


UNITED STATES BANKRUPTCY COURT		PROOF OF CLAIM
Name of Debtor: Friend Finder, Inc	Case Number: 13-12404 (CSS)	COURT USE ONLY <input type="checkbox"/> Check this box if this claim amends a previously filed claim Court Claim Number: _____ (If known) Filed on: _____
NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): ALVIN J. MALNIK		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim. Attach copy of statement giving particulars.
Name and address where notices should be sent: 12000 Biscayne Blvd Suite 802 Miami, FL 33181 Telephone number: (305) 372-3535 email: Kenneth@DMGPA.COM		
Name and address where payment should be sent (if different from above): 12000 Biscayne Blvd Suite 802 Miami, FL 33181 Telephone number: (305) 372-3535 email: Kenneth@DMGPA.COM		RECEIVED NOV 18 2013 BMC GROUP
1. Amount of Claim as of Date Case Filed: <u>\$ 960,000</u>		
If all or part of the claim is secured, complete item 4. If all or part of the claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if the claim includes interest or other charges in addition to the principal amount of the claim. Attach a statement that itemizes interest or charges.		
2. Basis for Claim: <u>Legal Action for Damages</u> (See instruction #2)		
3. Last four digits of any number by which creditor identifies debtor: 1894	3a. Debtor may have scheduled account as: <u>Lawsuit</u> (See instruction #3a)	3b. Uniform Claim Identifier (optional): _____ (See instruction #3b)
4. Secured Claim (See instruction #4) Check the appropriate box if the claim is secured by a lien on property or a right of setoff, attach required redacted documents, and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: _____ Value of Property: \$ _____ Annual Interest Rate _____ % <input type="checkbox"/> Fixed or <input type="checkbox"/> Variable (when case was filed)		Amount of arrearage and other charges, as of the time case was filed, included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____
5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507 (a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.		
<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507 (a)(1)(A) or (a)(1)(B).	<input type="checkbox"/> Wages, salaries, or commissions (up to \$12,475*) earned within 180 days before the case was filed or the debtor's business ceased, whichever is earlier - 11 U.S.C. § 507 (a)(4).	<input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507 (a)(5). Amount entitled to priority: \$ _____
<input type="checkbox"/> Up to \$2,775* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507 (a)(7).	<input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507 (a)(8).	<input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507 (a)(____). PMGI Holdings POC  00149
*Amounts are subject to adjustment on 4/01/16 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		
6. Credits. The amount of all payments on this claim has been credited for the purpose of making this proof of claim (See instruction #6)		

7. Documents: Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, security agreements, or, in the case of a claim based on an open-end or revolving consumer credit agreement, a statement providing the information required by FRBP 3001(c)(3)(A). If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. If the claim is secured by the debtor's principal residence, the Mortgage Proof of Claim Attachment is being filed with this claim (See instruction #7, and the definition of "redacted".)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

8. Signature: (See instruction #8)

Check the appropriate box.

- I am the creditor. I am the creditor's authorized agent I am the trustee, or the debtor, or their authorized agent (See Bankruptcy Rule 3004.) I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3005.)

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: Kenneth Terrell

Title: Attorney

Company: Law Offices of David M Goldstein PA

Address and telephone number (if different from notice address above):

12000 Biscayne Blvd
Suite 802

Miami FL 33181

Telephone number: 305-372-3535 email: Ken@DMGPA.com

[Signature] 11/11/13
(Signature) (Date)

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, exceptions to these general rules may apply.

Items to be completed in Proof of Claim form

Court, Name of Debtor, and Case Number:

Fill in the federal judicial district in which the bankruptcy case was filed (for example, Central District of California), the debtor's full name, and the case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is at the top of the notice.

Creditor's Name and Address:

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

1. Amount of Claim as of Date Case Filed:

State the total amount owed to the creditor on the date of the bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

2. Basis for Claim:

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on delivering health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if an interested party objects to the claim.

3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

3a. Debtor May Have Scheduled Account As:

Report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

3b. Uniform Claim Identifier:

If you use a uniform claim identifier, you may report it here. A uniform claim identifier is an optional 24-character identifier that certain large creditors use to facilitate electronic payment in chapter 13 cases.

4. Secured Claim:

Check whether the claim is fully or partially secured. Skip this section if the

claim is entirely unsecured. (See Definitions.) If the claim is secured, check the box for the nature and value of property that secures the claim, attach copies of lien documentation, and state, as of the date of the bankruptcy filing, the annual interest rate (and whether it is fixed or variable), and the amount past due on the claim.

5. Amount of Claim Entitled to Priority Under 11 U.S.C. § 507 (a).

If any portion of the claim falls into any category shown, check the appropriate box(es) and state the amount entitled to priority. (See Definitions.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

6. Credits:

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

7. Documents:

Attach redacted copies of any documents that show the debt exists and a lien secures the debt. You must also attach copies of documents that evidence perfection of any security interest and documents required by FRBP 3001(c) for claims based on an open-end or revolving consumer credit agreement or secured by a security interest in the debtor's principal residence. You may also attach a summary in addition to the documents themselves. FRBP 3001(c) and (d). If the claim is based on delivering health care goods or services, limit disclosing confidential health care information. Do not send original documents, as attachments may be destroyed after scanning.

8. Date and Signature:

The individual completing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what constitutes a signature. If you sign this form, you declare under penalty of perjury that the information provided is true and correct to the best of your knowledge, information, and reasonable belief. Your signature is also a certification that the claim meets the requirements of FRBP 9011(b). Whether the claim is filed electronically or in person, if your name is on the signature line, you are responsible for the declaration. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. If the claim is filed by an authorized agent, provide both the name of the individual filing the claim and the name of the agent. If the authorized agent is a servicer, identify the corporate servicer as the company. Criminal penalties apply for making a false statement on a proof of claim.

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DEFINITIONS

INFORMATION

Debtor

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

Creditor

A creditor is a person, corporation, or other entity to whom debtor owes a debt that was incurred before the date of the bankruptcy filing. See 11 U.S.C. §101 (10).

Claim

A claim is the creditor's right to receive payment for a debt owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

Proof of Claim

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

Secured Claim Under 11 U.S.C. § 506 (a)

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car. A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien.

A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

Unsecured Claim

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

Claim Entitled to Priority Under 11 U.S.C. § 507 (a)

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

Redacted

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor must show only the last four digits of any social-security, individual's tax-identification, or financial-account number, only the initials of a minor's name, and only the year of any person's date of birth. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information.

Evidence of Perfection

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

Acknowledgment of Filing of Claim

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system (www.pacer.psc.uscourts.gov) for a small fee to view your filed proof of claim.

Offers to Purchase a Claim

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

IN THE 15TH JUDICIAL CIRCUIT IN AND FOR PALM BEACH COUNTY, FLORIDA

CASE NO. 2013-CA 11894

JORDAN ZIMMERMAN AS
ASSIGNEE OF THE PFJZRL, LLC and
ALVIN MALNIK AS ASSIGNEE of
MARK GILBERT TRUSTEE OF THE
MILLENNIUM GIFT TRUST u/a/d 12/22/2000

Plaintiffs,

v.

FRIEND FINDER NETWORK, INC.,
MARC BELL, individually and
DANIEL STATON, individually,

Defendants.

COMPLAINT

Plaintiffs, Jordan Zimmerman as assignee of, PFJZRL, LLC. ("Zimmerman") and Alvin Malnik as assignee of Mark Gilbert as Trustee of the Millennium Gift Trust u/a/d 12/22/2000 ("Malnik") sue the Defendants Friend Finder Network, Inc. ("FFN"), Marc Bell, individually ("Bell") and Daniel Staton, individually ("Staton") as follows;

JURISDICTIONAL ALLEGATIONS AND VENUE

1. This is an action for damages in excess of \$15,000.00, exclusive of interest, costs and attorneys' fees, and equitable relief.
2. This court has subject matter jurisdiction of this cause pursuant of Florida Statutes §26.012.

3. Venue is appropriate herein pursuant to Florida Statutes §§ 47.011, 47.051.
4. All conditions precedent to the maintenance of this action by the Plaintiffs have occurred, or their performance has been waived by the Defendants.

GENERAL ALLEGATIONS

5. This is a lawsuit for Fraudulent Inducement, Negligent Misrepresentation, Breach of the Duty of Good Faith and Fair Dealing, Securities Fraud and Conversion.
6. Bell is the Chief Executive Officer, President and a Director of FFN, a Nevada corporation with its principal place of business in Florida. Staton is the Chairman of the Board of Directors and Treasurer of FFN.
7. On July 1, 2008 a company known as Penthouse Media (previously acquired by FFN) had its name changed to Friend Finder Networks Inc. (previously described as FFN). FFN operates numerous adult web-sites, including but not limited to AdultFriendFinder.com, Amigos.com, Cams.com, FriendFinder.com, BigChurch.com and SeniorFriendFinder.com.
8. FFN has funded its operation by incurring substantial debt from third parties and has employed a complicated debt structure and the issuance by FFN of multiple levels and types of promissory notes.
9. Bell and Staton acquired debt in the face amount of approximately FORTY MILLION and 00/100 DOLLARS (\$40,000,000.00) from FFN, both directly in their own name, and through other entities that they controlled, including but not limited to PET Capital Partners II, LLC ("PET II"), in the form of promissory notes from FFN.

10. Accordingly to FFN's S-1 Registration Statements filed with the United States Securities and Exchange Commission, Bell and Staton, through various entitles, also receive substantial payments from FFN under a management agreement, compensation agreement and a lease with FFN.

A. Bell and Staton Make False Representation to Plaintiffs on their own Behalf and Behalf of FFN to Raise Money to Buy Off IBD, so that FFN's Public Offering Can Proceed

11. In June 2008, Bell and Staton represented to an individual named Howard Dvorkin ("Dvorkin") that Bell and Staton wanted to do an initial public offering for FFN ("IPO") that was going to raise millions of dollars.

12. In June 2008, Bell and Staton, directly and through intermediaries, represented to Plaintiffs, Zimmerman and Malnik as well as Dvorkin that they needed to raise approximately FOUR MILLION AND 00/100 DOLLARS (\$4,000,000.00) as an initial up-front payment to buy-out another company that was an impediment to the above described IPO, called Interactive Brand Development Inc. ("IBD") for a total purchase price of approximately THIRTY MILLION AND 00/100 DOLLARS (\$30,000,000.00). They represented through Dvorkin that the Plaintiffs, Zimmerman and Malnik as well as Dvorkin, who also invested money, would be repaid for putting up the FOUR MILLION AND 00/100 DOLLARS (\$4,000,000.00) with FIVE MILLION AND 00/100 DOLLARS (\$5,000,000.00) if the IPO took place by December 31, 2008; FIVE MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$5,500,000.00) if the IPO took place between December 31, 2008 and June 1, 2009 and SIX MILLION AND 00/100 DOLLARS (\$6,000,000.00) if the IPO took place from June 2, 2009 to December 31, 2009 or later. Bell and Staton

represented that the balance of the approximately THIRTY MILLION AND 00/100 DOLLARS (\$30,000,000.00) purchase price to close the transaction would be paid from the proceeds of the IPO of FFN. They represented that the Plaintiffs, Zimmerman and Malnik as well as Dvorkin, would receive FIFTEEN MILLION TWO HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$15,250,000.00) if FFN raised TWO HUNDRED AND FIFTY MILLION AND 00/100 DOLLARS (\$250,000,000.00) from the IPO or THIRTY TWO MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$32,500,000.00) if the IPO raised FOUR HUNDRED MILLION AND 00/100 DOLLARS (\$400,000,000.00.)

13. In approximately November 2008, Dvorkin, on behalf of himself and the Plaintiffs attended a meeting at the offices of Marc Bell Capital, with Bell, Staton, Lloyed Beirne, Ezra Shahoua, Chief Financial Officer of FFN, and an analyst. At the meeting, Bell, in front of Staton and on his and Staton's behalf represented to Dvorkin who in turn informed the Plaintiffs, that Bell and Staton guaranteed the deal and that his and the Plaintiffs' investments were safe and would be repaid by Bell and Staton personally out of their own pockets if necessary; Staton did not contradict Bell's statement. Staton represented that Dvorkin, Zimmerman and Malnik each would make \$20 million on the deal at the minimum.
14. Following the meeting, an agent of Bell, Staton and FFN's, reiterated to Dvorkin that Staton had guaranteed the investment and that the Plaintiffs and Dvorkin would not lose their money.

15. Bell, personally and through his agent, repeatedly represented that the deal was guaranteed by himself and Staton to Dvorkin, and the Plaintiffs Zimmerman and Malnik.
16. Bell and Staton represented to the Plaintiffs and Dvorkin that they had a FIVE HUNDRED MILLION AND 00/100 DOLLARS (\$500,000,000.00) to ONE BILLION AND 00/100 DOLLARS (\$1,000,000,000.00) commitment from the underwriters for the IPO. Upon information and belief this statement was false.
17. In December 23 2009, the S-1 filed with the SEC for FFN indicated that FFN was seeking to raise FOUR HUNDRED MILLION AND 00/100 (\$400,000,000.00) from the IPO.
18. Bell and Staton represented that they Bell and Staton, had each invested SIXTY TO SEVENTY MILLION AND 00/100 DOLLARS (\$60,000,000.00 - \$70,000.000.00) of their own money in FFN and needed more money to buy out IBD as described above so that the IPO could take place.
19. Upon information and belief, Bell and Staton had not each invested SIXTY TO SEVENTY MILLION AND 00/100 DOLLARS (\$60,000,000.00 - \$70,000.000.00) into FFN prior to the Plaintiffs' investment.
20. After securing the money from the Plaintiffs and Dvorkin, through an entity that they created, without the explicit knowledge of the Plaintiffs, Bell and Staton allegedly consummated their plan to buy out IBD so that they could proceed with the IPO.
21. Bell and Staton did not inform the Plaintiffs nor Dvorkin that a significant portion of Bell and Staton's investment into FFN was in the form of debt rather than equity.

22. Bell represented that IBD, through its attorney threatened litigation that Bell and Staton believed could have derailed or prevented the IPO from taking place.
23. Bell and Staton and their agent guaranteed to the Plaintiffs and Dvorkin that their principal was never at risk.
24. Bell and Staton were the architects behind the scheme to get the Plaintiffs to invest in FFN.

B. Strategic Media

25. In December 2008, a Company call Strategic Media, LLC (Strategic) entered into a stock Purchase Agreement with IBD to purchase IBD's 25,483,300 share of Series B common stock of FFN. The actual purchase price for the shares to be purchased by Strategic was THIRTY SIX MILLION SIX HUNDRED AND FIFTY THOUSAND AND 00/100 DOLLARS (\$36,650,000.00)
26. Upon information and belief, a non-refundable initial payment in the amount of THREE MILLION SIX HUNDRED AND FIFTY THOUSAND AND 00/100 DOLLARS (\$3,650,000.00) was paid at the signing of the stock purchase agreement. This payment was funded, unbeknownst to the Plaintiffs, by the Plaintiffs', Zimmerman and Malnik, as well as Dvorkin's, funds. Additionally, upon information and belief, said funds were further used to pay legal fees and other transaction costs.
27. IBD's stock was to be held in escrow pending the payment of the full purchase price.
28. The balance of the purchase price to be paid to IBD was due December 31, 2011. Upon information and belief, if the balance was not paid in full by its due date by Strategic, the agreement required Strategic to deliver the shares to IBD's creditors. The Plaintiffs, notwithstanding any documents that they were requested to execute,

were under the impression and understanding, due to representation made to them, that their investment was being placed directly into FFN when in fact a "Bait and Switch" of their investment took place and unbeknownst to the Plaintiffs their individual investments of NINE HUNDRED SIXTY TWO THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$962,500.00) each, for a total of ONE MILLION NINE HUNDRED TWENTY FIVE THOUSAND AND 00/100 DOLLARS (\$1,925,000.00) was diverted to an upstart company called Strategic, with no assets or history of operation, controlled by Bell and Staton, either individually or through alter ego entities.

29. The IPO failed to raise the amount of money projected, and the transaction with Strategic failed. Bell and Staton have informed the Plaintiffs to their surprise, that their money is lost.

C. Bell and Staton Failed to Honor their Personal Guarantees

30. As set forth in FFN's S-1, on October 27, 2010 FFN secured "New Financing" in which various promissory notes issued by FFN were converted to Cash Pay Notes, Non-Cash Pay Notes and Senior Secured Notes.
31. Over time, it is the Plaintiffs' belief and understanding that Bell and Staton's position in FFN grew to approximately SIXTY FIVE MILLION AND 00/100 DOLLARS (\$65,000,000.00). Bell, Staton and PET II cashed out approximately FORTY FOUR MILLION AND 00/100 DOLLARS (\$44,000,000 .00) of their FFN notes purportedly through a sale before the IPO took place which was brokered by a company called Imperial Capital . Apparently the price for their FFN notes increased by creating a discussion of the impending IPO.

32. It is the Plaintiff's belief that without the diversion of Plaintiffs' investment into Strategic, resulting in the execution of a purchase and sale agreement with IBD for IBD's stock, Bell and Staton would not have been able to sell their FFN notes at an inflated price.
33. The IPO raised far less than the FIVE HUNDRED MILLION AND 00/100 DOLLARS (\$500,000,000.00) that Bell and Staton initially represented would be raised.
34. According to FFN's S-1s, none of the proceeds of the IPO were used to purchase the IBD stock, but instead were used to redeem certain notes issued by FFN to Bell and Staton.
35. The Plaintiffs have made repeated demands to Bell and Staton to fulfill their promises to personally guarantee the return of Plaintiffs' investment.
36. Bell and Staton at various times subsequent to the IPO indicated that they would pay Plaintiffs Zimmerman and Malnik what they are owed, but that they did not want to pay it from their own pockets. Instead, Bell and Staton suggested to Zimmerman and Malnik that the payments should be made from FFN. Ironically, the company that the Plaintiffs thought their investment had been made in , in the first place.
37. Bell and Staton requested that Zimmerman and Malnik prepare a fictitious consulting agreement with FFN, such that FFN would be obligated to pay the Plaintiffs Zimmerman and Malnik back the amount of their principal investment, however, the Plaintiffs refused to do so, and again requested the return of their money directly from Bell and Staton.

38. All the actions and representations made by Bell and Staton on behalf of FFN were done while they were within the scope of their employment with FFN. All other actions and representation made by Bell and Staton were done so on their own behalf, from which they personally benefited.

COUNT I
FRAUD IN THE INDUCEMENT BY BELL AND STATON
WHILE WITHIN THE SCOPE OF THEIR EMPLOYMENT WITH FFN

39. Plaintiffs repeat and realleges each and every allegation contained in Paragraph 1 through 40 above as if set forth herein in full.

40. This is an action for damages sustained by the Plaintiffs substantially in excess of \$15,000.00 as a result of fraud in the inducement committed by Bell and Staton, while within the scope of their employment with FFN.

41. Bell and Staton made numerous false representations of material facts to the Plaintiffs as set forth in detail above in order to induce the Plaintiffs to give their money to Bell and Staton.

42. Bell and Staton made the aforesaid misrepresentations and/or omissions on their own behalf and on behalf of FFN as controlling officers/shareholders, agents and directors of FFN while within the scope of their employment.

43. Bell and Staton made the aforesaid misrepresentation and /or omissions knowingly and willfully, and fully intending that the Plaintiffs would rely upon the same.

44. At the time of their representation and/or omissions, while within the scope of their employment with FFN, Bell and Staton knew or should have known they were false.

45. At the time of their representation, Bell and Staton, while within the scope of their employment with FFN, also knew or should have known that they were not capable of performing as represented, and had no intention of performing as represented.

46. As a direct and proximate result of the aforesaid fraudulent conduct, Plaintiffs have suffered damages substantially in excess of \$15,000.00.

WHEREFORE, Plaintiffs, Zimmerman and Malnik hereby demand judgment against the Defendant, FFN, for damages substantially in excess of \$15,000.00, together with awarding Plaintiffs their costs and disbursements, prejudgment interest, reasonable attorney fees and such other and further relief as this Court deems just, equitable and proper.

COUNT II
NEGLIGENT MISREPRESENTATION BY BELL AND STATON
WHILE WITHIN THE SCOPE OF THEIR EMPLOYMENT WITH FFN

47. Plaintiff repeats and realleges each and every allegation contained in Paragraph 1 through 40 above as if set forth herein in full.

48. This is an action for damages sustained by the Plaintiffs substantially in excess of \$15,000.00 as a result of negligent misrepresentation committed by Bell and Staton, while within the scope of their employment with the Defendant FFN.

49. Bell and Stanton made numerous false representation of material facts to Plaintiffs as set forth in detail above, namely that they were investing in a public company to-wit: FFN, when in fact a "BAIT and SWITCH" of the Plaintiffs' investment took place and their money was diverted to an upstart company controlled by Bell and Staton that had no operating history and no assets, to wit: Strategic, in which the Plaintiffs lost their full investments.

50. Bell and Staton made the aforesaid misrepresentation and/or omissions on their own behalf and on behalf of FFN, as officers/directors, agents and controlling individuals of FFN, while within the scope of their employment with FFN.

51. Bell and Staton made the aforesaid misrepresentations and/or omissions, knowingly and willfully, and fully intending that the Plaintiffs would rely upon the same.

52. At the time of their representations and /or omissions, Bell and Staton knew or should have known that the same were false and/or that they were failing to disclose material facts.

53. At the time of their representation, Bell and Staton also knew or should have known that they were not capable of performing as represented, and had no intention of performing as represented.

WHEREFORE: Plaintiffs, Zimmerman and Malnik, hereby demand judgment against the Defendant FFN, for damages substantially in excess of \$15,000.00, together with awarding Plaintiffs their costs and disbursement, pre-judgment interest, reasonable attorneys fees and such other and further relief as that Court deems just equitable and proper.

COURT III
BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING
BY BELL AND STATON WHILE WITHIN THE SCOPE OF THEIR EMPLOYMENT
WITH FFN

54. Plaintiffs repeats and realleges each and every allegation contained in Paragraph 1 through 53 above as if set forth herein in full.

55. This is an action for damages sustained by the Plaintiffs substantially in excess of \$15,000.00 as a result of breaches of the implied covenant of good faith and fair dealing by Bell and Staton while within the scope of their employment with the Defendant FFN.
56. As officers/ directors and agents of the Defendant, FFN, Bell and Staton or behalf of FFN owed an implied duty of good faith and fair dealing to the Plaintiffs.
57. Bell and Staton in representing FFN breached its duty of good faith and fair dealing in that they took the following arbitrary and unreasonable actions in bad faith, for their own self-interests and that of FFN and to the detriment of the Plaintiffs.
58. As officers/ directors, agents and controlling individuals of FFN, Bell and Staton chose to use a company called Imperial Capital for FFN's IPO; the same company that brokered the sale of FFN Notes held by Bell and Staton. Bell and Staton acted in their own best interest to maximize the price Bell and Staton received for selling their FFN notes through Imperial Capital, at the expense of the success of the IPO and to the detriment of the Plaintiffs.
59. Bell and Staton also acted in their own self interest by delaying the IPO so that they could maximize the return on the sale of their FFN notes.
60. This resulted in harm to the Plaintiffs because more money would have been raised in the IPO if it took place earlier; if it was offered by a qualified and capable underwriter, not one with an apparent conflict of interest, their promised return would have been greater, as well as the return of their principal investment.

61. Bell and Staton while within the scope of their employment, made false representations to the Plaintiffs and suggested improper methods by which to return Plaintiffs' investment to them.
62. Bell and Staton used proceeds from the IPO to pay off FFN's debt, including upon information and belief, the debt held by Bell and Staton.
63. Bell and Staton acted knowingly and in bad faith in breaching their duties of good faith and fair dealing to the Plaintiff, while within the scope of their employment with FFN.
64. The Plaintiffs suffered distinct injury from the aforesaid actions of Bell and Staton, because the Plaintiffs have lost the money that was invested. Bell and Staton as well as FFN, benefitted from their misconduct to the detriment of the Plaintiffs, Zimmerman and Malnik.
65. As a direct and proximate result of the aforesaid breaches of fiduciary duty, and implied covenant of good faith dealing while within the scope of their employment with FFN, Plaintiffs have suffered damages substantially in excess of \$15,000.00.

WHEREFORE, Plaintiffs, Zimmerman and Malnik, hereby demand judgment against the Defendant FFN for damages substantially in excess of \$15,000.00, together with awarding Plaintiffs their costs and disbursement, pre-judgment interest, reasonable attorneys' fees and such other and further relief as this Court deems just, equitable and proper.

COUNT IV
SECURITIES FRAUD UNDER §§ 517.301, 517.211
BY BELL INDIVIDUALLY AND STATON INDIVIDUALLY AND
WHILE BOTH WERE WITHIN THE SCOPE OF THEIR EMPLOYMENT WITH
FFN

66. Plaintiff repeats and realleges each and every allegation contained in Paragraphs 1 through 65 above as if set forth herein in full.
67. This claim is asserted against Defendants, Bell and Staton, and FFN and is based upon §§ 517.301 and 517.211, Fla. Stat.
68. Under §517,021(21), Fla. Stat., the stock interests in FFN allegedly purchased by the Plaintiffs are securities under Florida law.
69. The interests in FFN, (1) required the investment of money by the Plaintiffs and the other investors; (2) pertained to a common enterprise; (3) contemplated the expectation for profits to be derived solely from the efforts of others; (4) Plaintiffs and other investors were dependant on the efforts of FFN, Bell and Staton or their agents to make a profit; and (5) the Plaintiffs are subject to financial loss.
70. In connection with the sale and purchase of their interests in FFN by the Plaintiffs, the Defendants violated § 517.301, Fla. Stat., by directly or indirectly;
- a. Employing devices, schemes or artifices to defraud;
 - b. Making untrue statements of material facts and omitting to state material facts necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading ; and

c. Engaging in acts, practices and courses of business which operated as frauds on Plaintiffs and other investor members in connection with the sale of the above described securities, all as alleged in this Complaint.

71. Such actions were also taken in connection with the offer for the sale and purchase of FFN stock in connection with the FFN IPO. Such stock constitutes a security under §517.021(21), Fla. Stat.

72. As discussed herein, the Defendants Bell and Staton as officers/directors, agents, and controlling individuals in FFN, made false representations while within the scope of their employment, engaged in a common plan, scheme, and unlawful course of conduct, pursuant to which they knowingly or recklessly engaged in acts, practices, and courses of business which operated as a fraud and deceit upon the Plaintiffs, and made various deceptive and untrue statements of material facts and omitted to state material facts necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading to the Plaintiffs.

73. Bell and Staton knowingly made false representations to the Plaintiffs on their own behalf and on behalf of FFN.

74. The purpose and effect of said scheme, plan and unlawful course of conduct was, among other things, to convince the Plaintiffs to fund the deposit of the buyout of IBD, so that the FFN IPO could proceed; and unknown to the Plaintiffs, so that Bell and Staton could profit by selling their FFN notes. Additionally, FFN could raise needed capital to pay off said Bell, Staton and Pet II notes through the IPO.

75. FFN through its representative officers/ directors, and agents, Bell and Staton, pursuant to said scheme, plan, and unlawful course of conduct, knowingly and

recklessly issued, caused to be issued, or participated in the preparation, issuance and distribution of deceptive and materially false and misleading statements to the Plaintiffs.

76. The omitted or misrepresented facts, discussed in this Complaint were material in that there is a substantial likelihood that a reasonable investor would consider these facts important in making investment decisions.
77. Plaintiffs, in ignorance of the false and misleading statements set forth herein and the deceptive and manipulative devices and contrivance employed by the representative officers/ directors, and agents of the Defendant, FFN, namely including but not limited to the "Bait and Switch" of their investment to an unknown entity, relied to their detriment on such misleading statements and omissions.
78. As a direct and proximate result of the aforesaid conduct, Plaintiffs have suffered damages substantially in excess of \$15,000.00.
79. Plaintiffs are entitled to recover damages from these Defendants pursuant to §517.211(2), Fla. Stat. including rescission plus interest; or for damages; plus interest; plus a reasonable attorneys' fee and costs.

WHEREFORE, Plaintiffs, Zimmerman and Malnik hereby demand judgment against the Defendants, FFN, Bell individually and Staton individually, pursuant to §517.211(2) (3) (4) and (16) , Fla Stat., for damages substantially in excess of \$15,000.00, plus interest; or in the alternative rescission by the Defendants returning the Plaintiffs' investments, and the Plaintiff returning any securities they received; together with awarding Plaintiffs' reasonable attorneys' fees and costs and

disbursements pre-judgment interest, and such other and further relief as this Court deems just, equitable and proper.

COUNT V
CONVERSION BY BELL AND STATON AS INDIVIDUALS

80. Plaintiffs repeat and reallege each and every allegation contained in Paragraphs 1 through 40 above, as if set forth herein in full.
81. This is an action for damages sustained by the Plaintiffs substantially in excess of \$15,000.00 as a result of Defendants Bell and Staton's conversion of the Plaintiffs' assets and property.
82. By virtue of the actions and conduct described hereinabove, Defendants Bell and Staton converted to their own use the assets and property of Plaintiffs.
83. Plaintiffs have an immediate right to possess such assets and property.
84. Plaintiffs have demanded that the Defendants Bell and Staton return the assets and property, but Defendants Bell and Staton have failed and refused, and continue to fail and refuse, to return the converted property to the Plaintiffs.
85. As a direct and proximate result of the aforesaid conduct, Plaintiffs have suffered damages substantially in excess of \$15,000.00.

WHEREFORE, Plaintiffs Zimmerman and Malnik hereby demand judgment against the Defendants Bell individually and Staton individually for damages substantially in excess of \$15,000.00, together with awarding Plaintiffs their costs and disbursement, pre-judgment interest, and such other and further relief as this Court deems just, equitable and proper.

RESERVATION OF RIGHT TO SEEK LEAVE TO AMEND TO SEEK TO
PUNITIVE DAMAGES.

Plaintiffs reserve the right to seek leave of court to amend pursuant to Rule 1.190(f) Fla. R. Civ. P., to assert a claim for punitive damages against Defendants, Bell, Staton and FFN upon a proffer of evidence that provides a reasonable basis for the recovery of punitive damages.

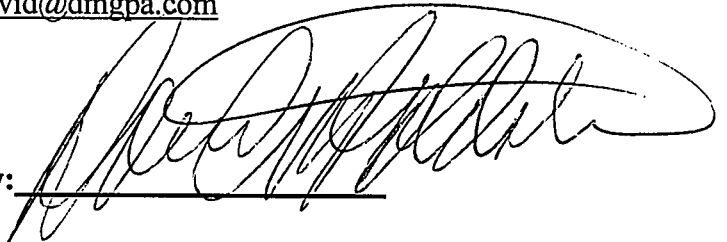
JURY TRIAL DEMAND

Pursuant to Rule 1.430(b), Florida Rules of Civil Procedure, Plaintiffs demand trial by jury of all issues as triable as of right.

Date: _____

David M. Goldstein Esq.
12000 Biscayne Blvd – Suite 802
N. Miami, Florida 33181
Florida Bar # 156003
david@dmgpa.com

By: _____

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read 'David M. Goldstein'.

The Law Offices Of
DAVID M. GOLDSTEIN, P.A.

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MIAMI, FLORIDA 33181
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DAVID M. GOLDSTEIN*
MEMBER OF FL, NY & NJ BARS*

November 12, 2013

Via: U.S. Mail

BMC Group

Attn: Claims and Noticing Agent

18675 Lake Drive East

Chanhassen, MN 55317


Re: Friend Finder/Alvin Malnik

To whom it may concern:

Enclosed please find proof of claim **Case No.13-12404 CSS.**

Should you have any questions or concerns please contact me at the office,

Sincerely,



Grace Zappala, Legal Assistant to
David M. Goldstein

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BMC GROUP

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