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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

DAVID NAGELBERG, *individually and as* TRUSTEE of the DAVID S. NAGELBERG 2003 REVOCABLE TRUST and PENSCO C/F DAVID S. NAGELBERG ROTH IRA, MATTHEW HAYDEN, MITCHELL KNAPP, LAWRENCE J. SHEER DDS PSP, WILLIAM J. ROUHANA, JR., AMY NEWMARK, TIMOTHY ROUHANA, ROSEMARY ROUHANA, ELLA DAMIANO, MICHAEL DAMIANO, and LONDONDERRY CAPITAL LLC,

Plaintiffs,

-against-

JOSEPH MELI, MATTHEW HARRITON, 875 HOLDINGS, LLC, ADVANCE ENTERTAINMENT, LLC, ADVANCE ENTERTAINMENT II, LLC, 127 HOLDINGS LLC, and TRIPOINT GLOBAL EQUITIES, LLC

Defendants.

Case No: 17-cv-2524(LLS)

AMENDED COMPLAINT

JURY TRIAL DEMANDED

Plaintiffs David Nagelberg, individually, and as Trustee and sole beneficiary of the David S. Nagelberg 2003 Revocable Trust and Pensco c/f David S. Nagelberg Roth IRA (collectively, "Nagelberg"), Matthew Hayden, Mitchell Knapp, Lawrence J. Sheer DDS PSP, William J. Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry Capital LLC (collectively, "Plaintiffs"), by and through their

undersigned attorneys, for their Amended Complaint against Defendants Joseph Meli and Matthew Harriton (collectively, the "Individual Defendants"), 875 Holdings, LLC ("875H"), Advance Entertainment, LLC ("AE"), Advance Entertainment II, LLC ("AEII"), 127 Holdings LLC ("127H") (collectively, the "Four Entities") and Tripoint Global Equities, LLC ("Tripoint") (collectively, the "Defendants"), state as follows, on knowledge as to themselves and on information and belief as to all other matters, which are likely to have evidentiary support after a reasonable opportunity for discovery:

NATURE OF THE ACTION

1. This matter arises out of a classic Ponzi scheme. Through a web of lies, including forged documents, the Defendants raised more than $97 million dollars from investors between January 2015 and January 2017, purportedly to invest in a high-end ticket resale business for popular and hugely successfully theatrical and live-entertainment events, like Broadway's *Hamilton* and the famed singer, Adele (the "Ponzi Scheme").

2. The Securities and Exchange Commission (the "SEC") has filed civil claims against the Individual Defendants and the Four Entities for securities fraud under the Securities Act and the Exchange Act (the "SEC Complaint") and the Federal Bureau of Investigation (the "FBI") is currently investigating this Ponzi scheme. *See SEC v. Meli, et al.*, Case No. 17-cv-632-LLS (S.D.N.Y.). This fraud action follows to recover the millions of dollars that Plaintiffs invested in Defendants' Ponzi Scheme.

3. Meli and Harriton capitalized on the highly publicized success of certain Broadway shows and concert tours, like *Hamilton* and Adele, and used Meli's background and expertise in the ticketing and live-entertainment business to lure sophisticated investors with the prospects of significant returns with low risk.

4. This is how the Ponzi Scheme worked: the Individual Defendants misrepresented to investors that they would pool investor funds to purchase large blocks of tickets for major concerts and theatrical performances to then resell at a substantial mark-up, generating high returns. Any investments were purportedly "in exchange for an entitlement to certain proceeds from the re-sale of the" event tickets.

5. To carry out the scheme, they set up the Four Entities, including a diversified ticket fund, 875H, and AE, AEII, and 127H, which claimed to have purchased tickets to particular live-entertainment events.

6. To entice Plaintiffs, as well as other sophisticated and seasoned investors, Meli and Harriton fabricated agreements with event producers, purporting to give Meli and Harriton exclusive rights to acquire millions of dollars' worth of tickets for resale on the secondary market. They went so far as to show investors a copy of a "letter agreement" between one of the Four Entities and a producer of *Hamilton*, giving Meli and Harriton the right to purchase "35,000 premium tickets to the Broadway musical 'Hamilton'" for $7,000,000 during the 2015-16 season. Of course, none of the Individual Defendants and the Four Entities were a party to such an agreement.

7. Plaintiffs conducted extensive due diligence, including, among other things, verifying the Individual Defendants' backgrounds, calling prior sophisticated investors in the Ponzi Scheme, including representatives of several of the world's largest hedge funds, and reviewing the Four Entities' prior financial statements, funding, and participation agreements.

8. Plaintiffs also relied on the statements of the Placement Agent for the Ponzi Scheme—Tripoint Global Equities, LLC—who falsely claimed that it had "verified" the letter

agreement for the purchase of *Hamilton* tickets, reviewed prior returns on ticketing arrangements and evaluated the wires going from the entities and to various ticket brokers.

9. Unfortunately for Plaintiffs, however, all of these representations were false. In reality, as Meli has now admitted (*see* ¶ 220), the Individual Defendants and the Four Entities were perpetuating, in Meli's words, a "fraudulent ticket scheme," a classic Ponzi scheme where "[y]ou take money from one guy to pay off another guy."

10. Plaintiffs bring this action asserting violations of federal securities laws and common-law claims based on the Individual Defendants' deliberate Ponzi Scheme, to steal millions of dollars from investors, not only to pay off prior investors, but to personally enrich themselves, and their families.

PARTIES, JURISDICTION, AND VENUE

11. Plaintiff David Nagelberg is a private investor residing in La Jolla, California.

12. Plaintiff Matthew Hayden is the Chairman of an investor-relations firm, residing in San Clemente, California.

13. Plaintiff Mitchell Knapp is a landscape contractor residing in Franklin Lakes, New Jersey.

14. Plaintiff Lawrence J. Sheer DDS PSP is a profit-sharing plan of which Lawrence J. Sheer DDS is the primary beneficiary and sole trustee. Dr. Sheer is an endodontist residing in Clifton, New Jersey.

15. Plaintiff William J. Rouhana, Jr. is the Chairman and Chief Executive Officer of an entertainment company and resides in Greenwich, Connecticut.

16. Plaintiff Amy Newmark is a best-selling author, editor-in-chief and publisher of a popular book series and resides in Greenwich, Connecticut.

17. Plaintiff Timothy Rouhana is the President of a film-production company and resides in Los Angeles, California.

18. Plaintiff Rosemary Rouhana is a counselor residing in Sands Point, New York.

19. Plaintiff Ella Damiano is a physician residing in Lebanon, New York.

20. Plaintiff Michael Damiano is an author residing in Boston, Massachusetts.

21. Plaintiff Londonderry Capital LLC is a Delaware limited-liability company with its principal place of business in Greenwich, Connecticut.

22. Defendant Joseph Meli resides in New York, New York. According to the SEC Complaint, Meli owns AE, which, in turn, owns an 80% interest in AEII, and he controls 127H. Together with Harriton, Meli manages 875H.

23. Defendant Matthew Harriton resides in New York, New York. According to the SEC Complaint, Harriton and Meli are the direct or indirect owners of AEII and both manage 875H. Harriton owns an 80% interest in 875H (through two intermediary limited-liability companies) and he directly owns a 20% interest in AEII.

24. Defendant 875H is a Delaware limited-liability company with its principle place of business in Stamford, Connecticut. According to the SEC Complaint, Harriton controls 875H, and during all relevant times, Meli and Harriton both managed 875H.

25. Defendant AE is a Delaware limited-liability company with its principle place of business at 95 Horatio Street, Suite 701, New York, New York, 10014. According to the SEC Complaint, Meli controls AE and the business address "appears to be Meli's residence."

26. Defendant AEII is a Delaware limited-liability company with its principle place of business at 36 Dan's Highway, New Canaan, Connecticut, 06840. According to the SEC Complaint, Harriton and Meli own AEII and, during all relevant times Harriton managed AEII.

27. Defendant 127H is a Delaware limited-liability company organized in 2009. According to the SEC Complaint, Meli controls 127H and it shares its principal place of business with AE, which, again appears to be Meli's residence. Meli is the sole named signer for the 127H bank account.

28. Defendant Tripoint is a Maryland limited-liability company with its principle place of business at 1450 Broadway, New York, New York. According to its website, Tripoint is a "global investment bank focused on assisting fast growing companies," and Tripoint purports to have investment bankers that "come from diverse backgrounds bringing with them valuable experience, advisory skills and industry knowledge." *See* http://www.tripointglobalequities.com/ (last visited on April 4, 2017). They tout their "trusted advice" and "proven execution." *See id.*

29. At all times, Meli and Harriton exercised complete dominion and control over 875H, AE, AEII, and 127H, and they used such dominion and control to act in furtherance of the Ponzi Scheme, resulting in Plaintiffs' loss of millions of dollars.

30. This Court has personal jurisdiction over all Defendants because they have transacted business within the State, including acts in furtherance of the Ponzi Scheme at issue in this litigation, and they have committed tortious acts within the State, where most of the Defendants are located. Moreover, Meli and Harriton reside in New York County, where they acted in furtherance of the Ponzi Scheme, as detailed below. Additionally, certain of the investment documents that the Individual Defendants induced Plaintiffs to sign contained New York forum selection and jurisdictional clauses.

31. This Court has subject-matter jurisdiction over the securities fraud claims under 28 U.S.C. § 1331 and 15 U.S.C. § 78j(b) and over the related state-law claims under 28 U.S.C § 1367.

32. Venue in this District is proper under 28 U.S.C § 1391 because the Meli and Harriton are located in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred here. Among other things, the transactions at issue were negotiated from and through the Individual Defendants in New York, and various agreements Plaintiffs signed in connection with their investments call for "the exclusive jurisdiction of the Courts of the State of New York."

STATEMENT OF FACTS

I. Meli and Harriton Mastermind the Ponzi Scheme

33. From January 2015 through January 2017, Meli and Harriton engaged in the Ponzi Scheme to lure high-net-worth individuals and investment funds to invest in a purported ticket-resale business for the most popular Broadway shows and concert tours. In reality, though, it was a classic Ponzi scheme: the Individual Defendants did not actually invest the money as promised and instead used the money to enrich themselves, while funneling existing funds to prior investors to create the illusion of profitable returns.

34. The Individual Defendants enticed victims, including Plaintiffs here, by touting their exclusive access to bulk premium tickets to some of the biggest live events in the United States. Defendants claimed to have such exclusive access based, among other reasons, on Meli's experience in the entertainment world:

> [T]he founder and CEO of Bulldog Entertainment Group, a VIP ticketing business and operator of private/VIP concerts. Bulldog was a pioneer in the development of VIP concert experiences for corporate clients and loyalty program managers, creating experiences with artists including, Madonna, U2, The Rolling Stones, and Justin Timberlake for clients such as Merrill Lynch Visa Signature, American Express Centurion, MasterCard, and hundreds of corporate clients. Warner Music Group acquired Bulldog in May 2007, at which point Joe joined WMG as a Senior VIP of US Recorded Music and CEO of Bulldog.

See 875 Holdings, LLC December 2015 Executive Summary (the "875H Summary") at 12, a true and correct copy of the 875H Summary is attached as **Exhibit A**.

35. The Individual Defendants promoted Harriton as having a "broad range of experience in finance and operations," having focused on "entrepreneurial interests founding, funding, and operating a stated up and several early stage companies in the field[] of live entertainment." (*Id.*)

36. Meli and Harriton together claimed to "possess[] a deep and very unique mix of live event promotion, ticketing, and entertainment finance experience." (*Id.* at 5.)

37. Through this "experience," the Individual Defendants knowingly misrepresented to investors that they had developed an "alternative factoring model to the live events business," whereby they "will purchase a block of tickets to live events, in most cases from an event sponsor (promoter, team, venue, etc.) in advance of an event, and be repaid when those tickets are sold to secondary market brokers in bulk or directly to fans who attend the event." (*Id.*)

38. The Individual Defendants intentionally misrepresented to investors that they were under an exclusive contract with a theater producer to buy up to 35,000 tickets to the Broadway show *Hamilton*, a massive hit that grossed $74 million in the 2015-16 season, and cleared nearly $500,000 per week in profits. *See* Forbes, "How 'Hamilton' (And Hip-Hop Saved the Tonys (And Broadway)," https://www.forbes.com/sites/zackomalleygreenburg/2016/06/13/how-hamilton-and-hip-hop-saved-the-tonys-and-broadway/#17726ef93a1e (last visited March 27, 2017). And according to the New York Times, each and every 2016 performance had secondary-market ticket sales clearing roughly $150,000. *See* New York Times, "'Hamilton' Inc.: The Path to a Billion-Dollar Broadway Show," https://www.nytimes.com/2016/06/12/theater/ hamilton-inc-the-path-to-a-billion-dollar-show.html (last visited March 27, 2017).

39. The Individual Defendants similarly lied to investors that they had exclusive access to tickets for the U.S. leg of 2016 world tour of the star Adele, whose album "*25*" was the highest selling album of 2016. Adele's 2016 tour was projected to generate as much as $150-200 million in revenue, with over 10-million people vying for the limited allotment of 750,000 available tickets for the U.S. leg alone. *See* Forbes, "Adele Fights off Nerves To Start $150 Million World Tour," https://www.forbes.com/sites/markbeech/2016/02/29/adele-fights-off-nerves-to-start-150-million-world-tour/#319c13f75837 (last visited March 27, 2017).

40. In fact, the Individual Defendants never had any exclusive access to the bulk tickets, nor did they use investor money as assured, instead using it to perpetuate their Ponzi Scheme.

II. The Four Entities of the Ponzi Scheme

41. To perpetuate the Ponzi Scheme, Meli and Harriton created and funneled investor money though four separate entities, 875H, AE, AEII, and 127H, under written contracts with investors outlining the terms of their "investments."

42. Meli and Harriton urged investors to invest in more than one entity based again on knowing misrepresentations that each investment would generate profits through the re-sale of tickets to popular, live events.

43. Despite these representations, virtually all the money the Defendants collected from investors was not used to purchase tickets; instead, the Individual Defendants used those funds to pay off prior investors in the scheme and to fatten their own coffers.

A. 875 Holdings

44. The Individual Defendants organized 875H in July 2015. The next month, 875H filed a Form D with the SEC stating that the company was making a private offering of equities

in an unspecified business with no revenue, and that it had sold $1,050,000 to date. In February 2016, 875H filed an amended Form D stating that 25 investors had participated in the offering, a total of $3.4 million.

45. The 875 Holdings, LLC Limited Liability Company Agreement (the "875H LLC Agreement") misrepresented to investors that 875H would "acquire and resell, individually and through its subsidiaries, tickets to various events, including concerts, theater, sports, museums, and other events which shall take place within any of the United States or its territories and possessions." (*See* 875H LLC Agreement at § 2.1.)

46. Meli and Harriton also distributed the 875H Summary to potential investors, which affirmatively misrepresented that all investor money would be used to buy ticket blocks for high profile events: "a vital, highly attractive new source of capital to markets where there are few serious and focused financiers." (Ex. A at 5.)

47. Instead, the Individual Defendants misappropriated the bulk of investor money to repay prior investors to create the illusion of legitimate returns, and to personally enrich Meli and Harriton.

48. Meli and Harriton told investors in the 875H LLC Agreement "[i]t is "anticipated that 875 will deliver returns to its equity holders in excess of 20% per annum" and promised investors highly favorable returns:

a. Allocating "100% of all profits" to investors "to the extent and equal to a 15% annual rate of return based on invested capital";

b. "thereafter, 80% of each incremental dollar of profits will be allocated" to investors "until they reach additional 5% annual rate of return"; and

c. "thereafter, 20% of all other incremental profits will be allocated to" investors. (875H LLC Agreement at § 5.5.)

49. Meli and Harriton guaranteed that they would not receive any management fees as 875H's managers, and that they would only receive money from a portion of the profits after investors were returned their initial investment amount. (*See* Ex. A at 13.) Plaintiffs relied on these material misstatements in making their investment decisions.

50. From in or around July 2015 through January 2017, 875H received a total of at least $7.1 million from investors. In soliciting the investments, Meli and Harriton misrepresented that investor money would be pooled and used to buy a participation interest in profits from the resale of tickets for popular events. The Individual Defendants also told investors that 875H was a diversified fund whose purpose was to purchase tickets to various shows, and that the fund would have discretion as to which shows or events to purchase tickets for. Again, all false.

51. The Individual Defendants actually used funds raised from investors into 875H to repay other investors and make transfers to Harriton and one of his entities.

B. Advance Entertainment

52. Meli and Harriton told investors that, in addition to investing in the 875H "fund," they could invest in particular events through "side pockets" in AE, an entity they created purportedly for "the business of purchasing and reselling concert, live event and other theatrical tickets," including tickets to the Broadway show *Hamilton* and the North American concert tour of Adele.

53. Meli and Harriton affirmatively misrepresented that all investor money would be pooled and used to buy ticket blocks for these events, two of the most sought-after events 2016.

54. Instead, the Individual Defendants used the bulk of investor money, not for ticket purchases, but to repay prior investors to create illusions of returns, and to personally enrich Meli and Harriton. In all, the Individual Defendants raised $64 million for AE based on these knowing lies.

i. *Hamilton*

55. To induce investors to invest in the Ponzi Scheme, Meli and Harriton fabricated a 2015 letter agreement between AE and Jeffrey Seller, a *Hamilton* producer, "pursuant to which Advance acquired 35,000 premium tickets to the Broadway musical 'Hamilton'" for $7,000,000 (the "Fraudulent Hamilton Agreement").

56. In fact, according to the SEC Complaint, "the 'Letter Agreement' with the Hamilton producer was fraudulent. Neither Advance Entertainment nor any of Meli or Harriton's other entities had any legitimate agreement with the Hamilton producer to purchase tickets to the musical, and no purchase of 35,000 tickets to the musical was made with investor money."

57. Indeed, the Individual Defendants created the Fraudulent Hamilton Agreement from whole cloth.

58. Meli and Harriton used the Fraudulent Hamilton Agreement to lure Plaintiffs to make investments, as the funding agreement states, "in exchange for an entitlement to certain proceeds from the re-sale of the" *Hamilton* tickets. Plaintiffs relied on these material misstatements in making their investment decisions.

59. Meli and Harriton showed the letter to investors, asking them to keep the information confidential to protect their "relationship" with the ticket source.

60. Meli and Harriton promised investors in the *Hamilton* tickets significant returns:

a. "repayment" of their entire investment;

b. "an amount sufficient to generate a 10% annualized return" on their investment; and

c. "50% of any further proceeds from distribution (prorate Advance's overall investment in *Hamilton*), less Advance's reasonable, direct and out-of-pocket expenses incurred in reselling the" tickets.

61. Meli's and Harriton's representations were knowingly false. They did not pool the funds to purchase tickets to *Hamilton*; rather, they used virtually all the money to repay prior investors to create the illusion of returns and to fund Meli's and Harriton's lavish lifestyles.

ii. *Adele*

62. To dupe investors to invest in the Ponzi Scheme, Meli and Harriton fabricated a 2016 letter agreement between Advance Entertainment and September Management, Ltd. "pursuant to which Advance may acquire up to FIFTEEN MILLION DOLLARS of premium tickets to the upcoming North American performances of Ms. Adele Laurie Blue Akins, the musical artist popularly known as 'Adele,' scheduled for the calendar year 2016" (the "Fraudulent Adele Agreement").

63. Once again, this was a complete lie; Meli and Harriton never had any agreement with September Management, Ltd., or with anyone else for that matter, to purchase Adele concert tickets.

64. Meli and Harriton used the Fraudulent Adele Agreement to induce Plaintiffs to invest, as the funding agreement states, "in exchange for an entitlement to certain proceeds from the re-sale of the" Adele tickets. Plaintiffs relied on these material misstatements in making their investment decisions.

65. Meli and Harriton showed the letter to potential investors, once again asking them to keep the information confidential to protect their "relationship" with the ticket source.

66. Meli and Harriton promised investors in the Adele tickets significant returns:

a. "repayment" of their entire investment;

b. "an amount sufficient to generate a 10% annualized return" on their investment; and

c. "50% of any further proceeds from distribution (prorate Advance's overall investment in Adele), less Advance's reasonable, direct and out-of-pocket expenses incurred in reselling the" tickets.

67. From January 2015 through January 2017, Meli and Harriton lied to investors about their investments, using the Fraudulent Hamilton Agreement and Fraudulent Adele Agreement to raise more than $64 million through AE.

68. Meli's and Harriton's representations were knowingly false. They did not use Plaintiffs' funds to purchase tickets to Adele; instead the Individual Defendants used virtually all the money to repay prior investors as part of the Ponzi Scheme and to fund Meli's and Harriton's lifestyles.

C. Advance Entertainment II

69. In addition to AE, in February 2016, the Individual Defendants formed AEII, purportedly to pool investor money for particular events, including, once again, *Hamilton* and Adele.

70. Meli and Harriton misrepresented to Plaintiffs in the AEII Limited Liability Company Agreement (the "AEII LLC Agreement") that they formed AEII "to acquire and resell, individually and through its subsidiaries, tickets to various events, including concerts, theater,

sports, museums, and other events," and that all money collected from investors "shall be available to the Company to carry out the objects and purposes of the Company." (AEII LLC Agreement at §§ 2.1, 3.7.) In total, Defendants fraudulently raised almost $18 million for AEII.

71. These funds were not pooled to purchase tickets; the Individual Defendants used virtually all the money to repay prior investors to create the illusion of returns and to pay Meli's and Harriton's personal expenses.

72. Investors executed a Profit Participation Purchase Agreement with AEII, providing that the proceeds from the ticket resales "will be distributed to Participant in one or more payments, on or before the 'payment date' set forth on the Participation Schedule executed by both parties for such Relevant Event."

73. AEII's events were numbered: *Hamilton* (Event I); Adele concerts (Event II); and a concert event known as "Desert Trip" (Event III), including popular artists such as The Rolling Stones, Bob Dylan, and Paul McCartney.

74. Each event included its own corresponding Participation Schedule.

75. Under the Profit Participation Purchase Agreement, investors were promised significant returns within nine months from the date of their investment in each event:

a. Return of the original investment;

b. A 10% preference percentage; and

c. A 50% remainder percentage or 50% of additional profits from ticket resales.

76. Meli's and Harriton's representations, again, were knowingly false. They did not pool investors' funds to purchase tickets to *Hamilton*, Adele or Desert Trip; instead they used the majority of the money to repay prior investors and for their personal expenses.

77. Based on their lies, from February 2016 to January 2017, unsuspecting investors invested approximately $17.5 million in AEII.

D. 127 Holdings

78. 127H operated virtually the same as AE and AEII, whereby the Individual Defendants purported to pool investors' money for particular events, including *Hamilton* and Adele.

79. Again, these representations were false, and the Individual Defendants used virtually all the funds to create the illusion of investment returns and to support them in their own lavish lifestyles.

80. Based on the misrepresentations to investors, from January 2015 to January 2017, 127H took in approximately $8 million in investor funds.

III. Tripoint Offers Substantial Assistance as a Placement Agent for the Ponzi Scheme

81. Defendant Tripoint bills itself as a "global investment bank focused on assisting fast growing companies," and purports to have investment bankers "from diverse backgrounds bringing with them valuable experience, advisory skills and industry knowledge." *See* http://www.tripointglobalequities.com/ (last visited on April 4, 2017). And Tripoint touts to investors its "trusted advice, proven execution." *See id.*

82. From January 2015 through January 2017, Defendant Tripoint worked as a "Placement Agent" for the Individual Defendants and the Four Entities, seeking to aid them by luring investors to the Ponzi Scheme.

83. In its role as Placement Agent, Tripoint repeatedly met with Meli and Harriton, sought investors for the Four Entities, and distributed investment-related materials, including the 875H Summary, the 875H LLC Agreement, AE's funding agreements, the Fraudulent Hamilton

Agreement, the AEII LLC Agreement, the AEII Profit Participation Agreement, and AEII's Participation Schedules for each event.

84. These documents, as described earlier, touted the Individual Defendants' experience, as well as their "alternative factoring model to the live events business," whereby they "will purchase a block of tickets to live events, in most cases from an event sponsor (promoter, team, venue, etc.) in advance of an event, and be repaid when those tickets are sold to secondary market brokers in bulk or directly to fans who attend the event." (Ex. A at 5.)

85. Tripoint, for its part, was to provide this "trusted advice," whereby its "experienced brokers are always ready to assist and guide investors at every step." *See* http://www.tripointglobalequities.com/ (last visited on April 4, 2017).

86. In particular, Tripoint told potential investors that it had conducted vital due diligence regarding the investment: (i) it had "verified" the Fraudulent Hamilton Agreement; (ii) it reviewed prior returns on ticketing arrangements; and (iii) it verified the wire transfers among the entities and various ticket brokers.

87. In reality, though, these claims were false. And had Tripoint actually undertaken the due diligence that is promised it had, it would have discovered that the Fraudulent Hamilton Agreement was fraudulent, that prior returns were non-existent, and that wires from the Four Entities were going, not to ticket brokers, but to prior investors in the scheme and into the Individual Defendants' own pockets.

88. Tripoint made these misrepresentations to investors for its own benefit. Indeed, in exchange for "introducing" investors to the Ponzi Scheme, Tripoint received a "Broker Fee" tied to the "gross proceeds" from such investors. And, at times, Tripoint also received an additional

"Remainder Fee" from the Individual Defendants and the Four Entities based on profits allegedly obtained by the investments in particular events.

IV. Plaintiffs Fall Victim to the Ponzi Scheme, Despite Their Due Diligence

A. Matthew Hayden

89. In December 2015, Matthew Hayden met with Robert Nathan, a Tripoint investment banking associate, during a conference in Los Angeles, California.

90. Nathan told Hayden that Tripoint was acting as a placement agent for an investment with Meli and Harriton (*i.e.* the Ponzi Scheme). Hayden told Nathan that he was only interested in "low risk" investments, and asked what due diligence Tripoint had done on Meli and Harriton and their entities. And Nathan, in furtherance of the Ponzi Scheme, delivered the hard sell.

91. Nathan told Hayden that Meli and Harriton were involved in a unique investment opportunity whereby they would purchase bulk tickets to in-demand live events from event sponsors and then sell those tickets on the secondary market, either in bulk or to individuals. He explained that producers for shows, like *Hamilton*, preferred this arrangement because they received money immediately, which they could use to reinvest in other projects, whereas under standard sales through Ticketmaster, payment would be delayed, often not received until the day of the event.

92. To create the false appearance of a legitimate investment, Nathan touted Meli's extensive experience in the live-event and concert industry, including that he had sold Bulldog Entertainment Group, a VIP ticketing business and operator of private/VIP concerts, to Warner Music Group. Nathan told Hayden that Harriton had extensive investment experience and had

previously made millions in various investment partnerships. Nathan also told Hayden that he and Harriton were family friends and had known each other since high school.

93. Nathan told Hayden that the investment had a two-part structure: (1) an investment in the fund, 875H, which had a diversified portfolio of live events, followed by (2) "side pocket" investments in individual, high-profile events, like the Broadway show *Hamilton*. Nathan told Hayden he must first invest in "the fund," 875H, only after which could he invest in "side pockets" connected to particular events, like *Hamilton* and Adele concerts.

94. Nathan told Hayden that all money received from investors would be pooled and used to buy bulk tickets for high-profile events that the Individual Defendants would then resell for profit and that Meli and Harriton themselves were the highest individual investors, personally investing over $18 million.

95. Nathan showed Hayden the "fully-executed" Fraudulent Hamilton Agreement, "pursuant to which Advance acquired 35,000 premium tickets to the Broadway musical 'Hamilton'" for a total of $7 million. Nathan also explained to Hayden that *Hamilton* producers in particular needed the money upfront from these ticket sales to invest in the upcoming national tour of *Hamilton* in Los Angeles and Chicago.

96. Nathan assured Hayden that Tripoint had verified the Fraudulent Hamilton Agreement and the relationship between Meli and Harriton and the producer, Jeffrey Seller. This was false.

97. And, had Tripoint actually investigated the veracity of the Fraudulent Hamilton Agreement, as Nathan said Tripoint had done, Tripoint too would have known it was false.

98. In furtherance of the Individual Defendants' scheme, Nathan told Hayden that Tripoint had examined the records of past ticket deals done by Meli and Harriton, and verified the profits made by investors.

99. But this too was false. Had Tripoint actually investigated the investments, it would have confirmed that this was a Ponzi Scheme and not a legitimate investment.

100. Nathan told Hayden that Tripoint was verifying all of the wire transfers to the Four Entities to verify that all investor money Tripoint introduced to the investment was being used to fund ticket deals.

101. Again, false. Had Tripoint actually examined the wire records, Tripoint would have seen that the Individual Defendants were misappropriating investor funds as part of the Ponzi Scheme.

102. Hayden relied on these material misstatements in evaluating the investment opportunity and deciding to invest.

103. On or about December 28, 2015, Nathan e-mailed Hayden the 875H Summary, a Subscription Agreement for 875H, the 875H LLC Agreement and a Form W-9 with instructions on how to "proceed with the investment."

104. On or about January 8, 2016, Hayden executed and returned to Nathan the Subscription Agreement for 875H for an investment of $500,000. And, on January 11, 2016, Hayden wired $500,000 to 875H.

105. On January 14, 2016, Nathan e-mailed Meli, copying Hayden, to try and extract even more money: "Gentlemen, Please meet each other. Joe, Matt just invested $500K to the Ticket fund and is very interested in the side pocket Hamilton and Adele opportunity."

106. That same day, Nathan e-mailed Hayden a copy of the Fraudulent Hamilton Agreement and a funding agreement for *Hamilton*.

107. On January 17, 2016, Hayden e-mailed Nathan and Meli about the "side pockets," again seeking reassurances about the investment: "I have stressed to Rob [Nathan] that while I am excited about the return profile on this investment, the security of my principal is the most important element of consideration." Just days later, relying on Meli's assurances that the Hamilton tickets were "a lock for sale," Hayden signed a "Funding Agreement" for *Hamilton*, which Meli and Nathan referred to as one of the "side pockets." And on or about January 21, 2016, Hayden invested $250,000 in AE.

108. Seeking to further reassure Hayden about the investment, Meli told Hayden that he had received a January 26, 2016, broker letter from secondary-market broker to "bid on the package of Hamilton tickets you are offering for sale" and guaranteed "$475 per ticket."

109. Where the Fraudulent Hamilton Agreement purported to have the right to purchase tickets for $200 each, this would have guaranteed a huge return on the investment.

110. And on February 3, 2016, Meli e-mailed Hayden "the broker letter we discussed re Hamilton tix." Of course, this letter agreement also was a forgery. But by misrepresenting, Meli sought to procure additional funds based on this lies: the "outstanding amount I have remaining is $1.25mm. I can Def give you guys a combined allocation of $500k on this and will have Adele ready to go this week also. Please let me know if this works."

111. It did work. Relying on these knowingly false statements, on or about February 9, 2016, Hayden signed an additional "Funding Agreement" for *Hamilton*, and on or about February 9, 2016, Hayden sent a check to Harriton for $100,000 in AE.

112. On or about February 17, 2016, Hayden met with Meli and Harriton in person to discuss the investment.

113. On or around February 22, 2016, Harriton told Hayden that the Individual Defendants had changed the structure of the investment pool. Now, instead of investing in AE's "side pockets," investors would sign an agreement for a newly formed company, AEII, and then would separately sign participation agreements for individual events. Harriton told Hayden that his *Hamilton* investments "have been sold, assigned and transferred to, and assumed by, Advance Entertainment II, LLC."

114. On February 18, 2016, Nathan e-mailed Hayden a Profit Participation Purchase Agreement with AEII and Participation Schedules for Event I (*Hamilton*) and Event II (Adele).

115. On or about February 20, 2016, Hayden executed the Profit Participation Purchase Agreement with AEII. Hayden also executed a Participation Schedule for Events I and II, for an additional investment of $220,000 in Event I and a $500,000 investment in Event II. On or about March 3, 2016, Hayden sent a wire for $700,000 and a wire for $20,000 to AEII.

116. On or about July 15, 2016, Harriton e-mailed Hayden about another investment opportunity for a concert called Desert Trip (Event III). Desert Trip was a live-concert event taking place in October and November 2016, and the Individual Defendants falsely claimed they held premium tickets for the first weekend.

117. Harriton assured Hayden in an e-mail that "[g]iven the market and time horizon, we believe this is a home run."

118. On or about July 1, 2016, Harriton e-mailed Hayden a copy of the Participation Schedule for Event III.

119. Hayden executed a copy of a Participation Schedule for Event III pledging an investment of $300,000. On or about August 23, 2016, Hayden wired $300,000 to AEII.

120. Instead of taking disbursements he was allegedly due for Event I, Hayden asked Harriton to roll-over money into Event III, eventually investing an additional $520,052 in July and September 2016.

B. David Nagelberg

121. During their discussions on December 2015 and January 2016, Hayden informed Tripoint's Nathan that his long-time friend, David Nagelberg, also was considering the investment.

122. Nathan made representations regarding Tripoint's due diligence into the investment knowing that Hayden and Nagelberg would rely on them in making their investment decisions.

123. In early 2016, Hayden told his friend, Plaintiff David Nagelberg, about the investment opportunity and his prior conversations with Nathan and Meli.

124. Hayden relayed the information he received from Nathan regarding Tripoint's alleged due diligence, *i.e.* (i) Tripoint claimed to have verified the Fraudulent Hamilton Agreement and the relationship between the Individual Defendants and the producer, Jeffrey Seller; (ii) Tripoint claimed to have evaluated the records of past deals done by Meli and Harriton and the profits made by investors; and (iii) Tripoint represented that it was verifying all of the wire transfers to the Four Entities to ensure that investor money was being used to fund ticket deals.

125. Nathan made these statements to Hayden knowing that they would be passed on to Nagelberg.

126. After their initial discussions, Hayden introduced Nagelberg to Meli, and Meli then introduced both men to Harriton.

127. Meli and Harriton told Nagelberg that they were involved in a unique investment opportunity to purchase bulk tickets to popular live events from event sponsors and then to sell those tickets on the secondary market, either in bulk or to individuals.

128. The Individual Defendants told Nagelberg that Meli had extensive experience in the live-event and concert industry and had previously sold Bulldog Entertainment Group, a VIP ticketing business and operator of private/VIP concerts, to Warner Music Group.

129. The Individual Defendants told Nagelberg that Harriton had extensive investment experience and had previously made millions in various investment partnerships.

130. Meli and Harriton told Nagelberg that all money received from investors would be pooled and used to buy a participation interest in profits from the resale of tickets for high profile events. They also told Nagelberg that they did not take any fees until after investors were repaid their original investment amount and that they, individually, were the largest investors in these deals. Nagelberg relied on these material misstatements in evaluating the investment opportunity and deciding to invest.

131. Meli and Harriton showed Nagelberg the Fraudulent Hamilton Agreement, whereby AE purportedly had the right to purchase 35,000 tickets, each with a face-value of $200.

132. Meli and Harriton also told Nagelberg that they had the Fraudulent Adele Agreement (of course they did not), purportedly providing AE the right to purchase up to $15 million of premium tickets to Adele's upcoming North American concert tour.

133. Meli and Harriton explained in great detail that producers for shows, like *Hamilton*, preferred this arrangement because they received money immediately, which they

could reinvest in other projects, whereas under standard sales through Ticketmaster, payment would be delayed, often not received until the day of the event. The Individual Defendants told Nagelberg that *Hamilton* producers in particular needed the money upfront to invest in the upcoming national tour of *Hamilton* in Los Angeles and Chicago.

134. Meli told Nagelberg, in the same e-mail he sent to Hayden, that he had a January 26, 2016, broker letter, where a secondary-market broker "bid on the package of Hamilton tickets you are offering for sale" at a guaranteed "$475 per ticket."

135. As recounted above, on February 3, 2016, Meli e-mailed Nagelberg and Hayden and attached "the broker letter we discussed re Hamilton tix," and urged them to invest: the "outstanding amount I have remaining is $1.25mm. I can Def give you guys a combined allocation of $500k on this and will have Adele ready to go this week also. Please let me know if this works."

136. The Individual Defendants told Nagelberg he must first invest in "the fund," 875H, only after which could he invest in "side pockets" connected to particular events, like *Hamilton* and Adele concerts.

137. Harriton e-mailed Nagelberg on February 3, 2016, the 875H Summary, a Subscription Agreement for 875H, the 875H LLC Agreement, and a Form W-9. Harriton asked Nagelberg to fill out the required forms and "[s]end a wire for your subscription amount to the enclosed instructions . . . [i]f you decide to proceed with the investment.

138. Harriton e-mailed Nagelberg with copies of "Funding Agreements" for both *Hamilton* and Adele concerts, which Meli and Harriton referred to as "side pockets."

139. Nagelberg executed the Subscription Agreement for 875H the next day, as well as the Adele Funding Agreement and a Hamilton Funding Agreement, pledging $500,000 to each

event. On February 8, 2016, Nagelberg wired $250,000 to 875H from the David S. Nagelberg 2003 Revocable Trust and $500,000 to AE from the David S. Nagelberg 2003 Revocable Trust for the corresponding Hamilton Funding Agreement.

140. On February 12, 2016, Nagelberg wired $500,000 to AE from the David S. Nagelberg 2003 Revocable Trust for the corresponding Adele Funding Agreement.

141. On or about February 17, 2016, Nagelberg, along with Hayden, met with Meli and Harriton in person to discuss the investment.

142. Once Nagelberg had already invested a total of $1.25 million, on February 22, Harriton told Nagelberg, as they had told Hayden, that the Individual Defendants had changed the structure of the investment pool. Now, instead of the "side pockets," investors would sign an agreement for a newly formed company, AEII, and then would separately sign participation agreements for individual events.

143. And, to that end, Harriton told Nagelberg that the Hamilton Funding Agreement and the Adele Funding Agreement "have been sold, assigned and transferred to, and assumed by, Advance Entertainment II, LLC." Harriton also e-mailed Nagelberg a copy of the AEII LLC Agreement.

144. On February 22, 2016, Harriton e-mailed Nagelberg a Profit Participation Purchase Agreement with AEII and Participation Schedules for Event I (*Hamilton*) and Event II (Adele).

145. On February 22, 2016, Nagelberg executed the Profit Participation Purchase Agreement with AEII. Nagelberg also executed a Participation Schedule for Event I, pledging an additional $500,000 and a Participation Schedule for Event II. On February 24, 2016, Plaintiff wired $500,000 to AEII for Event I from the David S. Nagelberg 2003 Revocable Trust. That

same day, Nathan sent Nagelberg an e-mail with a Revised Profit Participation Agreement for his review.

146. On March 11, 2016, Nagelberg executed an additional Participation Schedule for Event II, pledging an additional $500,000. That same day, Nagelberg wired $500,000 to AEII for Event II from the David S. Nagelberg 2003 Revocable Trust.

147. On or about July 15, 2016, Harriton e-mailed Nagelberg about Desert Trip (Event III), and as with Hayden, Harriton assured Nagelberg that "[g]iven the market and time horizon, we believe this is a home run."

148. On July 19, 2016, Harriton e-mailed Nagelberg a copy of the Participation Schedule for Event III, which Nagelberg executed, pledging an investment of $500,000. On July 27, 2016, Nagelberg wired $500,000 from Pensco c/f David S. Nagelberg Roth IRA.

149. On August 1, 2016, Nagelberg executed an additional Participation Schedule pledging an additional investment of $1,000,000 in Event III and that same day, Nagelberg wired $1,000,000 to AEII from the David S. Nagelberg 2003 Revocable Trust.

150. Defendants continued to try and sell their Ponzi Scheme to Nagelberg—and his friends. On August 9, 2016, Harriton informed Nagelberg that the Defendants had "the right to purchase up to 8,000 seats" for performers including The Rolling Stones, Bob Dylan, Paul McCartney, Neil Young, The Who and Roger Waters. Harriton added that the Desert Trip was still a "home run" and "probably a minimum of a 25% net to investors."

C. Mitchell Knapp

151. The Individual Defendants were aware that Nagelberg was passing along information regarding Event III to other friends and potential investors.

152. In August 2016, David Nagelberg introduced one of his friends, Mitchell Knapp, to Individual Defendants and their purported investment opportunity in Desert Trip. He informed Knapp that Harriton had said it was a "home run" and "probably a minimum of a 25% net to investors."

153. On August 9, 2016, Harriton e-mailed Knapp the Profit Participation Purchase Agreement with AEII and a Participation Schedule for Event III (Desert Trip).

154. On or about August 18, 2016, Knapp executed a copy the Profit Participation Purchase Agreement with AEII and the Participation Schedule for Event III, pledging an investment of $250,000. On or about August 18, 2016, Knapp wired $250,000 to AEII.

D. Lawrence J. Sheer DDS PSP

155. The Individual Defendants knew that Nagelberg was passing along information regarding Event III to other friends and potential investors.

156. In July 2016, Nagelberg introduced one of his friends, Lawrence J. Sheer DDS, to the Individual Defendants and their purported investment opportunity in Desert Trip. He informed Sheer that Harriton had said "[g]iven the market and time horizon, we believe this is a home run."

157. On August 8, 2016, Harriton e-mailed Sheer the Profit Participation Purchase Agreement with AEII and a Participation Schedule for Event III (Desert Trip).

158. On or about August 12, 2016, Sheer executed the Participation Agreement for AEII and the Participation Schedule for Event III on behalf of Lawrence J. Sheer DDS PSP, pledging an investment of $250,000. On or about August 17, 2016, Lawrence J. Sheer DDS PSP wired $250,000 to AEII.

E. The Rouhana Family

159. In or about February 2016, David Nagelberg introduced one of his friends, William J. Rouhana, Jr., to the Individual Defendants and their purported investment opportunity.

160. In or around early March, 2016, Rouhana met in person with the Individual Defendants to discuss the investment. Rouhana told the Individual Defendants that he, as well as his wife, Amy Newmark, children, Timothy Rouhana and Rosemary Rouhana, and step-children, Ella Damiano and Michael Damiano (collectively, the "Rouhana Family"), were considering the investment opportunity.

161. The Individual Defendants told Rouhana that Meli had extensive experience in the live-event and concert industry and had previously sold Bulldog Entertainment Group, a VIP ticketing business and operator of private/VIP concerts, to Warner Music Group.

162. The Individual Defendants also told Rouhana that Harriton had extensive investment experience and had previously made millions in various investment partnerships.

163. Meli and Harriton told Rouhana that all money received from investors would be pooled and used to buy a participation interest in profits from the resale of tickets for high profile events. They also told Rouhana that they did not take any fees until after investors were repaid their original investment amount and that they, individually, were the largest investors in these deals. The Rouhana Family relied on these material misstatements in evaluating the investment opportunity and deciding to invest.

164. Meli and Harriton told Rouhana about the Fraudulent Hamilton Agreement, whereby AE purportedly had the right to purchase 35,000 tickets, each with a face-value of $200. They also told Rouhana about the Fraudulent Adele Agreement, purportedly providing AE the

right to purchase up to $15 million of premium tickets to Adele's upcoming North American concert tour.

165. Individual Defendants told Rouhana that he and his family must first invest in "the fund," 875H, only after which could they invest in "side pockets" connected to particular events, like *Hamilton* and Adele concerts.

166. On or about March 2, 2016, Harriton e-mailed Rouhana copies of the 875H Summary, a Subscription Agreement for 875H, the 875H LLC Agreement, and a Form W-9. Harriton also sent Rouhana the Profit Participation Purchase Agreement with AEII and Participation Schedules for Event I (*Hamilton*) and Event II (Adele).

167. After being introduced to the Individual Defendants, Rouhana asked Harriton to send him references, and on March 2, 2016, Harriton did so: "Here are my references (Joe's to follow)," including a list of three different individuals from an investment-management company, a consulting firm, and a natural-resources company.

168. Later that day, Harriton e-mailed Rouhana references for Meli: "Here are the references for Joe . . . email them for best times and numbers to reach them." These references included an executive managing director from one of the world's largest hedge funds.

169. On March 7, 2016, Meli e-mailed Rouhana another reference, a managing director at another of the world's largest hedge funds, stating "Bill is going to reach out to you to discuss how working with me is."

170. On or about March 7, 2016, Rouhana spoke with several of the Individual Defendants' references, including the two aforementioned individuals from prominent hedge funds. All of the individuals Rouhana spoke to told him that they had invested and received returns from the Individual Defendants' ticket resale business.

171. The Rouhana Family relied on these representations, as well as the investment materials, in making their decisions to invest.

172. On March 10, 2016, Rouhana executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Rouhana executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about March 11, 2016, Rouhana wired $50,000 to 875H and $200,000 to AEII.

173. On March 10, 2016, Amy Newmark executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Newmark executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about March 11, 2016, Newmark wired $50,000 to 875H and $200,000 to AEII.

174. On March 10, 2016, Timothy Rouhana executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Timothy Rouhana executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the

subject of this Agreement." On or about March 11, 2016, Timothy Rouhana wired $50,000 to 875H and $200,000 to AEII.

175. On March 10, 2016, Rosemary Rouhana executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Rosemary Rouhana executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about March 11, 2016, Rosemary Rouhana wired $50,000 to 875H and $200,000 to AEII.

176. On March 10, 2016, Ella Damiano executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Ella Damiano executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about March 11, 2016, Ella Damiano wired $50,000 to 875H and $200,000 to AEII.

177. On March 10, 2016, Michael Damiano executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. The next day, Michael Damiano executed the AEII Profit Participation Agreement and Participation Schedules for Events I and II, pledging $100,000 for each. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan

outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about March 11, 2016, Michael Damiano wired $50,000 to 875H and $200,000 to AEII.

178. On or about August 17, 2016, Harriton informed Rouhana about the investment opportunity in Desert Trip. That same day, Harriton e-mailed Rouhana the Participation Schedule for Event III, which Rouhana executed, pledging an investment of $50,000. The Participation Schedule included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On or about August 17, 2016, Rouhana wired $50,000 to AEII.

F. Londonderry Capital LLC

179. In or about late February 2016, Scott Seaton, the Managing Partner of Londonderry Capital LLC ("Londonderry"), was introduced to the investment by his co-worker, William Rouhana, Jr., and Nagelberg.

180. The Individual Defendants told Seaton that Meli had extensive experience in the live-event and concert industry and had previously sold Bulldog Entertainment Group, a VIP ticketing business and operator of private/VIP concerts, to Warner Music Group.

181. The Individual Defendants also told Seaton that Harriton had extensive investment experience and he had previously made millions in various investment partnerships.

182. Meli and Harriton told Seaton that all money received from investors would be pooled and used to buy a participation interest in profits from the resale of tickets for high profile events. They also told Seaton that they did not take any fees until after investors were repaid their original investment amount and that they, individually, were the largest investors in these

deals. Seaton relied on these material misstatements in evaluating the investment opportunity and deciding to invest.

183. Meli and Harriton told Seaton about the Fraudulent Hamilton Agreement, whereby AE purportedly had the right to purchase 35,000 tickets, each with a face-value of $200. They also told Seaton that they had the Fraudulent Adele Agreement, purportedly providing AE the right to purchase up to $15 million of premium tickets to Adele's upcoming North American concert tour.

184. Individual Defendants told Seaton he must first invest in "the fund," 875H, only after which could he invest in "side pockets" connected to particular events, like *Hamilton* and Adele concerts.

185. On or about March 8, 2016, Harriton e-mailed Seaton copies of the 875H Summary, a Subscription Agreement for 875H, the 875H LLC Agreement, and a Form W-9. Harriton also sent Seaton the Profit Participation Purchase Agreement with AEII and Participation Schedules for Event I (*Hamilton*) and Event II (Adele).

186. Seaton also participated in a phone call with Rouhana and one of the references provided by the Individual Defendants, a managing director at one of the world's most prominent hedge funds who purported to have invested and received returns from the Individual Defendants' ticket resale business.

187. Seaton relied on these representations, as well as the investment materials, in making his decision to invest.

188. On March 8, 2016, Seaton, on behalf of Londonderry, executed the Subscription Agreement for 875H and the 875H LLC Agreement, pledging $50,000. That same day, Seaton, on behalf of Londonderry, executed the AEII Profit Participation Agreement and Participation

Schedules for Events I and II, pledging $55,000 for Event I and $45,000 for Event II. The AEII Participation Schedules included the following additional representations, initialed by Harriton, made by AEII: "(1) There is no Ticket Loan outstanding with respect to the subject tickets; and (2) It has the right to the tickets that are the subject of this Agreement." On March 9, 2016, Seaton sent a check for $50,000 to 875H and on March 10, 2016, Seaton wired $100,000 to AEII, both on behalf of Londonderry.

V. Meli and Harriton Continue to Lie To Plaintiffs To Further the Ponzi Scheme

189. Throughout 2016, Meli and Harriton continued to lie to investors, including Plaintiffs, in furtherance of their Ponzi Scheme, by providing false updates purporting to show profits from the sales of tickets to various events and by paying out purported profit "distributions." Plaintiffs relied on these misrepresentations in their decisions to continue to invest.

190. On January 25, 2016, Harriton e-mailed 875H investors, including Hayden, a status update that they invested "approximately 4.6 million" and "we have put it to work in 6 distinct transactions (5 concert tours and 1 Broadway show), spreading approximately equally." He stated that from the "first of the concert tours . . . [p]reliminary results indicate that we were able to liquidate tickets for 135% of what we paid, net to 875 Holdings. We believe the other transactions will yield even better results."

191. The Individual Defendants concealed that they were not investing the 875H funds in events as promised, but instead were using the money to pay back prior investors and to enrich themselves.

192. On April 14, 2016, Harriton e-mailed investors, including Hayden, Nagelberg, Rouhana and Seaton, with a "Q1 2016 Update – 875 Holdings LLC" purporting to highlight "our performance during the first quarter of the year."

193. Among other things, the Individual Defendants stated, on behalf of 875H, that "[w]e liquidated out first event during the quarter and realized an approximate 34% gain on an absolute basis" and "[w]e currently hold 5 positions, 4 tours and 1 show with capital fairly equally spread among each."

194. On April 21, 2016, after the death of the famed performance artist, Prince, Harriton e-mailed investors, informing them that "after an appropriate and respectful period, we will pursue the return of our investment . . . [and will] endeavor to ensure that this will not result in any loss of capital to the investor base."

195. On June 29, 2016, Harriton e-mailed Event I investors, including Hayden, Nagelberg, Rouhana and Seaton, that the Individual Defendants are "preparing to make our first distribution for" Event I and "[w]e will be distributing back to you an amount equal to 50% of your original investment. This amount represents collected proceeds of approximately 6,100 tickets at an average price of roughly $575 per ticket."

196. The Individual Defendants told investors that "to date, we have sold approximately 14,000 tickets, or roughly 40% of our inventory, and are in the process of collecting the balance of the outstanding receivable at a similar price level. If our results continue on similar metrics, this implies an overall gross return of 187.5% and an approximate net return to investors in excess of 90% for the life of the investment."

197. On July 15, 2016, Nagelberg received a wire transfer for $500,000 from AEII for the purported distributions for Event I. These funds were not actual returns, but instead this was money coming from other investors.

198. On July 15, 2016, each member of the Rouhana Family received a wire transfer of $50,000 from AEII for the purported distributions for Event I. These funds were not actual returns, but other investors' money.

199. On July 15, 2016, Londonderry received a wire transfer for $27,500 from AEII for the purported distributions for Event I. As with the other distributions, these funds were not actual returns, but other investors' money.

200. On July 19, 2016, Harriton e-mailed investors, including Hayden, Nagelberg, Rouhana and Seaton, with an "875 Holdings – Q2 2016 Update" purporting to highlight "our performance during the second quarter of the year."

201. Among other things, the Individual Defendants told investors that "[w]e currently hold 5 positions, 4 tours and 1 show with capital fairly equally spread among each" and "we have liquidated approximately 40% of the position at an average price of 2.75X of our purchase price."

202. On August 3, 2016, Harriton e-mailed Hayden regarding Adele ticket sales, misrepresenting that the Individual Defendants were in negotiations to sell the entire block of tickets purchased: "we pushed out inventory to the back half of the tour, heavily weighted in NY due to our ongoing negotiations to sell the entire block."

203. On September 15, 2016, Harriton e-mailed investors regarding "Event I Distribution #2, Event II Distribution #1," informing investors that "we should be receiving a significant amount of receipts from Event I and Event II within the next few business days" and

"we will make the distribution immediately upon receipt." He further stated that "Event I results from this payment are in line with the economics of the first receipt (2.75X cost basis) and we have sold the entire block of tickets for Event II for 1.3X cost basis (this was a bulk purchase and will be paid in 3 installments over a three month period, the first being in the next few days)."

204. On September 26, 2016, Nagelberg received a wire transfer for $500,000 from AEII for the purported distributions for Events I and II. Once again, these funds were not actual returns, but instead this was money coming from other investors.

205. After not receiving any of the distributions discussed in the Individual Defendants' September 15, 2016, e-mail, on October 6, 2016, Rouhana e-mailed Harriton asking for an update. Harriton responded that "on Hamilton, still waiting on balance. We are trying to get more than the initial payment on Adele, will know Monday. Unfortunately have our hands full these past few days with Desert Trip which starts tonight. I will keep you posted."

206. On October 8, 2016, in response to Rouhana's e-mail asking "is there a problem getting Hamilton money?" Harriton stated "[n]o problem got half of it waiting for the other half." On October 14, 2016, Harriton e-mailed Rouhana stating "[j]ust got off the phone and it looks like Tuesday we should have both the balance of this Hamilton payment and Adele."

207. On November 1, 2016, each member of the Rouhana Family received a wire transfer of $41,237.11 for the purported distributions for Events I and II. These funds were not actual returns, but other investors' money.

208. On November 1, 2016, Londonderry received a wire transfer for $22,680 from AEII for the purported distributions for Event I. Again, these funds were not actual returns, but other investors' money.

209. On December 16, 2016, Harriton e-mailed Nagelberg regarding "distributions" stating "looks like next week, 3 distributions, Hamilton, Adele and Desert Trip."

210. On January 12, 2017, Nagelberg received a wire transfer for $245,704 from Advance Entertainment, LLC 95H. Harriton informed Nagelberg that the distribution was related to Event II.

211. On January 19, 2017, Harriton e-mailed investors, including Hayden and Nagelberg, regarding "Event II first Distribution" stating that "today we are processing the first distribution from Event II. The distribution represents 33% of your initial investment." The Individual Defendants further represented that "[a] rough estimate based on anticipated timing of distributions indicates that returns will be in the 16% to 19% range, net to investors."

212. On January 19, 2017, Hayden received a wire transfer for $166,666.67 from AEII.

213. On January 19, 2017, Londonderry received a wire transfer of $8,333 from AEII. Seaton e-mailed Harriton that same day asking Harriton to "reconcile" the amount to 33% of his $45,000 investment that the Individual Defendants had described in their January 19, 2016, e-mail. Harriton responded that "you[r] distribution should have been $15,000 so I am wiring you an additional 6,666.67." That same day, Londonderry received a wire transfer of $6,666.67 from AEII. These funds were not actual returns, but instead this was money coming from other investors.

214. On January 20, 2017, each member of the Rouhana Family received a wire transfer of $33,333.33 for the purported distributions for Event II. Once again, these funds were not actual returns, but other investors' money.

215. Plaintiffs did not receive any disbursements after January 20, 2017.

216. In total, from January 2015 to January 2017, Meli and Harriton used the Four Entities to raise over $97 million from investors for the Ponzi Scheme.

217. The Individual Defendants misrepresented to investors, including Plaintiffs, that the investment funds collected would be used for purchasing tickets for resale.

218. Meli and Harriton did not use the more than $97 million received to buy bulk tickets to high profile events for resale. Instead, they operated a classic Ponzi scheme, making payments to prior investors from newly invested funds.

219. From the Four Entities, the Individual Defendants paid over $59 million directly to prior investors and not for ticket sales or live-event productions.

VI. Meli and Harriton Misappropriate Investor Funds to Enrich Themselves and Their Families

220. From January 2015 through January 2017, in addition to using the investor funds to make payments to existing investors, Meli and Harriton secretly misappropriated millions of dollars from the Four Entities for their personal use:

a. The Individual Defendants used at least $5 million dollars of investor funds from 127H and AE to pay for jewelry and retail purchases, private-school and camp tuition, automobiles, private-club memberships, wine, restaurants, travel and casino payments;

b. The Individual Defendants used at least $1.8 million of investor funds from 127H and AE to make payments to architecture, design or construction firms;

c. The Individual Defendants transferred approximately $1.3 million of investor funds from one or more of the Four Entities to Harriton;

d. The Individual Defendants withdrew approximately $1.5 million of investor funds from 127H and AE; and

e. Indeed, as the Ponzi Scheme unraveled, on or about January 26, 2017, the Individual Defendants used $685,000 from 127H and AE to pay for legal services.

221. From January 2015 through January 2017, Meli and Harriton secretly transferred millions of dollars from the Four Entities to other unrelated entities they controlled and their family members:

a. The Individual Defendants paid approximately $405,000 from 127H and AE to Anna Meli, Meli's mother;

b. The Individual Defendants transferred approximately $307,000 from 127H to 127 Partners, an entity Meli controlled;

c. The Individual Defendants transferred at least $489,000 from 127H to 127 Iconic Partners, an entity Meli controlled;

d. The Individual Defendants transferred approximately $260,000 from 127H and AE to Nineteen Two Productions, an entity Meli controlled;

e. The Individual Defendants transferred approximately $325,000 from AE to MXCU Holdings, an entity Harriton controlled; and

f. The Individual Defendants transferred approximately $70,000 from 127H and 875H to Mash Transactions, an entity Harriton controlled.

VII. Meli Admits to the Ponzi Scheme and the Fraud is Revealed

222. In December 2016 and January 2017, an individual cooperating with law-enforcement authorities consensually recorded conversations with Meli, unbeknownst to Meli.

223. In the course of these taped conversations, Meli admitted his role in the Ponzi Scheme:

a. "[E]verything is fungible. I've been moving things around and playing a shell game to keep that prick at bay by giving him little payments, but I've been taking it from other people." (December 19, 2016);

b. Meli admitted that it was a "fraudulent ticket deal that had this floated." (December 19, 2016); and

c. Meli told the cooperator, "[a]ll I've been doing all along is a shell game. You know how it works, right? You take money from one guy to pay off another guy." (December 30, 2016).

224. On January 26, 2017, Meli, in connection with his role in the Ponzi Scheme, was indicted: (1) conspiracy to commit securities fraud and wire fraud (Count I); (2) securities fraud (Count II); and (3) wire fraud under 18 U.S.C. §§ 1343 & 2 (Count IV).

225. On January 27, 2017, the SEC filed a Complaint against Meli, Harriton and the Four Entities: (1) fraud in the offer or sale of securities, under Section 17(a)(1)-(3) of the Securities Act; and (2) fraud in connection with the purchase or sale of securities, under Section 10(b) of the Exchange Act and Rule 10b-5(a)-(c). *See SEC v. Meli, et al.*, Case No. 17-cv-632-LLS (S.D.N.Y.).

FIRST CAUSE OF ACTION

Fraud in Connection with the Purchase or Sale of Securities
Violations of Section 10(b) of the Exchange Act and Rule 10b-5(a), (b), and (c)
(Against Meli, Harriton, 875 Holdings, LLC, Advance Entertainment, LLC, Advance Entertainment II, LLC, 127 Holdings LLC on behalf of all Plaintiffs)

226. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 225 as if fully set forth herein.

227. By reason of the conduct described above, defendants Meli, Harriton, 875H, AE, AEII, and 127H, directly or indirectly, in connection with the purchase or sale of securities, by used of the means or instrumentalities of interstate commerce or the mails, or of any facility or any national securities exchange, intentionally, knowingly or recklessly, (i) employed devices, schemes, or artifices to defraud; (ii) made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any persons, including purchasers or sellers of the securities, such as Plaintiffs. (*See*, *e.g.*, ¶¶ 34-37, 45-46, 48-49, 55, 62, 70, 75, 103, 107-108, 110, 117, 127-135, 137, 144, 147, 153, 157, 166-169, 185, 190, 193-196, 201, 203, 205-206, 209, 211.)

228. The Individual Defendants and the Four Entities, individually and in concert, directly or indirectly, by the use, means or instrumentalities of interstate commerce or the mails, or of any facility or any national securities exchange, made materially false and misleading statements and omissions of material fact to device Plaintiffs, as alleged herein, and engaged and participated in a continuous course of conduct to conceal adverse material information about the Ponzi Scheme, which operated as a fraud and deceit upon investors, including Plaintiffs. The Individual Defendants and the Four Entities are sued as primary participants in the wrongful conduct alleged herein.

229. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein and participated in the creation, development and issuance of the materially false and misleading statements alleged herein, and/or were aware of the other Defendants' dissemination of information to Plaintiffs they knew was materially false

and misleading. The Individual Defendants' material misrepresentations were done knowingly, or recklessly, and for the purpose and effect of concealing the truth with respect to the nature of the Ponzi Scheme, including the use of investor funds.

230. Plaintiffs relied on the Individual Defendants' misrepresentations in making their decisions to invest, including, but not limited to the Individual Defendants' misstatements regarding (i) the purpose of 875H stated in the 875H Summary and the 875H LLC Agreement (*see* ¶¶ 34-37, 45-46, 48-49, 103, 137, 166, 185); (ii) the purpose of AEII has stated in the AEII LLC Agreement and the Profit Participation Agreement (*see* ¶¶ 70, 75, 114, 144, 153, 157, 166, 185); (iii) the business model for all investments, as described by the Individual Defendants orally and in e-mails (*see* ¶¶ 107-108, 110, 117, 127-135, 147, 150, 190, 193-196, 201-203, 205-206, 209, 211) and as written in the agreements signed by Plaintiffs (*see* ¶¶ 104, 111, 114, 139, 145, 154, 158, 172-178, 188); and (iv) validity of the Fraudulent Hamilton Agreement and the Fraudulent Adele Agreement. (*See* ¶¶ 55, 62, 131-2, 165-166, 183.)

231. The Individual Defendants employed devices, schemes, and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure Plaintiffs of the validity of the Ponzi Scheme. At the time of said misrepresentations and omissions, Plaintiffs were ignorant of their falsity, and believed them to be true. Had Plaintiffs known the truth regarding the Ponzi Scheme and the actual use of investor funds, Plaintiffs would not have invested.

232. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiffs have suffered damages in connection with the loss of their investments and are entitled to damages.

233. By reason of the conduct described above, the Individual Defendants and the Four Entities violated Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

SECOND CAUSE OF ACTION
Common-Law Fraud
(Against Meli, Harriton, 875 Holdings, LLC, Advance Entertainment, LLC, Advance Entertainment II, LLC, 127 Holdings LLC on behalf of all Plaintiffs)

234. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 233 as if fully set forth herein.

235. The Individual Defendants knowingly misrepresented to Plaintiffs that they were involved in a unique investment opportunity whereby they would pool investor funds to purchase large blocks of tickets for major concerts and theatrical performances to then resell at a substantial mark-up, generating high returns. Any investments were purportedly "in exchange for an entitlement to certain proceeds from the re-sale of the" event tickets.

236. The Individual Defendants knowingly misrepresented these facts orally, and in writing, including misstatements regarding (i) the purpose of 875H stated in the 875H Summary and the 875H LLC Agreement (*see* ¶¶ 34-37, 45-46, 48-49, 103, 137, 166, 185); (ii) the purpose of AEII has stated in the AEII LLC Agreement and the Profit Participation Agreement (*see* ¶¶ 70, 75, 114, 144, 153, 157, 166, 185); (iii) the business model for all investments, as described by the Individual Defendants orally and in e-mails (*see* ¶¶ 107-108, 110, 117, 127-135, 147, 150, 190, 193-196, 201-203, 205-206, 209, 211) and as written in the agreements signed by Plaintiffs (*see* ¶¶ 104, 111, 114, 139, 145, 154, 158, 172-178, 188); and (iv) validity of the Fraudulent Hamilton Agreement and the Fraudulent Adele Agreement. (*See* ¶¶55, 62, 131-2, 165-166, 183.) Each of these was created and shown to Plaintiffs in an effort to induce Plaintiffs to invest in the Ponzi Scheme.

237. All these facts were material to Plaintiffs in connection with their decisions to invest.

238. The Individual Defendants knew that all these material misrepresentations were false at the time they communicated this information to Plaintiffs.

239. Plaintiffs would not have invested if they had known of these material misstatements regarding the use of their funds.

240. Plaintiffs reasonably relied on these material misstatements and omissions, based on, among other things, the explicit assurances by the Individual Defendants that the money would be pooled to invest in block ticket purchases to particular events, including: *Hamilton* (Event I); Adele concerts (Event II); and Desert Trip (Event III).

241. Plaintiffs could not have discovered the truth of the Individual Defendants' misstatements and omissions through the exercise of ordinary diligence because the information was either kept confidential or known only be the Individual Defendants, including the fact that the Fraudulent Hamilton Agreement and the Fraudulent Adele Agreement did not exist and that the majority of the funds invested were going, not to purchase tickets, but to pay off prior investors and to personally enrich the Individual Defendants.

242. Plaintiffs lost approximately $ 5.6 million in funds they invested in the Four Entities and are damaged as a proximate result of the Individual Defendants' fraud.

243. Because the Individual Defendants engaged in their fraudulent conduct willfully and maliciously, and with the intent to damage Plaintiffs, Plaintiffs are entitled to an award of damages, including punitive damages.

THIRD CAUSE OF ACTION
Breach of Contract
(Against Meli, Harriton and 875 Holdings, LLC by Nagelberg, Hayden, William Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry)

244. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 243 as if fully set forth herein.

245. Nagelberg, Hayden, William Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry, in connection with their investments in 875H, are all parties to the 875H LLC Agreement. At all times, both Harriton and Meli controlled and were the managers of 875H.

246. In connection with his investment of $500,000 in 875H, Hayden executed the 875H LLC Agreement on or about January 11, 2016.

247. In connection with his investment of $250,000 in 875H, Nagelberg executed the 875H LLC Agreement on or about February 4, 2016.

248. In connection with their individual investments of $50,000 in 875H, William Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano and Michael Damiano each executed the 875H LLC Agreement on or about March 10, 2016.

249. In connection with its investment of $50,000 in 875H, Londonderry executed the 875H LLC Agreement on or about March 8, 2016.

250. Section 2.1 of the 875H LLC Agreement states

> The purpose of the Company is to engage in any lawful act or activity for which limited liability companies may be formed under the Act. . . . Primarily, the business of the Company (the "Business of the Company") shall be to acquire and resell, individually and through its subsidiaries, tickets to various events, including concerts, theater, sports, museums, and other events ("Event Tickets") which shall take place within any of the United States or its territories and possessions.

251. Section 3.7 of the 875H LLC Agreement states "[t]he aggregate of all Capital Contributions of the Members to the Company shall be available to the Company to carry out the objects and purposes of the Company."

252. Section 8.6 of the 875H LLC Agreement states "the Company shall be restricted from paying personal expenses incurred by Mr. Meli or Mr. Harriton, unless the same are related to the performance by such individual of his duties as a manager or officer of the Company, or are otherwise related to the operation of the business of the Company."

253. Virtually all of the at least $7.1 million invested in 875H, including $1,100,000 from Nagelberg, Hayden, William Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry, was not used to "acquire and resell . . . tickets to various events" and was instead used to personally enrich Meli and Harriton and to pay off prior investors, in furtherance of the Ponzi Scheme.

254. As such, Meli, Harriton and 875H have repeatedly breached the 875H LLC Agreement, including sections 2.1, 3.7 and 8.6.

255. As a direct and proximate result of the conduct listed above, Nagelberg, Hayden, William Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry have been damaged in an amount to be determined at trial, but not less than $1,100,000.

FOURTH CAUSE OF ACTION
Common-Law Fraud
(Against Tripoint Global Equities, LLC by Hayden and Nagelberg)

256. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 255 as if fully set forth herein.

257. Tripoint knowingly misrepresented to Hayden and Nagelberg that Tripoint had conducted certain due diligence regarding the investment, including that it: (i) verified the Fraudulent Hamilton Agreement and the relationship between the Individual Defendants and the producer, Jeffrey Seller; (ii) it evaluated the records of past deals done by Meli and Harriton and the profits made by investors; and (iii) it was verifying the wire transfers to the Four Entities to ensure that investor money was being used to fund ticket deals.

258. These claims were false. Had Tripoint evaluated or verified any of the above, it would have known the Fraudulent Hamilton Agreement was fake, prior returns were non-existent, and wires from the Four Entities were going, not to ticket brokers, but to prior investors in the scheme and into the Individual Defendants' own pockets.

259. All these facts were material to Hayden and Nagelberg in connection with their decisions to invest.

260. Tripoint knew that all these material misrepresentations were false at the time they communicated this information to Hayden and Nagelberg.

261. Tripoint knowingly misrepresented these facts orally, and in writing, including in the transmitting the Fraudulent Hamilton Agreement, as well as the 875H Summary, 875H LLC Agreement, and the AEII LLC Agreement. Each of these was shown to Hayden and Nagelberg in an effort to induce them to invest in the Ponzi Scheme.

262. Hayden and Nagelberg would not have invested if they had known of these material misstatements regarding the use of their funds.

263. Hayden and Nagelberg reasonably relied on these material misstatements and omissions, based on, among other things, the explicit assurances by Tripoint that investor's money was being pooled to invest in bulk ticket purchases to particular events, including *Hamilton*.

264. Hayden and Nagelberg could not have discovered the truth of these misstatements and omissions through the exercise of ordinary diligence because the information was either kept confidential or known only to Tripoint, including the fact that Tripoint had not conducted any due diligence into the veracity of the Fraudulent Hamilton Agreement, past profits or the use of investor money.

265. Hayden and Nagelberg lost approximately $ 4.2 million in funds they invested in the Four Entities and are damaged as a proximate result of Tripoint's fraud.

266. As a direct and proximate result of the above, Hayden and Nagelberg are entitled to damages in an amount to be determined at trial.

FIFTH CAUSE OF ACTION
Aiding and Abetting Fraud
(Against Tripoint Global Equities, LLC by Hayden and Nagelberg)

267. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 266 as if fully set forth herein.

268. The Individual Defendants and the Four Entities perpetuated a fraud as set forth in this Complaint.

269. Tripoint knew of the fraud, or it was so obvious that they must have known of the fraud, based on, among other things, its representations that it had (i) verified the Fraudulent

Hamilton Agreement and the relationship between the Individual Defendants and the producer, Jeffrey Seller; (ii) evaluated the records of past deals done by Meli and Harriton and the profits made by investors; and (iii) was verifying wire transfers to the Four Entities to ensure that investor money was being used to fund ticket deals.

270. Tripoint provided substantial assistance to the Individual Defendants in obtaining investors for the Ponzi Scheme, by, among other things, using its connections to seek out wealthy investors and entities and representing that it had done certain due diligence into the investment.

271. Tripoint transmitted to Hayden and Nagelberg, as well as other investors, false statements about the investments, both orally and in writing, including the Fraudulent Hamilton Agreement, as well as the 875H Summary, 875H LLC Agreement, and the AEII LLC Agreement. Tripoint disseminated falsified documents, including the Fraudulent Hamilton Agreement, to bolster the credibility of these misrepresentations, and they arranged for investors to invest in the Four Entities, often taking commissions related to such investments.

272. Tripoint took no action to stop the fraud—indeed, as described above, it actively took steps to perpetrate the fraud—despite that Tripoint knew, or should have known based on its representations to investors about its due diligence, that the Individual Defendants were perpetrating a Ponzi scheme.

273. The actions of Tripoint in assisting and concealing the fraud, and their inaction to disclose the fraud, proximately caused Hayden and Nagelberg to lose investments of approximately $4.2 million in the Ponzi Scheme.

274. As a direct and proximate result of the above, Hayden and Nagelberg are entitled to damages in an amount to be determined at trial.

SIXTH CAUSE OF ACTION
Negligent Misrepresentation
(Against Tripoint Global Equities, LLC by Hayden and Nagelberg)

275. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 274 as if fully set forth herein.

276. Tripoint, made misstatements and omissions of material adverse facts when Nathan presented the investment opportunity to Hayden in December 2015. In particular, Tripoint misrepresented that it had (i) verified the Fraudulent Hamilton Agreement and the relationship between the Individual Defendants and the producer, Jeffrey Seller; (ii) evaluated the records of past deals done by Meli and Harriton and the profits made by investors; and (iii) was verifying wire transfers to the Four Entities to ensure that investor money was being used to fund ticket deals.

277. Nathan made these misrepresentations knowing that Hayden and Nagelberg were relying on them in making their decisions regarding investment.

278. Tripoint had a duty to provide correct information to Hayden and Nagelberg concerning the investment, including the truth as to what due diligence was actually performed, for the purpose of Hayden and Nagelberg making a decision regarding their investment.

279. This duty was created by Nathan's relationship with Hayden and Nagelberg, whereby he made these misrepresentations to Hayden knowing that Hayden and Nagelberg intended to rely and act on the information concerning the investment to determine whether or not to invest in the Four Entities.

280. Based on the representations above, Tripoint knew or recklessly disregarded that Fraudulent Hamilton Agreement was fake, prior investment returns were non-existent, and wires

from the Four Entities were going, not to ticket brokers, but to prior investors in the scheme and into the Individual Defendants' own pockets.

281. Hayden and Nagelberg reasonably relied on these misstatements when making their decisions to invest in the Four Entities.

282. As a proximately result of the conduct described above, Hayden and Nagelberg have been damaged in an amount to be determined at trial.

SEVENTH CAUSE OF ACTION
Unjust Enrichment
(Against Tripoint Global Equities, LLC by Hayden and Nagelberg)

283. Plaintiffs repeat and reallege the allegations contained in Paragraphs 1 through 282 as if fully set forth herein.

284. Tripoint has taken certain broker fees in connection with the investments by Hayden and Nagelberg in the Four Entities.

285. Tripoint was unjustly enriched at Plaintiffs' expense at least to the extent of the portion of fees it took in connection with their investments.

286. It is against equity and good conscience to permit Tripoint to retain the fees it collected in connection with Hayden's and Nagelberg's investments, where it made misrepresentations regarding its due diligence into the Individual Defendants' Ponzi Scheme which were relied on by Hayden and Nagelberg in their decisions to invest, including it had (i) verified the Fraudulent Hamilton Agreement and the relationship between the Individual Defendants and the producer, Jeffrey Seller; (ii) evaluated the records of past deals done by Meli and Harriton and the profits made by investors; and (iii) was verifying wire transfers to the Four Entities to ensure that investor money was being used to fund ticket deals.

287. As a direct and proximate result of Tripoints' wrongful taking of fees associated with Hayden's and Nagelberg's investments in the Ponzi Scheme, Tripoint has been unjustly enriched to the detriment of Hayden and Nagelberg.

288. Accordingly, Hayden and Nagelberg are entitled to a judgment in their favor for the full amount by which Tripoint has been unjustly enriched, in an amount to be determined at trial.

DEMAND FOR A JURY TRIAL

Under Federal Rule of Civil Procedure 38, Plaintiffs respectfully request a trial by jury on all claims so triable.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs David Nagelberg, individually, and as Trustee of the David S. Nagelberg 2003 Revocable Trust and Pensco c/f David S. Nagelberg Roth IRA, Matthew Hayden, Mitchell Knapp, Lawrence J. Sheer DDS PSP, William J. Rouhana, Jr., Amy Newmark, Timothy Rouhana, Rosemary Rouhana, Ella Damiano, Michael Damiano and Londonderry Capital LLC respectfully request that the Court enter a judgment awarding: (1) compensatory damages; (2) punitive damages; and (3) any other and further relief as the Court may deem just and proper.

Dated: April 26, 2017

GROSSMAN LLP

By: _____

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