

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF KINGS

-----X	
LMEG WIRELESS, LLC, ZALMAN SCHOCHET, and	:
LEVI WILHELM,	:
	:
Plaintiffs,	:
	:
-against-	:
	:
MENACHEM FARRO,	:
	:
Defendant.	:
-----X	

Index No. \_\_\_\_\_/2016

**SUMMONS**

Date Purchased:  
November 15, 2016

**TO THE ABOVE-NAMED DEFENDANTS:**

**YOU ARE HEREBY SUMMONED**, to answer the Verified Complaint in this action and to serve a copy of your Answer on the Plaintiffs' attorneys within twenty (20) days after the service of this Summons, exclusive of the day of service, or within thirty (30) days after the completion of service or service made in any manner other than personal delivery within the State of New York. In case of your failure to appear or answer, judgment will be taken against you by default for the relief demanded in the Complaint.

The place of trial is Kings County based on Defendant's residence.

Dated: New York, New York  
November 15, 2016

FARRELL FRITZ, P.C.  
*Attorneys for Plaintiffs*

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**VERIFIED COMPLAINT**

Plaintiffs LMEG Wireless, LLC ("LMEG"), Zalman Schochet ("Schochet"), and Levi Wilhelm ("Wilhelm") (collectively, "Plaintiffs") by and through their attorney, Farrell Fritz, P.C., as and for their Verified Complaint against defendant Menachem Farro ("Farro"), allege as follows:

**NATURE OF THE ACTION**

1. Plaintiffs bring this action to recover damages Farro intentionally caused to them stemming from his repeated, obstructionist behavior and patently frivolous allegations all aimed at sabotaging LMEG's potential mergers with third-parties that not only would have repaid all of LMEG's debts, but also would have netted Farro, Wilhelm and Schochet many millions of dollars for their interests in LMEG. Farro's misconduct had no legitimate purpose, as his thwarting of LMEG's merger possibilities was solely for the purpose of extorting Schochet and Wilhelm to pay him more than his fair share for his one-third interest in LMEG.

2. Farro must now reap what he has sown.

**PARTIES**

3. Schochet is an individual residing in the State of Florida, County of Miami-Dade.

4. Wilhelm is an individual residing in the State of New York, County of Kings.

5. LMEG is a limited liability company organized and existing under the laws of the State of New York, with a principal place of business in the County of Kings, State of New York.

6. Farro (together with Wilhelm and Schochet, the "Members") is an individual who, upon information and belief, resides in the State of New York, County of Kings.

7. Farro, Wilhelm and Schochet each own co-equal one-third membership interests in LMEG.

#### **JURISDICTION AND VENUE**

8. This court has jurisdiction over Farro pursuant to Section 301 of the New York Civil Practice Law and Rules ("CPLR").

9. Venue is proper in Kings County pursuant to CPLR § 503, based upon Farro's residence.

#### **FACTS CONCERNING ALL CAUSES OF ACTION**

10. In or about April 2003, Farro and Wilhelm, as co-equal members, formed LMEG to trade cell phones and original cell phone accessories.

11. Farro's primary responsibilities with LMEG was to woo prospective lenders, manage LMEG's day-to-day cash flow, and ensure that LMEG's loans and vendors were repaid timely.

12. Wilhelm's primary responsibility was to run the day-to-day operations of LMEG, including but not limited to purchasing product, selling product, managing employees and determining the overall strategy of LMEG.

13. Initially, Farro and Wilhelm borrowed funds to operate LMEG's simple "flip" business model, *i.e.* borrow funds to purchase a product for "x" and immediately sell the product for "y."

14. In or about 2006, Farro unilaterally decided to take unjustified distributions from the cash flow of the business including from funds borrowed specifically to purchase product.

15. Since Farro decided to take distributions, Wilhelm also took equal distributions.

16. Farro and Wilhelm realized that the cash flow from the business was insufficient to repay the borrowed funds or to grow the business.

17. Farro, on behalf of LMEG, began borrowing additional funds to cover the repayment of loans and interest, to take additional distributions, and to expand business operations.

18. Farro induced lenders to loan these additional funds based on misrepresentations of LMEG's financial health.

**A. The Initial Loans and Farro's Reneging of Modification Terms**

19. In or about November 2008, Farro and Wilhelm turned to Schochet as an additional source of borrowed funds.

20. Eventually, Schochet became LMEG's primary lender.

21. Between March 2009 and September 2010, Schochet loaned to LMEG not less than \$6,000,000, as evidenced by various promissory notes, business loan agreements, and amended loan agreements (the "Initial Loans"), all executed by Farro and which were repaid, in part, by wire transfers initiated by Farro on behalf of LMEG.

22. In or about November 2010, Wilhelm and Farro informed Schochet that LMEG was unable to continue making the interest payments due under the Initial Loans.



23. Wilhelm and Farro thereafter began negotiations with Schochet to reduce the interest rates on the Initial Loans in exchange for giving Schochet equity interests in LMEG and certain affiliated businesses.

24. In or about December 2010, Wilhelm and Farro agreed upon certain deal terms they would extend to Schochet.

25. Wilhelm then extended the agreed upon deal terms to Schochet, which Schochet accepted.

26. A day after Wilhelm extended the agreed upon deal terms to Schochet, however, Farro reneged on the deal and withdrew his consent claiming LMEG could find funding somewhere else.

**B. Farro Misrepresents LMEG's Finances to Dupe Schochet into Making Additional Loans**

27. By July 2011, LMEG was again unable to repay the amounts owed under the Initial Loans.

28. Farro and Wilhelm again sought to renegotiate the terms of the Initial Loans with Schochet.

29. In or about July 2011, Farro and Wilhelm offered Schochet a co-equal equity interest in LMEG and its affiliated businesses in exchange for Schochet's forbearance of LMEG's default in repayment of and reduction of the interest rates on the Initial Loans.

30. In connection with the negotiations, Farro presented Schochet financial statements for LMEG showing approximately \$10 million in inventory, with outstanding liabilities of \$9 million.

31. On or about August 3, 2011, Schochet agreed upon the deal terms and the parties consummated the transaction, effecting a transfer of a one-third interest in LMEG and its affiliated companies to Schochet.

32. After the deal was consummated, however, a review of LMEG's inventory revealed its true value was less than \$3 million.

33. When questioned, Farro stated to Schochet that he valued the inventory at the highest retail sales price irrespective of the condition, location, and inventory purchase date, thus artificially inflating its value.

34. Farro further revealed to Schochet that there were significant other business loans owed by LMEG that Farro did not disclose during their negotiations (the "Friends & Family Loans").

35. The Friends & Family Loans were all made to LMEG by Farro's friends and family, most of which had interest rates in excess of 25%.

**C. The December 2011 Loan Agreement and Schochet's Active Involvement in LMEG**

36. Realizing that LMEG was technically insolvent and unable to pay the loan amounts owed to Schochet or to any of its other lenders, Schochet immediately began renegotiating the Friends & Family Loans and instituting new procedures to ensure LMEG's financial viability.

37. On December 7, 2011, LMEG and Schochet entered into an Amended Loan Agreement (the "December 2011 Loan") evidencing a new loan balance of \$11,000,000, which Farro and Wilhelm personally guaranteed, and restating Schochet's equity interests in LMEG and its affiliates, as follows:

Guarantors [Farro and Wilhelm] also hereby acknowledge that  
Lender [Schochet] is a 1/3 owner of all interest and shares of

Borrower [LMEG] and any and all entities and assets owned by Guarantors in connections [sic] with the cell phone, cell phone accessories, computers and/or electronic industries

38. A portion of the December 2011 Loan proceeds were used to pay off and retire some of the Friends & Family Loans.

39. For other Friends & Family Loans, Schochet was able to negotiate reduced interest rates and extended pay off terms favorable to LMEG.

40. Schochet further required regular financial and performance reporting from LMEG.

41. After Schochet became the primary financier and a co-equal member of LMEG, Farro's day-to-day involvement with LMEG drastically decreased because additional lenders were unnecessary.

42. Farro's primary remaining responsibility with LMEG was to effectuate its wire transfers or issue checks to vendors for amounts owed to them, to Schochet to repay the December 2011 Loan, and to the Members for distributions.

**D. Farro's Escalation of Tensions Among the Members**

***i. Farro's Stated Intention Not to Repay the December 2011 Loan***

43. Despite Schochet's best efforts, in or about July 2013, it became clear that LMEG would be unable to repay the December 2011 Loan by the June 2014 maturity date.

44. Schochet, Wilhelm, and Farro had several conversations to discuss reallocating their equity interests in LMEG in consideration for a reduction in the principal and/or interest owed under the December 2011 Loan.

45. Farro rejected all of the potential deal terms, and repeatedly stated that he had no interest in having LMEG ever repay the December 2011 Loan.



46. Farro also was unwilling or unable to make any capital contribution to LMEG so it could satisfy its debt obligations.

*ii. Farro's Petty Cancellation of LMEG's Credit Card*

47. In or about August 2013, Schochet advised Wilhelm that, given the stalemate and Farro's unwillingness to engage in any good-faith negotiations, he was going to foreclose upon the December 2011 Loan.

48. Upon information and belief, Farro overheard Schochet's comments to Wilhelm.

49. Farro, without informing any of his partners, immediately cancelled Wilhelm's authorization to use Farro's credit card which had always been used by Wilhelm to pay certain LMEG expenses.

50. Wilhelm and Schochet only discovered Farro's spiteful conduct when one of LMEG's vendors, AT&T, informed Wilhelm that LMEG's payment using that credit card was denied.

51. Farro's conduct put the LMEG in an immediate credit crunch and caused it to lose credibility with its vendors.

52. Farro eventually admitted his misconduct to Wilhelm and Schochet but only after repeatedly claiming it was the credit card company's mistake.

53. Needing a corporate credit card, Wilhelm and Schochet advised Farro that LMEG would be applying for a corporate American Express account with a credit line of \$1.5 million.

54. Farro, without any explanation whatsoever, objected to the new credit card account.



iii. **Farro's Theft of LMEG's Funds and His Refusal to Acknowledge Schochet's Equity Interests**

55. In or about September 2013, Schochet and Wilhelm traveled to Israel for an extended period leaving Farro in *de facto* charge of LMEG's daily operations.

56. Immediately, Farro began improperly and unilaterally distributing LMEG's funds to pay down his personal debts, including his personal credit card, and to pay off lenders with whom he had a personal relationship, including some of the remaining Friends & Family Loans.

57. Despite repeated demands, Farro only stopped using LMEG's funds for his personal benefit after Schochet threatened to file a criminal complaint against Farro.

58. In or about October 2013, Schochet and Farro met in an attempt to resolve their growing discord.

59. During their meeting, Schochet offered to purchase Farro's interest in LMEG for \$7 million based, in part, on LMEG's accountant's prior valuation of the LMEG at between \$15 million and \$20 million before being discounted for debt and each partners equity valued at approximately \$3 million. At the time, there was approximately \$10 million owed by LMEG. Schochet was willing to pay this disproportionate amount to Farro in the hope of a peaceful resolution.

60. Farro stated, in sum and substance, that Schochet's offer was "insulting" because he thought LMEG was worth "hundreds of millions of dollars."

61. Farro also threatened to "blow up the entire company" before repaying any amounts owed to Schochet under the December 2011 Loan.

62. Over the next couple of months, the tensions among the partners continued to escalate.

63. Farro began insinuating that Schochet was not a member of LMEG (or its affiliates), eventually stating outright that he never signed any document evidencing Schochet's ownership interests and that Schochet was trying to "steal his business," in words or substance.

64. When Farro was presented with the various K-1s, distribution ledgers, and the December 2011 Amended Loan Agreement, all of which evidenced Schochet's membership interest in LMEG, he lamely indicated that he "forgot."

65. Later, in or about September 2014, Farro and Wilhelm asked Schochet to lend LMEG additional funds for their personal taxes on the phantom income generated by LMEG.

66. On or about September 14, 2014, Schochet told Farro that he was hesitant to advance any more funds to the LMEG given Farro's earlier allegations concerning Schochet's membership interest. Farro laughed and said, in words or substance, "we are in a better place now and I will give you something to prove it."

67. Later that day, Farro drafted and signed a letter to Schochet confirming that Schochet owns equal one-third ownership interests in LMEG and each of its affiliates.

**E. Farro's Duplicitous Conduct in Negotiating a Potential Sale of LMEG**

68. By the beginning of 2014, it became clear that Farro resented Schochet's ownership interest in LMEG, because Farro felt Schochet had not paid for his interest, and that Schochet had been paid and was earning substantial interest on the December 2011 Loan. Farro was also upset that Schochet was running the business while Farro had been relegated to sidelines. It was immaterial to Farro that the revenue and profitability of the business was increasing.

69. Farro's misconduct and refusal to speak with his partners, unless it suited his needs, crystalized the fact that he, Wilhelm, and Schochet could no longer remain business partners.

70. Various common friends tried to broker a peace among the Members, all to no avail.

71. Schochet again offered to purchase Farro's ownership interests in LMEG and its affiliates, but now for an increased purchase price of \$10 million paid in installments. While Schochet realized this put a premium on Farro's interests, he was hoping for a peaceful resolution.

72. Farro, however, refused to accept any reasonable sum and rejected Schochet's and Wilhelm's offers for Farro to purchase their combined equity for \$10 million and repayment of outstanding loans.

73. Eventually, Schochet offered to tender his equity interests in exchange for the repayment of the balance owed under the December 2011 Loan.

74. Farro rejected this offer as well.

75. At every turn, Farro made it clear that he would not enter into any deal in which Schochet's loans were repaid and, thus, Farro insisted that any payment for his membership interests eclipse any payment made to Schochet or Wilhelm.

*i. Farro's Refusal to Hire a CFO for LMEG  
Despite Potential Suitors' Recommendations*

76. In or about January 2014, Farro's friend suggested that the Members try to sell LMEG and its affiliates.



77. Farro agreed to market and sell LMEG on the condition that Schochet allow LMEG to repay a remaining portion of the Friends & Family Loans owed to Farro's uncle and grandmother.

78. Although Schochet initially objected to the repayment, he ultimately relented upon Farro's promise to accept any terms for the sale of LMEG that were accepted by the majority, *i.e.*, Schochet and Wilhelm.

79. In consideration of Farro's promise, Schochet caused LMEG to repay a remaining portion of the Friends & Family Loans owed to Farro's uncle and grandmother.

80. The Members met with several investment bankers to market LMEG and its affiliates for sale, yet Farro insisted on retaining Western Reserve Partners ("WRP"), an Ohio based firm that had analyzed the business in July 2011.

81. In or about March 2014, the Members retained WRP to market the companies.

82. WRP started marketing LMEG, and the Members conducted nine management presentations.

83. It was clear from those meetings that the largest issue facing LMEG was human infrastructure. Farro, however, repeatedly rejected Schochet's and Wilhelm's request to hire a CFO to monitor and control LMEG's accounting, instead insisting that there should be no outside involvement in the LMEG on an executive level.

84. By September 2014, all of the private equity companies identified by WRP backed out of their negotiations with LMEG, except for one, TZP Capital Partners II, L.P. ("TZP").

85. TZP's enterprise value for LMEG, at \$75 million, was the lowest of any of the other private equity companies identified by WRP.



ii. **Farro Thwarts a Potential Transaction with TZP Capital Partners II, L.P.**

86. On December 1, 2014, TZP sent LMEG a proposed letter of intent for a sale transaction that valued LMEG at \$75 million (the “TZP Initial Offer”).

87. Farro, however, refused to execute the letter of intent.

88. On January 20, 2015, all of the principals and WRP meet at the law offices of Goodwin Procter LLP, Farro’s counsel for over a decade, to discuss the letter of intent.

89. Farro refused to attend the meeting.

90. On January 30, 2015, after continued negotiations with Farro’s attorneys, Farro finally agreed to execute the TZP letter of intent, which he did on February 2, 2015.

91. The TZP letter of intent identifies each of the Members as the sole co-equal members of LMEG.

92. After conducting its due diligence, in or about April 2015, TZP advised LMEG that it would not continue negotiations because of the state of LMEG’s financial reporting, and invited LMEG to contact it when LMEG’s reporting was sufficient.

93. Wilhelm and Schochet immediately updated LMEG’s financial reports without any assistance from Farro.

94. To address one of TZP’s other concerns, Schochet asked Farro to find a warehouse manager for LMEG.

95. Farro ignored Schochet’s request.

96. Schochet then performed his own research and presented Farro with several candidates for the position.

97. Farro finally responded that it was insulting for him to have to find a warehouse manager and that he did not have to do anything for LMEG.

98. Farro further insisted that he continue to be invited to every company meeting but that he would unilaterally decide if he wanted to attend.

99. On or about June 9, 2015, TZP sent LMEG an amended letter of intent increasing its valuation of LMEG to \$103 million based on Schochet's and Wilhelm's work (the "TZP Revised Offer").

100. For two weeks, Farro stated he was unable to contact his attorney to review the revised letter of intent, but that he was sure it would be acceptable because the only change was the increased valuation.

101. Ultimately, however, Farro stated he would not execute the revised letter of intent, offering no reason whatsoever for his changed position.

102. Given Farro's irrational refusal, Schochet, Wilhelm and TZP agreed to proceed with a transaction that buy-out Farro's ownership interests.

*iii. Farro Promises to Go Through With the Next Potential Transaction*

103. In or about July 2015, Farro's counsel at Goodwin Procter, Al Solecki, contacted Schochet to discuss terminating the TZP negotiations and instead remarketing LMEG through Mr. Solecki's partner, John LeClaire, who is a prominent M&A attorney, because Farro believed LMEG was worth at least \$150 million.

104. As a condition to LMEG terminating its negotiations with TZP, Mr. Solecki represented on Farro's behalf that Farro would execute any deal brought by Goodwin Procter and we could "all do this as friends," or words to that effect.

105. Based on this representation, LMEG, Schochet, and Wilhelm agreed to, and did, terminate negotiations with TZP.

106. On August 19, 2015, each of the Members, Mr. Solecki and Mr. LeClaire met at Goodwin Procter's office and Farro reiterated Mr. Solecki's earlier representation that he would execute any deal brought by Goodwin Procter if the TZP negotiations were terminated.

107. Shortly thereafter, Farro and Wilhelm again asked Schochet to lend LMEG additional funds for their personal taxes on the phantom income generated by LMEG.

108. Based on Farro's prior representation to go along with any future LMEG transaction, in or about October 2015, Schochet loaned LMEG an additional \$1.2 million to pay Farro's and Wilhelm's personal taxes on the phantom income generated by LMEG, thus increasing the December 2011 Loan balance by \$1.8 million.

*iv. Farro Thwarts the Next Potential Transaction  
with Ridgemont Equity Management II, LLC*

109. Although Mr. LeClaire shopped LMEG to various private equity investors, only one, Ridgemont Equity Partners ("REP"), agreed to a potential investment.

110. In or about November 2015, REP sent LMEG a letter of intent that valued LMEG at \$102.5 million (the "REP Initial Offer").

111. After several internal discussions, on November 17, 2015, the Members signed REP's letter of intent (the "REP LOI"), which was later revised due to LMEG failing to meet its fourth quarter financial projections for reasons beyond its control.

112. LMEG retained Goodwin Procter to represent it in the transaction.

113. The parties were negotiating the final economics of the transaction when, suddenly, on January 21, 2016, Farro advised LeClaire that he would not agree to the REP deal, in direct contradiction to his and his counsel's earlier representations to Schochet and Wilhelm.



114. Instead, Farro insisted that the REP Initial Offer be increased to a whopping \$180 million so that he would be paid \$30 million for 50% of his one-third interest in LMEG, or \$60 million for his entire interest.

115. When pressed on his valuation of his membership interest, Farro simply stated that he could not allow Schochet to get more than him, effectively discounting the \$17.25 million balance owed under the December 2011 Loan.

116. On February 4, 2016, Schochet met with Farro to discuss a possible resolution.

117. Farro reiterated his astronomical demand and, when pressed, admitted that “it’s not logical, but this is what I need,” or words to that effect.

118. Schochet then offered to sell to Farro his and Wilhelm’s equity interests for \$10 million and the repayment of the December 2011 Loan.

119. Farro rejected Schochet’s offer.

120. Schochet then offered Farro \$15 million for Farro’s interest.

121. Farro rejected that offer too.

122. All of the purchase offers to Farro were made to enable LMEG to pursue a third-party merger transaction, and for no other reason. Absent such a transaction, Farro’s interest had only a fraction of the values offered.

123. As a direct consequence of Farro’s misconduct that delayed the consummation of the transaction with REP, and the deteriorating financial condition of LMEG, REP decreased their offer to \$60 million as a straight enterprise value or a \$73.5 million enterprise value which afforded REP a 10% “payment in kind” compounded quarterly on their investment (the “REP Revised Offer”).



v. ***Farro's Frivolous Lawsuit Kills Any Potential Deal with REP***

124. At all relevant time, Schochet and Wilhelm attempted to work with Farro to include Farro in any potential transaction with TZP and REP so that he would be paid equally and fairly for his membership interests and remain a part of any subsequent business entity.

125. As a result of Farro's misconduct, including his baseless demand that he be paid \$60 million for his entire interest, REP insisted that Farro not be involved in any to be formed entity that would take over LMEG's business.

126. Plans were therefore made to proceed without Farro's consent or his future involvement in the business.

127. In or about March 2016, REP sent a letter of intent that involved a merger of LMEG with a new entity, with a cash-out of Farro's membership interest in LMEG and a repayment of the December 2011 Loan, that valued LMEG at approximately \$75 million (the "REP Cash Out Offer").

128. In or about May 2016, Farro was removed as, and Schochet was appointed as, a manager of LMEG and a director of the affiliated companies.

129. Farro did not object to his removal or Schochet's appointments.

130. Four months later, by Notices, dated September 30 and October 3, 2016, Schochet scheduled special meetings of the shareholders of the LMEG affiliates (the "Meetings") for October 14, 2016, to approve resolutions to sell the assets of the affiliates to a wholly-owned subsidiary of LMEG, as the first step in effectuating the Revised Cash Out Offer transaction that valued the Members' total equity interests at approximately \$33 million and retire the December 2011 Loan.

131. On or about October 13, 2016, Farro commenced an action (Sup. Ct., Kings County Index No. 518007/2016) against Schochet, Wilhelm, LMEG and the LMEG affiliates challenging Schochet's loans and his equity interests in the companies.

132. By Order to Show Cause, dated October 19, 2016 ("OSC"), Farro moved for a temporary restraining order and preliminary injunction preventing the Meetings.

133. By Stipulation, the Meetings were delayed until after the Court had an opportunity to rule on Farro's request for a temporary restraining order.

134. Farro perjured himself by alleging that Schochet either never received an equity interest in the companies or that such equity interests are void because certain loans he made to the companies are invalid.

135. Specifically, Farro's allegations and claims in his Complaint were (and are) patently frivolous and flatly refuted by the myriad documents Farro signed, or received and never objected to, since 2011 repeatedly acknowledging and confirming Schochet's equity interests.

136. Although the Court initially granted a brief TRO, upon further briefing and oral argument, the Court, by Order, dated October 31, 2016, vacated the TRO and denied Farro's requested preliminary injunction on the ground, inter alia, that there was no merit to Farro's nonsensical contention that the source of the funds loaned by Schochet to LMEG somehow invalidated Schochet's acknowledged equity stake.

137. On November 1, 2016, the Meetings were held, attended by all three shareholders, at which the Resolutions were approved by majority vote and thereafter the transfers of the assets of the LMEG affiliates to a wholly-owned subsidiary of LMEG were effectuated.

138. Farro's lawsuit based on his perjurious allegations that Schochet was not an equity owner of LMEG and its affiliates was intended to, and did have the effect of, terminating REP's interest in completing the merger transaction notwithstanding that LMEG and REP had invested tremendous time, effort, and money negotiating the proposed deal and almost completing rigorous due diligence.

139. On November 4, 2016, REP informed LMEG that it was terminating all proposed transactions with LMEG and its affiliates.

**FIRST CAUSE OF ACTION**  
*(By Schochet – Breach of Contract)*

140. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 139, as if fully stated herein.

141. Farro promised to Schochet and Wilhelm, individually and as members of LMEG, that if they/LMEG agreed to repay portions of the Friends & Family Loans that bore usurious interest rates, then he would consent to and accept any reasonable terms for the sale of LMEG (the "Friends & Family Loans Repayment Agreement").

142. In consideration for Farro's promise, Schochet and Wilhelm caused LMEG to repay portions of the Friends & Family Loans that bore usurious interest rates.

143. In breach of their Friends & Family Loans Repayment Agreement, Farro rejected the TZP Initial Offer and the TZP Revised Offer.

144. Based on Farro's conduct, LMEG was unable to consummate a transaction with TZP.

145. As a direct and proximate result thereof, Schochet has been damaged in an amount to be determined at trial, but believed to be not less than \$40.25 million.



146. By reason of the foregoing, Schochet is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since July 2015.

**SECOND CAUSE OF ACTION**  
*(By Wilhelm – Breach of Contract)*

147. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 146, as if fully stated herein.

148. Farro breached his Friends & Family Loans Repayment Agreement with Wilhelm, as described above.

149. As a direct and proximate result thereof, Wilhelm has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.

150. By reason of the foregoing, Wilhelm is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since July 2015.

**THIRD CAUSE OF ACTION**  
*(By LMEG – Breach of Contract)*

151. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 150 as if fully stated herein.

152. Farro breached his Friends & Family Loans Repayment Agreement with LMEG, as described above.

153. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.



154. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since July 2015.

**FOURTH CAUSE OF ACTION**  
*(By Schochet – Breach of Contract)*

155. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 154, as if fully stated herein.

156. Farro promised to Schochet and Wilhelm, individually and as members of LMEG, that if they/LMEG agreed to terminate the transactions with TZP, then Farro would execute any subsequent deal presented by Goodwin Procter (the “TZP Termination Contract”).

157. In consideration for Farro’s promise, Schochet and Wilhelm caused LMEG to terminate negotiations with TZP.

158. In breach of their TZP Termination Contract, Farro refused to accept the REP Initial Offer brokered by Goodwin Procter.

159. On November 4, 2016, REP terminated its negotiations with LMEG.

160. As a direct and proximate result thereof, Schochet has been damaged in an amount to be determined at trial, but believed to be not less than \$40.25 million.

161. By reason of the foregoing, Schochet is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**FIFTH CAUSE OF ACTION**  
*(By Wilhelm – Breach of Contract)*

162. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 161, as if fully stated herein.

163. In breach of the TZP Termination Contract, Farro refused to accept the REP Initial Offer brokered by Goodwin Procter.

164. As a direct and proximate result thereof, Wilhelm has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.

165. By reason of the foregoing, Wilhelm is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**SIXTH CAUSE OF ACTION**  
*(By LMEG – Breach of Contract)*

166. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 165, as if fully stated herein.

167. In breach of their TZP Termination Contract, Farro refused to accept the REP Initial Offer brokered by Goodwin Procter.

168. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.

169. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**SEVENTH CAUSE OF ACTION**  
*(By Schochet – Breach of Contract)*

170. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 169, as if fully stated herein.

171. In breach of the TZP Termination Contract, Farro refused to accept the REP Revised Offer.

172. As a direct and proximate result thereof, Schochet has been damaged in an amount to be determined at trial, but believed to be not less than \$40.25 million.

173. By reason of the foregoing, Schochet is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**EIGHTH CAUSE OF ACTION**  
*(By Wilhelm – Breach of Contract)*

174. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 173, as if fully stated herein.

175. In breach of the TZP Termination Contract, Farro refused to accept the REP Revised Offer.

176. As a direct and proximate result thereof, Wilhelm has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.

177. By reason of the foregoing, Wilhelm is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016.



**NINTH CAUSE OF ACTION**  
*(By LMEG – Breach of Contract)*

178. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 177, as if fully stated herein.

179. In breach of their TZP Termination Contract, Farro refused to accept the REP Revised Offer brokered by Goodwin Procter.

180. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial, but believed to be not less than \$23 million.

181. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**TENTH CAUSE OF ACTION**  
*(By LMEG – Breach of Contract)*

182. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 181, as if fully stated herein.

183. The REP LOI represented a valid and binding contract between LMEG and REP.

184. Farro breach the REP LOI as a result of his refusal to consummate the transaction contemplated thereby.

185. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial, but believed to be not less than \$13 million.

186. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$13 million, plus accrued interest thereon at the statutory rate since November 4, 2016.

**ELEVENTH CAUSE OF ACTION**

*(By LMEG – Tortious Interference with Existing Contract)*

187. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 186, as if fully stated herein.

188. LMEG had a valid and existing agreement with REP, *i.e.*, the REP LOI.

189. Farro was aware of the REP LOI, as he signed it as a member of LMEG.

190. Farro intentionally and improperly procured and induced a breach of the REP LOI without justification.

191. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial believed to be in excess of \$13 million.

192. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$13 million.

**TWELFTH CAUSE OF ACTION**

*(By LMEG – Tortious Interference with Prospective Business Advantage)*

193. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 192, as if fully stated herein.

194. LMEG had an ongoing business relationship with REP, as evidenced by the REP Cash Out Offer.

195. Farro was aware of the LMEG's business relationship with REP.

196. Farro intentionally interfered with LMEG relationship with REP by commencing and prosecuting his frivolous lawsuit in which he falsely alleged, among other things, that Schochet did not have an equity interest in LMEG.

197. Farro's actions constituted wrongful means and/or they were taken with the sole purpose of malice.

198. As a direct and proximate result of Farro's intentional and wrongful interference, the business relationship between LMEG and REP was terminated.

199. But for Farro's intentional and wrongful interference, REP would have continued its business relationship with LMEG.

200. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$13 million.

### **THIRTEENTH CAUSE OF ACTION**

*(By Schochet – Tortious Interference with Prospective Business Advantage)*

201. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 200, as if fully stated herein.

202. Schochet had an ongoing business relationship with REP, as evidenced by the REP Cash Out Offer.

203. Farro was aware of the Schochet's business relationship with REP.

204. Farro intentionally interfered with Schochet's relationship with REP by commencing and prosecuting his frivolous lawsuit in which he falsely alleged, among other things, that Schochet did not have an equity interest in LMEG.

205. Farro's actions constituted wrongful means and/or they were taken with the sole purpose of malice.

206. As a direct and proximate result of Farro's intentional and wrongful interference, the business relationship between Schochet and REP was terminated.

207. But for Farro's intentional and wrongful interference, REP would have continued its business relationship with Schochet.

208. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$30.25 million.



**FOURTEENTH CAUSE OF ACTION**

*(By Wilhelm – Tortious Interference with Prospective Business Advantage)*

209. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 208, as if fully stated herein.

210. Wilhelm had an ongoing business relationship with REP.

211. Farro was aware of the Wilhelm's business relationship with REP.

212. Farro intentionally interfered with Wilhelm's relationship with REP by commencing and prosecuting his frivolous lawsuit in which he falsely alleged, among other things, that Schochet did not have an equity interest in LMEG.

213. Farro's actions constituted wrongful means and/or they were taken with the sole purpose of malice.

214. As a direct and proximate result of Farro's intentional and wrongful interference, the business relationship between Wilhelm and REP was terminated.

215. But for Farro's intentional and wrongful interference, REP would have continued its business relationship with Wilhelm.

216. By reason of the foregoing, Wilhelm is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$13 million.

**FIFTEENTH CAUSE OF ACTION**

*(By LMEG – Breach of Fiduciary Duty)*

217. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 216, as if fully stated herein.

218. Farro, by reason of his position of trust and control as a member of LMEG, owed to LMEG fiduciary duties of loyalty, honesty and due care.

219. By engaging in the aforesaid misconduct and acts of looting and waste, Farro breached its fiduciary duties owed to LMEG.

220. Farro further breached his fiduciary duty of self-dealing by thwarting a potential sale of LMEG to third parties to further his own self-interest in extorting Schochet and Wilhelm for a larger payout for his membership interest.

221. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial believed to be in excess of \$23 million.

222. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million.

**SIXTEENTH CAUSE OF ACTION**  
*(By Schochet – Breach of Fiduciary Duty)*

223. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 222, as if fully stated herein.

224. As co-members of LMEG, Farro owed to Schochet fiduciary duties of loyalty, honesty and due care.

225. By engaging in the aforesaid misconduct, including his acts of looting and waste, and his self-interested conduct, Farro breached his fiduciary duties owed to Schochet.

226. As a direct and proximate result thereof, Schochet has been damaged in an amount to be determined at trial believed to be in excess of \$40.25 million.

227. By reason of the foregoing, Schochet is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$40.25 million.

**SEVENTEENTH CAUSE OF ACTION**

*(By Wilhelm – Breach of Fiduciary Duty)*

228. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 227, as if fully stated herein.

229. As co-members of LMEG, Farro owed to Wilhelm fiduciary duties of loyalty, honesty and due care.

230. By engaging in the aforesaid misconduct, including his acts of looting and waste, and his self-interested conduct, Farro breached his fiduciary duties owed to Wilhelm.

231. As a direct and proximate result thereof, Wilhelm has been damaged in an amount to be determined at trial believed to be in excess of \$23 million.

232. By reason of the foregoing, Wilhelm is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million.

**EIGHTEENTH CAUSE OF ACTION**

*(By LMEG – Prima Facie Tort)*

233. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 232, as if fully stated herein.

234. Farro acted to cause injury to Plaintiffs through all of the wrongful conduct alleged herein.

235. Farro undertook such wrongful conduct with the intent to cause injury to Plaintiffs.

236. Farro's undertook such wrongful conduct without any excuse or justification.

237. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial believed to be in excess of \$23 million.



238. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million.

**NINETEENTH CAUSE OF ACTION**  
*(By Schochet – Prima Facie Tort)*

239. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 238, as if fully stated herein.

240. Farro acted to cause injury to Plaintiffs through all of the wrongful conduct alleged herein.

241. Farro undertook such wrongful conduct with the intent to cause injury to Plaintiffs.

242. Farro's undertook such wrongful conduct without any excuse or justification.

243. As a direct and proximate result thereof, LMEG has been damaged in an amount to be determined at trial believed to be in excess of \$40.25 million.

244. By reason of the foregoing, Schochet is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$40.25 million.

**TWENTIETH CAUSE OF ACTION**  
*(By Wilhelm – Prima Facie Tort)*

245. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 244, as if fully stated herein.

246. Farro acted to cause injury to Plaintiffs through all of the wrongful conduct alleged herein.

247. Farro undertook such wrongful conduct with the intent to cause injury to Plaintiffs.

248. Farro's undertook such wrongful conduct without any excuse or justification.

249. As a direct and proximate result thereof, Wilhelm has been damaged in an amount to be determined at trial believed to be in excess of \$23 million.

250. By reason of the foregoing, LMEG is entitled to an award of compensatory damages in an amount to be determined at trial believed to be not less than \$23 million.

**TWENTY FIRST CAUSE OF ACTION**  
*(By All Plaintiffs – Accounting; Damages)*

251. Plaintiffs repeat and reallege the allegations in paragraphs 1 through 250, as if fully stated herein.

252. Farro, by reason of his position of trust and control as a member of LMEG, owes fiduciary duties to Plaintiffs to manage and operate LMEG with due care, loyalty and honesty, and to refrain from self-dealing and the misappropriation of LMEG's assets.

253. At all relevant times, Farro has been, and he currently is, the sole administrator of LMEG's various bank accounts, including those maintained with Citibank and Bank of America.

254. As the sole administrator, Farro has exercised complete control over LMEG's bank accounts to the exclusion of Schochet and Wilhelm.

255. Farro breached his fiduciary duties by, among other things, causing LMEG to borrow money from lenders, and operating LMEG's bank accounts in a self-interested manner such that Farro squandered, grossly mismanaged, and wasted LMEG's funds and property for his own personal gain, all without Schochet's or Wilhelm's knowledge and/or consent.

256. Prior to commencing this action, Schochet and Wilhelm made a written demand upon Farro for the production of LMEG's and its affiliates' loan documents and bank account records for their inspection under BCL § 624.

257. Farro failed and refused to make all of LMEG's loan documents and bank account records available to Plaintiffs so as to continue to keep hidden his various improprieties.

258. Consequently, Plaintiffs do not know the full extent of Farro's defalcations, which he has actively and fraudulently concealed from Plaintiffs.

259. Plaintiffs have no adequate remedy at law.

260. By reason of the foregoing, Plaintiffs are entitled to an accounting by Farro of his conduct and of all financial matters of LMEG in his possession, custody, and control, including, but not limited to, any and all loans made on behalf of LMEG and bank account activity initiated by Farro and, upon the completion of such accounting, to the recovery of all damages that Plaintiffs have suffered as a result of Farro's misconduct.

**WHEREFORE**, Plaintiffs demand judgment against Farro as follows:

(a) On the First Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since July 2015;

(b) On the Second Cause of Action, a money judgment in favor of Wilhelm in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since July 2015;

(c) On the Third Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since July 2015;

(d) On the Fourth Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(e) On the Fifth Cause of Action, a money judgment in favor of Wilhelm in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest



thereon at the statutory rate since November 4, 2016;

(f) On the Sixth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(g) On the Seventh Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(h) On the Eighth Cause of Action, a money judgment in favor Wilhelm in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(i) On the Ninth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(j) On the Tenth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$13 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(k) On the Eleventh Cause of Action, a money judgment in favor LMEG in an amount to be determined at trial believed to be not less than \$13 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(l) On the Twelfth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$13 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(m) On the Thirteenth Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$30.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(n) On the Fourteenth Cause of Action, a money judgment in favor of Wilhelm in an amount to be determined at trial believed to be not less than \$13 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(o) On the Fifteenth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(p) On the Sixteenth Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(q) On the Seventeenth Cause of Action, a money judgment in favor of Wilhelm in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016

(r) On the Eighteenth Cause of Action, a money judgment in favor of LMEG in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(s) On the Nineteenth Cause of Action, a money judgment in favor of Schochet in an amount to be determined at trial believed to be not less than \$40.25 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(t) On the Twentieth Cause of Action, a money judgment in favor of Wilhelm in an amount to be determined at trial believed to be not less than \$23 million, plus accrued interest thereon at the statutory rate since November 4, 2016;

(u) On the Twenty First Cause of Action, an order directing Farro to render an accounting of his conduct as a member of LMEG and, upon the completion of such accounting, awarding all damages that Plaintiffs suffered as a result of Farro's misconduct; and

(v) The costs and disbursements of this action, including reasonable attorneys' fees; together with

(w) Such other and further relief as the Court may deem appropriate.

Dated: New York, New York  
November 15, 2016

FARRELL FRITZ, P.C.  
*Attorneys for Plaintiffs*

By: s/Peter A. Mahler  
Peter A. Mahler  
Michael A.H. Schoenberg  
622 Third Ave., Suite 37200  
New York, New York 10017  
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SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF KINGS

----- x  
LMEG WIRELESS, LLC, ZALMAN SCHOCHET, and :  
LEVI WILHELM, :

Index No. \_\_\_\_\_/2016

Plaintiffs,

: **VERIFICATION**  
: **OF COMPLAINT**  
:

-against-

MENACHEM FARRO,

Defendant.  
----- x

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

**LEVI WILHELM**, an Orthodox Jew prohibited by his religion from taking an oath,  
affirms the following to be true on penalty of perjury:

I am an individual plaintiff in this action, as well as a member of plaintiff LMEG Wireless, LLC. I have read the annexed Complaint and know the contents thereof, and state that the same is true to my own knowledge, except to those matters which are stated to be on information and belief, and as to those matters I believe them to be true based upon my review of the books and records maintained by Plaintiffs.

  
\_\_\_\_\_  
Levi Wilhelm

Affirmed before me this  
15 day of November, 2016

  
\_\_\_\_\_  
Notary Public

DAVID LORDE  
NOTARY PUBLIC, STATE OF NEW YORK  
Registration No. 01LO6290830  
Qualified in Kings County  
Commission Expires Oct. 15, 2017