

SUPREME COURT OF NEW YORK
COUNTY OF NEW YORK

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LAMORNA INVESTMENTS LIMITED S.A.

Plaintiff,

Index No.

-against-

SUMMONS

MG CAPITAL MANAGEMENT
RESIDENTIAL FUND III L.P., MG CAPITAL
MANAGEMENT, L.P., ECAM III, LLC, MG
GP III, L.P., and ERIC MALLEY,

Defendants.

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TO THE ABOVE-NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action and to serve a copy of your answer on the plaintiff's attorneys within 20 days after the service of this summons, exclusive of the day of service (or within 30 days after the service is complete if the summons is not personally delivered to you within the State of New York); and in case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded herein.

The plaintiff designates New York County as the place of trial based on the residence of the defendants pursuant to CPLR § 503.

Dated: New York, New York
May 10, 2019

MICHELMAN & ROBINSON, LLP

By: /s/ Jon Schuyler Brooks
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SUPREME COURT OF NEW YORK
COUNTY OF NEW YORK

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LAMORNA INVESTMENTS LIMITED S.A.

Plaintiff,

Index No.

-against-

COMPLAINT

MG CAPITAL MANAGEMENT
RESIDENTIAL FUND III L.P., MG CAPITAL
MANAGEMENT, L.P., ECAM III, LLC, MG
GP III, L.P., and ERIC MALLEY,

Defendants.

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Plaintiff Lamorna Investments Limited S.A. (“Lamorna” or “Plaintiff”), by and through its undersigned counsel, Michelman & Robinson, LLP, brings this action against Defendants, MG Capital Management Residential Fund III L.P (“Fund III”) and MG Capital Management, L.P. (“MG Capital”), ECAM III, LLC (“ECAM III”), MG GP III, L.P. (“MG GP”) and Eric Malley (“Malley,” and together with Fund, MG Capital, ECAM III, and MG GP, the “Defendants”) and alleges the following:

PRELIMINARY STATEMENT

1. In reliance on offering materials which touted Defendants’ history of above-market performance and successful fundraising of substantial funds, Plaintiff invested \$1,000,000 in Fund III on or about October 25, 2015. In reality, Defendants’ storied “history” was an intentionally fraudulent and manufactured work of absolute fiction.

2. Lying to Lamorna to induce it to invest in Fund III is just the first thread in Defendants’ spiderweb of deception. In a desperate attempt to conceal their longtime fraud and nefarious conduct, Defendants have consistently misrepresented the performance of Fund III,

failed to make promised distributions, and denied Lamorna access to Fund III information to which Lamorna is entitled. Despite Lamorna's voiced concerns regarding the validity and performance of Fund III and its management, Defendants continue to hold Lamorna's investment - induced by fraud - hostage in the failing Fund III.

3. As set forth herein, Defendants fraudulently induced Lamorna to execute the subscription agreement based upon false statements in Defendants' offering materials, engaged in other fraudulent conduct, and have been unjustly enriched at Plaintiff's expense. As a direct result of Defendants' malfeasance, Lamorna has suffered, and will continue to suffer damages absent rescission of the Subscription Agreement.

JURISDICTION AND VENUE

4. Jurisdiction is proper herein pursuant to CPLR §§ 301 and 302, and venue is proper pursuant to CPLR § 503.

PARTIES

5. Plaintiff Lamorna is a Panamanian limited liability company with its principal place of business located in Panama City, Panama.

6. Defendant Fund III is a Delaware limited partnership that does business in New York, with its principal place of business located at 405 Park Avenue, Suite 500, New York, New York.

7. Defendant MG Capital is a Delaware limited partnership that serves as the investment manager and promoter for all of the MG Capital funds, including Fund III. MG Capital does business in New York, with its principal place of business located at 405 Park Avenue, Suite 500, New York, New York.

8. Defendant MG GP is a Delaware limited partnership that does business in New York, with its principal place of business located at 405 Park Avenue, Suite 500, New York, New York. MG GP serves as the general partner for Fund III.

9. Defendant ECAM III is a Delaware limited liability company that serves as the general partner of both MG Capital and MG GP. Upon information and belief, ECAM III does business in New York, with its principal place of business located at 405 Park Avenue, Suite 500, New York, New York.

10. Defendant, Eric Malley, is a resident of New York and is president and founder of MG Capital Management L.P. and managing member of ECAM III.

FACTUAL BACKGROUND

11. Prior to its investment in Fund III, MG Capital provided Lamorna with, among other documents: (1) a private placement memorandum prepared by MG Capital (“PPM”); (2) a subscription agreement by and among Fund III, MG GP, and Lamorna (“Subscription Agreement”); (3) a firm profile (“Firm Profile”); and (4) an investor presentation (“Investor Presentation”) (collectively the “Offering Materials”), upon each of which Lamorna reasonably relied in deciding to make its investment in Fund III.

12. Based upon explicit representations in the Offering Materials, Dr. Ravi Mehrotra, on behalf of Lamorna, executed the Subscription Agreement on or about August 19, 2015. Lamorna wired its \$1,000,00 investment to Fund III on or about October 25, 2015.

13. On behalf of Fund III, the Subscription Agreement was executed by Malley, as managing member of ECAM III, the general partner of MG GP, the general partner of Fund III. Malley also executed the Subscription Agreement on behalf of MG GP, in his capacity as managing member of ECAM III, general partner of MG GP.

14. Plaintiff's investment in Fund III and its execution of the Subscription Agreement were made in reliance upon MG Capital's claimed history of above-market performance and successful fundraising, as reflected by the historical performance of Fund I and Fund II, which served as the basis for the representations made in the Offering Materials.

15. Since Lamorna's investment in Fund III, a number of events have occurred that raised concerns about the quality and legitimacy of Fund III, and Defendants' related ventures. In addition, Lamorna has become aware that certain representations in the Offering Materials, upon which Lamorna relied in making its investment in Fund III, were false.

16. Critical language relating Defendants' fundraising experience is found in the PPM, which discusses the investment manager team and its experience. With respect to the experience of Malley, the managing member of ECAM III, LLC, which is the general partner of MG Capital and MG GP (the general partner of MG Capital), the PPM expressly represented that Malley and MG Capital had experience in forming investment entities (Fund I and Fund II) and successfully promoting defined capital raises (\$350 million during a 12-month subscription period for Fund I and \$55 million following a 30-day subscription period for Fund II). Similarly, the Investor Presentation relied on the same intentionally misrepresentative information regarding the previous performance of Fund I and Fund II, as well as Malley's and MG Capital's investment experience. In addition, the Firm Profile fraudulently induced Lamorna to rely on fabricated annual return on investment ("ROI") data for both Fund I and Fund II.

17. These representations were false.

18. Plaintiff believes the true facts to be as follows:

- a. There is no registration in Delaware for MG Capital Fund I;
- b. No investment entity was created in advance of the alleged fundraising for Fund I;

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