top executive, director and head of the Entertainment Division of DTI, Defendant Meli had actual authority from Defendant DTI to act on DTI's behalf with respect to its entertainment industry-related deals such as the ATG Agreement, and that DTI was well aware of Defendant Meli's solicitation of investments from third parties with respect to the ATG Agreement.

135. Throughout all events described herein, Meli communicated with Plaintiff regarding the ATG Agreement and either forwarded or blind copied Plaintiff on emails from Meli's DTI Management email address, further supporting the reasonableness of Plaintiff's belief that DTI was a partner with Advance for the ATG Agreement and that seeking investors for the ATG Agreement was a DTI-sanctioned endeavor, fully within the scope of Meli's position as a top executive, director and head of Entertainment Division of Defendant DTI. (See, for example, an email from Defendant Meli to Defendant Cheng attached as Exhibit T.)

136. Throughout all events described herein, Defendant DTI's conduct caused TGT to have the reasonable belief that DTI's appointment of Defendant Meli as a top executive, director and head of the Entertainment Division of DTI gave Meli the authority to seek out and/or organize ticket deals with producers and investors on behalf of DTI and its affiliates, particularly with respect to deals in the industry in which Meli oversaw at DTI (entertainment).

137. TGT had every reason to believe that all others with executive authority at DTI were aware of Meli's activities on DTI's behalf – indeed, the fraudulent ATG Agreement specifically references DTI as an integral part of the agreement. Moreover, Meli's communications with Plaintiff from Meli's DTI Management email address also created the impression that DTI was aware of Meli's solicitation of investments from third parties with respect to the ATG Agreement.

138. Upon information and belief, DTI reflected in its books and records that Advance was the indirect part owner of DTI. To this end, DTI cloaked Meli with further authority in representing DTI as a whole, particularly in connection with entertainment industry-related deals, such as the ATG Agreement, because Meli owned a portion of DTI through Advance. It is believed that Meli still retains an ownership interest in DTI.

FIRST CAUSE OF ACTION
(Fraud against all Defendants except Cheng)

139. Plaintiff incorporates herein Paragraphs 1 through 139 above.

140. Defendants Meli and Advance committed fraud against Plaintiff by falsely representing the investment opportunity in the Broadway *Harry Potter* play and their contract

with ATG. In fact, Meli fabricated the ATG Agreement and did not invest the Plaintiff's money, but used it for Defendants' own benefit.

141. Meli knew the falsity of the material representations and documents presented to obtain Plaintiff's investment.

142. Defendant Meli and Defendant Advance knew that Plaintiff was relying on the material representations and documents presented in agreeing to enter into the Funding Agreement put forth herein with Defendants Meli and Advance.

143. Had Defendant Meli not made the false representations put forth herein, Plaintiff would not have made the investment and would not have entered into the Funding Agreement.

144. Plaintiff reasonably relied on Defendant Meli and Defendant Advance's misrepresentations.

145. Defendant DTI is liable for the fraud committed by its agent, Defendant Meli, as the top executive, director and head of the Entertainment Division at DTI. Meli's solicitation from Plaintiff of an investment in connection with a live event ticket investment opportunity is within the scope of Meli's position and authority as a senior executive of DTI and Meli regularly presented this opportunity as a "DTI/AE" investment in order to assuage any concerns that TGT or its members might have. Meli regularly invoked DTI's involvement in the deal and clearly offered it under the auspices of DTI as well as Advance, its affiliate and minority owner.

146. Defendant DTI's conduct as described herein—including its overt actions, acquiescence, ratification of and/or failure to monitor and object to Meli's activities—created the impression that Meli was acting within the actual or apparent authority of his various executive

positions. This included DTI's utter failure to perform proper due diligence, or its reckless disregard of obvious red flags from such diligence, before giving him executive authority at DTI.

147. Plaintiff reasonably relied upon Meli's authority as a top executive and director of DTI, to its detriment, and DTI is estopped to deny such agency or authority to the injury of Plaintiff who, in good faith and in the exercise of reasonable prudence, dealt with Defendant Meli on the face of his appearance.

148. As a direct and proximate result of the fraud committed by Defendants, Plaintiff has suffered and/or incurred economic damages in the amount of \$7,860,000, plus attorney fees and costs for having to bring this action.

149. Moreover, Plaintiff seeks for the Court to impose punitive damages on the Defendants. Defendants are engaged in criminal and fraudulent behavior – or in the case of DTI, complicit with that behavior – and the present fraud perpetrated against Plaintiff does not appear to be Defendants' first fraudulent scheme of this type. Defendants will continue to engage in such reprehensible conduct until being deterred in the form of the most severe civil and criminal remedies available.

150. Plaintiff therefore requests that the Court award punitive damages against the Defendants in the amount of \$10,000,000 for their fraudulent conduct.

SECOND CAUSE OF ACTION
(Conversion against all Defendants except Cheng)

151. Plaintiff hereby re-alleges and incorporates herein paragraphs 1 through 139 above.

152. Meli and Advance have taken \$7,860,000 invested by Plaintiff through the Funding Agreement referenced herein and converted it for their own benefit and use.

153. Defendant DTI is liable for the conversion committed by its top executive, director and officer, and the head of its Entertainment Division, Meli.

154. Defendants' conversion of Plaintiff's money for their own use was done by an intentionally wrongful fraudulent representation.

155. As a direct and proximate result of the conversion committed by Defendants, Plaintiff has suffered and/or incurred economic damages in the amount of \$7,860,000.

THIRD CAUSE OF ACTION
(Breach of Contract against Defendant Advance)

156. Plaintiff hereby re-alleges and incorporates herein paragraphs 1 through 139 above.

157. Defendant Advance contractually agreed in the Funding Agreement to utilize the funds of Plaintiff to purchase 250,000 tickets to the Broadway performance of *Harry Potter*.

158. Defendant Advance breached the Funding Agreement by not using \$7,860,000 in funds provided by Plaintiff for the purchase of *Harry Potter* tickets but instead for its own purposes (i.e. to pay back prior victims of its Ponzi scheme).

159. Plaintiff has been damaged in the amount of \$7,860,000 by virtue of Defendant Advance's breach of the Funding Agreement.

FOURTH CAUSE OF ACTION
(Aiding and Abetting Fraud against Defendants DTI and Cheng)

160. Defendants Meli and Advance committed fraud against the Plaintiff based on the aforesaid actions.

161. Defendants DTI and Cheng provided substantial and knowing assistance to Meli and Advance in their actions or inactions, as described above.

162. Plaintiff has been damaged in the amount of \$7,860,000 by virtue of Cheng and DTI's substantial assistance in the fraud.

FIFTH CAUSE OF ACTION
(Corporate Liability for Director/Officer's Torts against Defendant DTI)

163. Plaintiff hereby re-alleges and incorporates herein paragraphs 1 through 139 above.

164. Defendant Meli, in his position as a top executive, director and head of the Entertainment Division of Defendant DTI, committed multiple torts against Plaintiff.

165. By appointing Meli to a senior executive position, as well as a seat on the board of directors, Defendant DTI foresaw, or should have foreseen, that its failure to monitor or control Meli's business dealings on its behalf would result in harm to third persons with whom DTI dealt.

166. DTI placed Meli in a position of authority for which he had authority to seek strategic and investment partners, or would himself be sought out by third parties, in connection with entertainment industry-related deals, such as the ATG Agreement. This is particularly so given DTI's senior executives' prior experience with Meli and direct knowledge of the deals in which he was involved before starting his position at DTI, including direct investments with Meli by DTI's other directors.

167. DTI had a duty to monitor and control Meli's activities in this regard, or otherwise be responsible for such actions.

168. Defendant DTI and its senior executives knew, or should have known, that Meli was out pitching and soliciting deals on behalf of DTI and its Entertainment Division affiliate Advance, and they did nothing to monitor him. Any proffered defense by DTI that it was not aware of Meli's activities amounts to willful blindness, particularly because Christopher Stadler, a DTI director and head of CVC, was also investing in Meli's various schemes.

169. Even if DTI placed secret limitations upon Meli's authority in his executive position at the company, this does not affect Plaintiff, who dealt with Meli in the general line of Meli's authority, and knowing nothing of such secret limitations.

170. DTI placed Meli in a position of executive authority that enabled Meli to cause foreseeable harm to Plaintiff that would not have occurred had DTI taken reasonable care to supervise, monitor and control Meli's dealings and activities with third parties on DTI's behalf.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff TGT requests this Court enter judgment against the Defendants as follows:

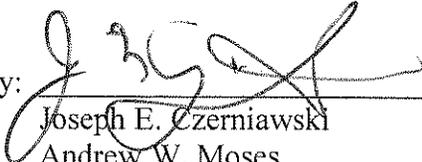
- (i) For damages in the amount of \$7,860,000 and all of Plaintiff's attorney fees incurred in bringing this action;
- (ii) Plaintiff's costs and disbursements incurred herein;
- (iii) Pre-judgment interest running from the date of TGT's initial investment;
- (iv) Punitive damages against the Defendants in the amount of \$10,000,000; and
- (v) Such further and additional relief as the Court deems just and equitable.

DEMAND FOR TRIAL BY JURY

WHEREFORE, Plaintiff demands trial by jury on all counts so triable.

Dated: New York, New York
May 15, 2017

WORMSER, KIELY, GALEF & JACOBS LLP

By: 

Joseph E. Czerniawski
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and

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Bend, Oregon 97702
(541) 382-7000

Attorneys for the Plaintiff

VERIFICATION

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

JOSEPH E. CZERNIAWSKI, being duly sworn, deposes and says:

I am a partner with the law firm of Wormser, Kiely, Galef & Jacobs, LLP, counsel for the attorney for the plaintiff TGT, LLC in this action. I submit this Verification pursuant to CPLR 3020(d)(3). I have read the foregoing Verified Complaint, know the contents thereof, and, based on my communications with my client and the documents provided by my client, state that the same is true to my knowledge, except as to those matters therein alleged on information and belief, and as to those matters, I believe them to be true.

This verification is made by me because my client is a foreign corporate entity.



Joseph E. Czerniawski

Sworn to before me this 15th day of
May, 2017


Notary Public

**ANDREW MOSES
NOTARY PUBLIC-STATE OF NEW YORK
NO. 02MO6336968
QUALIFIED IN KINGS COUNTY
MY COMMISSION EXPIRES 02-16-2020**